Registration No. 333-35181

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM S-1

REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

RAYOVAC CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	3692	22-2423556
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

601 Rayovac Drive
Madison, Wisconsin 53711-2497
(608) 275-3340

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JAMES A. BRODERICK, ESQ.
Vice President and General Counsel
Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711-2497
(608) 275-3340
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of Communications to:

LOUIS A. GOODMAN, ESQ.	VALERIE FORD JACOB, ESQ.
Skadden, Arps, Slate, Meagher & Flom LLP	Fried, Frank, Harris, Shriver & Jacobson
One Beacon Street	One New York Plaza
Boston, Massachusetts 02108	New York, New York 10004
(617) 573-4800	(212) 859-8000

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] __________

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ___________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Aggregate Offering Price Per Share(1)(2)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Stock, par value $.01 per share	7,975,000	$15.00	$119,625,000	$36,250

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, and includes shares of Common Stock that may be purchased by the Underwriters pursuant to an over-allotment option.

(2) The total amount of the registration fee is $36,250, all of which has been paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

==

EXPLANATORY NOTE

This Registration Statement contains three separate prospectuses. The first prospectus relates to a public offering of shares of Common Stock of Rayovac Corporation (the "Company"), par value $.01 per share (the "Common Stock") in the United States and Canada (the "U.S. Offering"). The second prospectus relates to a concurrent offering of Common Stock outside the United States and Canada (the "International Offering," and together with the U.S. Offering, the "Underwritten Offering"). The third prospectus relates to a concurrent offering of Common Stock by the Company to certain employee participants in the Company's Profit Sharing and Savings Plan (the "Direct Offering"). The prospectuses for the U.S. Offering and the International Offering will be identical in all respects, other than the front cover page, the "Underwriting" section and the back cover page. The prospectuses for the Direct Offering and the U.S. Offering will be identical in all respects, other than the front cover page, the section entitled "The Offerings," the section entitled "Legal Matters," the section entitled "Underwriting" (which in the prospectus for the Direct Offering will be replaced with a section entitled "Plan of Distribution") and the back cover page. Such alternate pages for the International Offering and the Direct Offering appear in this Registration Statement immediately following the complete prospectus for the U.S. Offering.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED OCTOBER 31, 1997

PROSPECTUS

[RED HERRING]
Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.
[/RED HERRING]

6,700,000 Shares

RAYOVAC(R)

Common Stock

All of the 6,700,000 shares of Common Stock offered hereby are being sold by Rayovac Corporation ("Rayovac" or the "Company"). Of the 6,700,000 shares of Common Stock offered hereby, 5,360,000 shares are being offered for sale initially in the United States and Canada by the U.S. Underwriters and 1,340,000 shares are being offered for sale initially in a concurrent offering outside the United States and Canada by the International Managers. The initial public offering price and the aggregate underwriting discount per share will be identical for both Offerings. See "Underwriting."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $13.00 and $15.00 per share. For a discussion relating to factors to be considered in determining the initial public offering price, see "Underwriting."

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "ROV," subject to official notice of issuance.

See "Risk Factors" beginning on page 10 for a discussion of certain factors that should be considered by prospective purchasers of the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
Per Share	$	$	$
Total (3)	$	$	$

(1) The Company and the Over-Allotment Selling Shareholders have agreed to indemnify the several Underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by the Company estimated at $1,200,000.
(3) The Over-Allotment Selling Shareholders have granted the U.S. Underwriters and the International Managers options to purchase up to an additional 804,000 shares and 201,000 shares of Common Stock, respectively, in each case exercisable within 30 days after the date hereof, solely to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount and Proceeds to the Over-Allotment Selling Shareholders will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to the approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1997.

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Smith Barney Inc.

The date of this Prospectus is , 1997.

[Inside Front Cover]

[RAYOVAC Logo](R)

[Picture of Five Rayovac Maximum Alkaline Battery Packs on Gray Background]

[Picture of Michael Jordan holding a Rayovac Maximum Alkaline Battery Pack]

[Picture of Six Rayovac Rechargeable Battery Products on Gray Background]

[Picture of Rayovac Battery Store Display on Gray Background]

[Picture of Arnold Palmer Advertisement for Rayovac Hearing Aid Batteries]

RAYOVAC(R), RENEWAL(R), LOUD'N CLEAR(R), POWER STATION(R), PROLINE(R), WORKHORSE(R), ROUGHNECK(R) and SMART PACK(R) are registered trademarks of the Company. MAXIMUM(TM), LIFEX(TM) and SMART(TM) STRIP are trademarks of the Company. All other trademarks or tradenames referred to in this Prospectus are the property of their respective owners.

Certain persons participating in the Offerings may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Such transactions may include stabilizing, the purchase of Common Stock to cover syndicate short positions and the imposition of penalty bids. For a description of these activities, see "Underwriting."

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by reference to the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes that the Underwriters' over-allotment options have not been exercised. Upon consummation of the Recapitalization (as defined herein) on September 12, 1996, the Company changed its fiscal year end from June 30 to September 30. For clarity of presentation and comparison, references to fiscal 1995 and fiscal 1996 are to the Company's fiscal years ended June 30, 1995 and June 30, 1996, respectively, references to the "Transition Period ended September 30, 1996" and the "Transition Period" are to the period from July 1, 1996 to September 30, 1996 and references to fiscal 1997 are to the Company's fiscal year ended September 30, 1997.

The Company

The Company is the leading value brand and the third largest domestic manufacturer of general batteries (including alkaline, heavy duty and rechargeable alkaline), and is the leading worldwide manufacturer of hearing aid batteries. The Company is also the leading domestic manufacturer of rechargeable household batteries, heavy duty batteries and certain other specialty batteries, including lantern batteries and lithium batteries for personal computer clocks and memory backup. In addition, the Company is a leading marketer of battery-powered lighting products. Originally introduced in 1921, the Rayovac brand is a well recognized name in the battery industry. The Company attributes the longevity and strength of its brand name to its high-quality products and to the success of its marketing and merchandising initiatives.

The Company has established its position as the leading value brand in the U.S. general alkaline battery market by focusing on the mass merchandiser channel. The Company achieved this position by (i) offering batteries with quality and performance substantially equivalent to batteries offered by its principal competitors at a lower price, (ii) emphasizing innovative in-store merchandising programs, and (iii) offering retailers attractive margins. The Company has established its position as the leader in various specialty battery niche markets through (i) continual technological advances, (ii) creative distribution and marketing, and (iii) strong relationships with industry professionals and manufacturers. The Company sells and distributes its products in several channels, including mass merchandisers, food and convenience stores, drug and specialty retailers, hardware/home centers, department stores, hearing aid professionals, industrial and government/OEM. The Company markets all of its branded products under the Rayovac(R) name and selected products under sub-brand names such as MAXIMUM(TM), Renewal(R), Loud'n Clear(R), ProLine(R), Lifex(TM), Power Station(R), Workhorse(R), and Roughneck(R).

Business Strategy

In September 1996, pursuant to the Recapitalization, affiliates of the Thomas H. Lee Company acquired beneficial ownership of approximately 80% of the outstanding Common Stock of Rayovac. David A. Jones was hired as Chief Executive Officer of the Company to implement a new business strategy focused on (i) reinvigorating the Rayovac brand name by raising consumer brand awareness through, among other things, focused marketing and advertising, (ii) growing Rayovac's market share by expanding distribution into new channels, increasing sales to under-penetrated channels and customers, launching new products, and selectively pursuing acquisitions and alliances, (iii) reducing costs by rationalizing manufacturing and distribution, better utilizing existing plant capacity, outsourcing products where appropriate, reducing working capital, and downsizing corporate overhead, and (iv) improving employee productivity by reorganizing workflow to support the business units, implementing modern information systems, increasing training and education, and implementing a pay-for-performance culture.

To implement its new strategy, the Company has undergone a significant transformation since the Recapitalization.

Strengthened Senior Management Team. In addition to Mr. Jones, three experienced senior managers were recruited to fill key positions: Kent J. Hussey, Executive Vice President of Finance and Administration and Chief Financial Officer; Merrell M. Tomlin, Senior Vice President of Sales; and Stephen P. Shanesy, Senior Vice President of Marketing and General Manager of General Batteries. The new senior managers have over 70 years of collective experience in the consumer products industry. In addition, the current management team includes several key members who served the Company prior to the Recapitalization, providing continuity and retaining significant battery industry expertise. After giving effect to the Offerings, the eight executive officers of the Company will beneficially own 12.2% of the outstanding Common Stock on a fully diluted basis.

Reorganized Sales, Marketing and Administration by Distribution Channel. Rayovac has realigned its marketing department, sales organization, supply chain and support functions along major distribution channels, including mass merchandisers, food and convenience stores, drug and specialty retailers, hardware/home centers, department stores, hearing aid professionals, industrial and government/OEM. The Company believes that sales to under-penetrated channels should increase as the dedicated teams focus on implementing channel specific marketing strategies, sales promotions and customer service initiatives.

Launched New Sales and Marketing Programs. Rayovac has developed and is in the process of implementing broad new marketing initiatives designed to reinvigorate the Rayovac brand name. Major steps completed to date include: (i) the selection of Young & Rubicam as the Company's new advertising agency and the development of its first major national advertising campaign for general battery products, (ii) the launch of a new and improved alkaline product line under the MAXIMUM sub-brand, (iii) the redesign of all product graphics and packaging to convey a high quality image and emphasize the Rayovac brand name, (iv) the extension of the Company's existing contract with Michael Jordan to include his representation for all Rayovac products, (v) the restructuring of the Company's sales representative network, and (vi) the implementation of a 4% price increase for alkaline general battery products in May 1997.

Outsourced Certain Non-Manufacturing Operations. Since the Recapitalization, the Company has outsourced a number of non-manufacturing operations, including mainframe computer operations, graphic design and production, packaging design and payroll processing. As a result, the Company has reduced costs and increased profitability, while improving services and operations.

Rationalized Manufacturing and Other Costs. In March 1997, the Company transferred the manufacture of round cell batteries from its Newton Aycliffe, United Kingdom facility to its Wisconsin manufacturing plants. In August 1997, it closed its Kinston, North Carolina facility and transferred production to its Wonewoc, Wisconsin lighting products plant and to Far Eastern suppliers. The Company also implemented a significant organizational restructuring in the United States and United Kingdom and undertook additional measures to rationalize the Company's manufacturing, distribution and other overhead costs. Additionally, the Company eliminated costs associated with the use of a corporate aircraft. The Company estimates these initiatives should result in aggregate annual savings of $8.6 million. The Company believes that its current manufacturing capacity remains sufficient to meet its anticipated production requirements.

Reorganized Information Systems. The Company has completed an initial reorganization of its information systems function by (i) hiring an experienced Chief Information Officer, (ii) outsourcing mainframe computer operations, (iii) completing an enterprise software system analysis, and (iv) retaining Electronic Data Systems to modernize and upgrade its data processing and telecommunications infrastructure. The Company has purchased from SAP and begun implementing an enterprise-wide, integrated information system to upgrade and modernize its business operations, the majority of which is expected to be substantially completed by late 1998. When fully implemented, this system is expected to reduce cycle times, lower manufacturing and administrative costs, improve both asset and employee productivity and address the Year 2000 issue.

Growth Strategy

Rayovac believes it has significant growth opportunities in its businesses and has developed corporate and market segment strategies aimed at increasing sales, profits and market share. Key elements of the Company's growth strategy are as follows:

Reinvigorate the Rayovac Brand Name. The brand, originally introduced in 1921, has wide recognition in all markets where the Company competes, but has lower awareness than the more highly advertised Duracell and Energizer brands. The Company is committed to reinvigorating the Rayovac brand name after many years of underdevelopment. The Company has initiated an integrated advertising campaign using significantly higher levels of TV and print media. The campaign is designed to increase awareness of the Rayovac brand and to heighten customers' perceptions of the quality, performance and value of Rayovac products. The Company intends to continue building its brand name to increase sales of all its products. In 1997, the Company launched a reformulated alkaline battery, Rayovac MAXIMUM, supported by new graphics, new packaging, a new advertising campaign, and aggressive introductory retail promotions. This focused marketing approach is specifically designed to raise consumer awareness and increase retail sales.

Leverage Value Brand Position. Rayovac believes it has a unique position in the general battery market as the value brand in an industry in which the leading three brands (Duracell, Energizer and Rayovac) account for approximately 90% of sales. The Company's strategy is to provide products of quality and performance equal to its major competitors in the general battery market at a lower price, appealing to a large segment of the population desiring a value brand. To demonstrate its value positioning, Rayovac offers comparable battery packages at a lower price or, in some cases, more batteries for the same price.

Expand Retail Distribution. Historically the Company had focused its sales and marketing efforts on the mass merchandiser channel which accounted for 41% of industry sales growth in the domestic alkaline battery market over the past five years. As a result, the Company has achieved a 19% share of domestic alkaline battery unit sales through mass merchandisers. However, this narrow focus contributed to much lower market share in all other retail channels which represent a market of $1.7 billion or 70% of the general battery market. The Company believes its value brand positioned products and innovative merchandising programs make it an attractive supplier to these channels. The Company has reorganized its marketing, sales, and sales representative organizations by channel in order to grow market share by (i) gaining new customers, (ii) penetrating existing customers with a larger assortment of products, (iii) introducing new products, and (iv) utilizing more aggressive and channel specific promotional programs.

Further Capitalize on Worldwide Leadership in Hearing Aid Batteries. The Company seeks to increase its 50% worldwide market share in the hearing aid battery segment, as it has done consistently for the past 10 years, by leveraging its leading technology and its dedicated and focused sales and marketing organizations. Rayovac is the only hearing aid battery manufacturer to advertise its products and plans to continue to utilize Arnold Palmer as its spokesperson in its print media campaign. Rayovac has also recently introduced large multi-packs of hearing aid batteries which have rapidly gained consumer favor.

Reposition the Renewal Rechargeable Alkaline Battery. The Company's Renewal rechargeable battery is the only rechargeable alkaline battery in the U.S. market, commanding a 66% market share of the rechargeable household battery market through mass merchandisers, food and drug stores for the 52 weeks ended July 5, 1997. Since the Recapitalization, management has lowered the price of Renewal rechargers by 33% to encourage consumers to purchase the system and shifted Renewal's marketing message from its environmental benefits to its money-saving benefits. Renewal batteries present a value proposition to consumers because Renewal batteries can be recharged over 25 times, providing 10 times the energy of disposable alkaline batteries at only twice the retail price. In addition, alkaline rechargeables are superior to nickel cadmium rechargeables (the primary competing technology) because they provide more energy between charges, are sold fully charged, retain their charge longer and are environmentally safer.

Introduce New Niche Products. The Company has developed leading positions in several important niche markets, including those for lantern batteries and lithium coin cells for personal computer memory back-up. The Company intends to continue selectively pursuing opportunities to exploit under-served niche markets, as well as further develop recent initiatives including the sales and marketing of photo and keyless entry batteries. In the lighting products segment, the Company is introducing a number of attractively designed new products over the next twelve months and intends to bring new products to the market in the future on a six-month cycle. New products have been proven to be a key element in gaining market share for lighting products.

Develop New Markets. The Company intends to leverage its existing resources to expand its business into new markets for batteries and related products both domestically and internationally. The Company expects to pursue a strategy of selective acquisitions and regularly considers potential acquisition candidates. These acquisitions may focus on expansion into new geographic markets, technologies or product lines and, in addition, such acquisitions may be of a significant size and could involve domestic or international parties. See "Risk Factors--Risks Associated with Future Acquisitions."

The Offerings

The offering of 5,360,000 shares of the Company's Common Stock in the United States and Canada (the "U.S. Offering"), the offering of 1,340,000 shares of the Common Stock outside the United States and Canada (the "International Offering") and the offering of 270,000 shares of Common Stock to certain employee participants in the Company's Profit Sharing and Savings Plan (the "Direct Offering") are collectively referred to herein as the "Offerings."

Common Stock offered by the Company(1)	6,970,000 shares
Common Stock to be outstanding after the Offerings(2)	27,551,431 shares
Use of proceeds	The net proceeds to be received by the Company from the Offerings will be used to repay indebtedness incurred in connection with the recapitalization of the Company completed in September 1996. See "The Recapitalization" and "Use of Proceeds."
New York Stock Exchange symbol	"ROV"

- ----------------

(1) Includes up to 270,000 shares of Common Stock concurrently being offered directly by the Company in the Direct Offering.

(2) Excludes 5,426,905 shares of Common Stock reserved for sale or issuance under the Company's employee benefit plans, of which options to purchase 2,318,127 shares have been granted and 3,108,778 shares remain available for issuance or sale. See "Management--Stock Option Plans."

The Company is concurrently offering up to 270,000 shares of Common Stock in the Direct Offering pursuant to a separate prospectus. The shares are being offered at a price per share equal to the per share Price to Public as set forth on the cover page of this Prospectus. Since such shares are being sold directly by the Company and not through the Underwriters, no underwriting discount will be paid to the Underwriters with respect to such shares.

Industry Market Data

External market information in this Prospectus is provided by the Company, based on data licensed from A.C. Nielsen. The two primary sources of market data are Nielsen Scanner Data (obtained from checkout scanners in selected food stores, drug stores and mass merchandisers) and Nielsen Consumer Panel Data (obtained from a group of representative households selected by A.C. Nielsen equipped with in-home scanners). Except as set forth below, specific market share references are obtained from Nielsen Scanner Data. Specific hearing aid battery market share references are obtained from Nielsen Scanner Data, as supplemented by National Family Opinion Purchase Diary Data. Information regarding the size (in terms of both dollars and unit sales) of the total U.S. retail battery market is based upon Nielsen Scanner Data, as supplemented by Nielsen Consumer Panel Data. The Company has derived worldwide hearing aid market share data and specialty battery market share data based on data from the above noted sources, together with information relating to the Company's sales of hearing aid batteries in Europe, the Company's estimates of manufacturers' production levels of hearing aid products or other devices which utilize specialty batteries and market price data.

Other industry data used throughout this Prospectus has been obtained from a variety of industry surveys (including surveys forming a part of primary research studies conducted by the Company) and publications but has not been independently verified by the Company. The Company believes that information contained in such surveys and publications has been obtained from reliable sources, but there can be no assurance as to the accuracy and completeness of such information.

Unless otherwise indicated, all market share estimates are Company estimates based on the foregoing, are for the U.S. market and reflect units sold.

Risk Factors

Purchasers of Common Stock in the Offerings should carefully consider the risk factors set forth under the caption "Risk Factors" and the other information included in this Prospectus prior to making an investment decision. See "Risk Factors."

Forward-Looking Statements

This Prospectus contains certain forward-looking statements relating to, among other things, future results of operations, growth plans, sales, capital requirements and general industry and business conditions applicable to the Company. These forward-looking statements are based largely on the Company's current expectations and are subject to a number of risks and uncertainties. Actual results could differ materially from those implied by these forward-looking statements. Important factors to consider in evaluating such forward-looking statements include changes in external competitive market factors, changes in the Company's business strategy or an inability to execute its strategy due to unanticipated changes in the Company's industry or the economy in general and various competitive factors that may prevent the Company from competing successfully in existing or new markets. In light of these risks and uncertainties, many of which are described in further detail under the caption "Risk Factors," there can be no assurance that the forward-looking statements contained in this Prospectus will in fact be realized.

Established in 1906, the Company is a Wisconsin corporation with its principal executive offices at 601 Rayovac Drive, Madison, Wisconsin, 53711-2497. The Company's telephone number is (608) 275-3340.

SUMMARY FINANCIAL DATA

The following summary historical financial data as of and for the two fiscal years ended June 30, 1996, the Transition Period ended September 30, 1996 and the fiscal year ended September 30, 1997 is derived from the audited consolidated financial statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The summary historical financial data as of and for the twelve months ended September 30, 1996 is derived from the unaudited condensed consolidated financial statements of the Company and, in the opinion of management, includes all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of financial position and results of operations as of the date and for the period indicated which are not included herein. The summary historical financial data of the Company as of and for the two fiscal years ended June 30, 1993 and June 30, 1994 is derived from audited consolidated financial statements of the Company which are not included herein. The following summary financial data should be read in conjunction with the Company's consolidated financial statements and the related notes thereto and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

This financial data, as well as all other financial data set forth herein, gives effect to the reclassification by the Company of certain promotional expenses, previously reported as a reduction of net sales, to selling expense. The amounts which have been reclassified are $19.0 million, $17.5 million, $24.2 million, and $24.0 million for the fiscal years ended June 30, 1993, 1994, 1995, and 1996, respectively, $6.9 million for the Transition Period ended September 30, 1996, $24.1 million for the twelve months ended September 30, 1996 and $28.7 million for the fiscal year ended September 30, 1997. The Company believes that this reclassification is consistent with the method used by other consumer products companies.

	Fiscal Year Ended June 30,				Transition Period Ended September 30,	Twelve Months Ended September 30,	Fiscal Year Ended September 30,
	1993	1994	1995	1996	1996	1996	1997
	(In millions, except per share data)						
Statement of Operations Data:							
Net sales	$ 372.4	$ 403.7	$ 415.2	$ 423.4	$ 101.9	$ 417.9	$ 432.6
Gross profit	171.0	168.8	178.1	184.0	42.6	180.0	198.0
Income from operations before non-recurring charges(1)	31.2	21.9	31.5	30.3	4.7	27.0	37.5
Income (loss) from operations(2)(3)(4)	31.2	10.9	31.5	30.3	(23.7)	(1.4)	34.5
Interest expense	6.0	7.7	8.6	8.4	4.4	10.5	24.5
Net income (loss)(5)	15.0	4.4	16.4	14.3	(20.9)	(10.2)	6.2
Pro Forma Operations Data(6):							
Income before provision for income taxes							$ 17.5
Provision for income taxes							6.5
Pro forma net income							$ 11.0
Pro forma net income per common and common equivalent share							$ 0.38
Weighted average common and common equivalent shares							29.2
Other Financial Data:							
Depreciation	$ 7.4	$ 10.3	$ 11.0	$ 11.9	$ 3.3	$ 12.1	$ 11.3
Capital expenditures(7) ...	30.3	12.5	16.9	6.6	1.2	8.4	10.9
Cash flows from operating activities	15.8	(18.7)	35.5	17.8	(1.1)	26.0	35.7
EBITDA(8)	39.3	21.2	41.3	42.2	(20.4)	10.7	45.8

	September 30, 1997 (In millions)	
Balance Sheet Data(9):	Actual	As Adjusted
Working capital	$ 33.8	$ 35.1
Total assets	236.9	236.9
Total debt	207.3	120.7
Shareholders' equity (deficit)	(80.6)	7.2

(footnotes on following page)

- ----------------

(1) Income (loss) from operations includes expenses incurred during the Fennimore Expansion, and Recapitalization and other special charges in fiscal 1994, the Transition Period Ended September 30, 1996, and the fiscal year ended September 30, 1997. Income from operations before these non-recurring charges was as follows:

	Fiscal Year Ended June 30,				Transition Period Ended September 30,	Twelve Months Ended September 30,	Fiscal Year Ended September 30,
	1993	1994	1995	1996	1996	1996	1997
					(In millions)		
Income (loss) from operations	$31.2	$ 10.9	$31.5	$30.3	$ (23.7)	$ (1.4)	$ 34.5
Fennimore Expansion	--	9.5	--	--	--	--	--
Recapitalization and other special charges	--	1.5	--	--	28.4	28.4	3.0
Income from operations before non-recurring charges	$31.2	$ 21.9	$31.5	$30.3	$ 4.7	$ 27.0	$ 37.5

(2) Income from operations in fiscal 1994 was impacted by increased selling expenses due to higher advertising and promotion expenses related to the Renewal Introduction (as defined herein). In addition, income from operations was impacted by non-recurring costs of $9.5 million in connection with the Fennimore Expansion (as defined herein) including $8.4 million of increased cost of goods sold and $1.1 million of increased general and administrative expenses, and other special charges of approximately $1.5 million related to a plan to reduce the Company's cost structure and to improve productivity through an approximate 2.5% reduction in headcount on a worldwide basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(3) During the Transition Period, the Company recorded charges of $12.3 million directly related to the Recapitalization and other special charges of $16.1 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(4) In the fiscal year ended September 30, 1997, the Company recorded other special charges of $5.9 million offset by a special credit of $2.9 million which was related to the curtailment of the Company's defined benefit pension plan covering all domestic non-union employees. The special charges related to organizational restructuring in the United States, the discontinuation of certain manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility and the discontinuation of operations at the Company's facility in Kinston, North Carolina.

(5) The Recapitalization of the Company included repayment of certain outstanding indebtedness, including prepayment fees and penalties. Such prepayment fees and penalties of $2.4 million, net of income tax benefit of $0.8 million, has been recorded as an extraordinary item in the Combined Consolidated Statement of Operations for the Transition Period and the twelve months ended September 30, 1996.

(6) The unaudited pro forma operations data gives effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (at an assumed initial public offering price of $14.00 per share and after deducting the underwriting discounts and estimated offering expenses), and the application of the net proceeds therefrom as if they had occurred at the beginning of the fiscal year ended September 30, 1997. The pro forma adjustments are based upon available data and certain assumptions that the Company believes are reasonable. The unaudited pro forma operations data does not purport to represent what the Company's results of operations would actually have been had the sale by the Company of 6,970,000 shares of Common Stock in fact occurred at such prior time or to project the Company's results of operations for or at any future period or date. The pro forma adjustments for the fiscal year ended September 30, 1997 record (i) the reduction in interest expense of $7.9 million to give effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (after deduction for the underwriting discounts and estimated offering expenses) and the application of the net proceeds therefrom; and (ii) the incremental income tax expense of $3.1 million relating to the pro forma interest adjustment (computed using an effective income tax rate of 39%). Interest expense was calculated using the following average rates: (i) Revolving Credit Facility (as defined herein), 8.4%; (ii) Term Loan Facility (as defined herein), 8.4% to 9.2%; and (iii) Notes (as defined herein), 10.25%.

The Company will use approximately $38.2 million of the net proceeds to redeem or repurchase approximately $35.0 million principal amount of the Notes, including a $3.2 million premium. The $3.2 million premium charge which will be reported as an extraordinary item, net of applicable income tax, was not reflected in the pro forma operations data presented.

(7) From fiscal 1993 through fiscal 1995 the Company invested an aggregate of $32.7 million in connection with the Fennimore Expansion, including $19.7 million incurred in fiscal 1993. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(8) EBITDA represents income from operations plus depreciation and amortization

(excluding amortization of debt issuance costs) and reflects an adjustment of income from operations to eliminate the establishment and subsequent reversal of two reserves ($0.7 million established in fiscal 1993 and reversed in fiscal 1995, and $0.5 million established in fiscal 1992 and reversed in fiscal 1995). The Company believes that EBITDA and related measures are commonly used by certain investors and analysts to analyze and compare, and provide useful information regarding, the Company's ability to service its indebtedness. However, the following factors should be considered in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with generally accepted accounting principles ("GAAP"), (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

(9) As adjusted to give effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (at an assumed initial public offering price of $14.00 per share and after deducting the underwriting discounts and estimated offering expenses) and the application of the net proceeds therefrom. See "Use of Proceeds."

RISK FACTORS

Prospective investors should carefully consider all of the information set forth in this Prospectus, including the risk factors set forth below.

Competition

The industries in which the Company participates are very competitive. Competition is based upon brand name recognition, perceived quality, price, performance, product packaging and product innovation, as well as creative marketing, promotion and distribution strategies. In the U.S. battery industry, the Company competes primarily with two well established companies, Duracell International Inc. ("Duracell"), a subsidiary of The Gillette Company, and Eveready Battery Company, Inc., a subsidiary of Ralston Purina Company and producer of Energizer brand batteries ("Energizer"), each of which has substantially greater financial and other resources and greater overall market share than the Company. In addition, the Company believes that Duracell and Energizer may have lower costs of production and higher profit margins in certain key product lines than the Company. The Company competes with these competitors for the limited shelf space that retailers allot to battery products and for the promotional efforts of such retailers.

Although foreign battery manufacturers historically have not been successful in penetrating the U.S. retail market to any significant extent, they have, from time to time, attempted to establish a significant presence in the U.S. battery market. There can be no assurance that these attempts will not be successful in the future or that the Company will be able to compete effectively with current or prospective participants in the U.S. battery industry. In addition, the battery-powered lighting device industry is highly competitive and includes a greater number of competitors than the U.S. battery industry, some of which have greater financial and other resources than the Company. See "Business--Competition."

Dependence on Key Customers

Wal-Mart Stores, Inc. ("Wal-Mart"), the Company's largest retailer customer, accounted for 20% of the Company's net sales in fiscal 1997. In addition, the Company's three largest retailer customers, including Wal-Mart, together accounted for 29% of the Company's net sales in fiscal 1997. The Company does not have long-term agreements with any of its major customers, and sales are generally made to them through the use of individual purchase orders, consistent with industry practice. There can be no assurance that there will not be a significant reduction in purchases by any of the Company's three largest retailer customers, which could have a material adverse effect on the Company's business, financial condition or results of operations. See "Business--Sales and Distribution."

Substantial Leverage

As of September 30, 1997, the Company had total indebtedness of $207.3 million and total shareholders' deficit of $80.6 million. After giving effect to the Offerings and the application of the net proceeds to the Company therefrom, as of September 30, 1997, the Company would have had total indebtedness of $114.2 million and total shareholders' equity of $13.7 million. Subject to the restrictions contained in the Company's Credit Agreement (as defined herein) and the indenture (the "Indenture") relating to the Company's 10-1/4% Series B Senior Subordinated Notes due 2006 (the "Notes"), the Company may incur additional indebtedness from time to time to finance acquisitions or capital expenditures or for other corporate purposes. A significant portion of cash flow from operations must be dedicated to the payment of principal of and interest on the Company's indebtedness, thereby reducing the amount of funds available for working capital, capital expenditures and other purposes. The Company's ability to make scheduled payments on its outstanding indebtedness will depend on its future operating performance which, in turn, will be affected by prevailing economic conditions and financial, competitive, regulatory and similar factors. The Credit Agreement and the Indenture impose operational and financial restrictions on the Company. See "Description of Certain Indebtedness." Although the Company believes that, based on current levels of operations, its cash flow from operations, together with external sources of liquidity, will be adequate to make required payments on its debt, whether at or prior to maturity, finance anticipated capital expenditures and fund working capital requirements, there can be no assurance in this regard.

Risks Associated with Future Acquisitions

An element of the Company's growth strategy is to pursue increased market penetration through strategic acquisitions, which could be of significant size and involve either domestic or international parties. The diversion of management attention required by the acquisition and integration of a separate organization, as well as other difficulties which may be encountered in the transition and integration process, could have a material adverse effect on the revenue and operating results of the Company. There can be no assurance that the Company will identify suitable acquisition candidates, that acquisitions will be consummated on acceptable terms or that the Company will be able to successfully integrate the operations of any acquisition. In addition, the Company may incur additional indebtedness in connection with acquisitions, which might not be available on terms as favorable to the Company as current terms and which would increase the leveraged position of the Company. See "--Substantial Leverage." Further, acquisitions utilizing equity may be dilutive to shareholders.

Environmental Matters

The Company's facilities are subject to a broad range of federal, state, local and foreign laws and regulations relating to the environment, including those governing discharges to the air and water and land, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at Company facilities and at off-site disposal locations. Risk of environmental liability is inherent in the Company's business, however, and there can be no assurance that material environmental costs will not arise in the future. In particular, the Company might incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies. Based on currently available information, the Company believes that it is substantially in compliance with applicable environmental regulations at its facilities, although no assurance can be provided with respect to such compliance in the future.

The Company has been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state laws with respect to the past disposal of waste. Such laws may impose liability on certain statutory classes of persons that are considered jointly and severally liable for the costs of investigation and remediation of contaminated properties, regardless of fault or the legality of the original disposal. These persons include the present or former owner or operator of a facility and companies that generated, disposed or arranged for the disposal of hazardous substances found at the facility. The Company may be named as a PRP at additional sites in the future, and the costs associated with such additional or existing sites may be material. In addition, certain of the Company's battery manufacturing facilities have been in operation for decades and, over such time, the Company and other prior operators of such facilities have generated and disposed of wastes such as manganese, cadmium and mercury which are or may be considered hazardous. The Company has not conducted invasive testing to identify all potential risks, and given the age of the Company's facilities and the nature of the Company's operations, there can be no assurance that material liabilities will not arise in the future in connection with its current or former facilities. The discovery of previously unknown contamination of property underlying or in the vicinity of the Company's manufacturing facilities could require the Company to incur material unforeseen expenses. Occurrences of any such events may have a material adverse effect on the Company's financial condition.

In addition, the Company has been notified that its former manganese processing facility in Covington, Tennessee is being evaluated by the Tennessee Department of Environment and Conservation ("TDEC") for a determination as to whether the facility should be added to the National Priorities List as a Superfund site. Groundwater monitoring at the site conducted pursuant to the post-closure maintenance of solid waste lagoons on site, and recent groundwater testing beneath former process areas on site, indicate that there are elevated levels of certain inorganic contaminants, particularly (but not exclusively) manganese, in the groundwater underneath the site. The Company cannot predict the outcome of TDEC's investigation of the site. See "Business--Environmental Matters."

The Company has been and is subject to several proceedings related to its disposal of industrial and hazardous material at off-site disposal locations under CERCLA or analogous state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for the costs incurred in responding to the release or threatened release of hazardous substances from such sites. Except for the Velsicol Chemical and Morton International proceedings described below (as to which there is insufficient information to make a judgment as to its impact on the Company at this time), the Company does not believe that any of its pending CERCLA or analogous state matters, either individually or in the aggregate, will have a material impact on the Company's operations, financial condition or liquidity.

The Company has been named as a defendant in two lawsuits in connection with a Superfund site located in Bergen County, New Jersey (Velsicol Chemical Corporation, et al. v. A.E. Staley Manufacturing Company, et al., and Morton International, Inc. v. A.E. Staley Manufacturing Company, et al., United States District Court for the District of New Jersey, filed July 29, 1996). These lawsuits involve contamination at a former mercury processing facility and the watershed of a nearby creek (the "Bergen County Site"). The Company is one of approximately 100 defendants named in these lawsuits. The cost to remediate the Bergen County Site has not been determined and the Company cannot predict the outcome of these proceedings. See "Business--Environmental Matters."

Battery Technology

The battery industry generally involves continually evolving technology with individual advances typically resulting in modest increases in product life. There can be no assurance that, as existing battery products and technologies improve and new, more advanced products and technologies are introduced, the Company's products will be able to compete effectively in any of its targeted market segments. The development and successful introduction of new and enhanced products and other competing technologies that may outperform the Company's batteries and technological developments by competitors or consumer perceptions as to improved product offerings of competitors may have a material adverse effect on the Company's business, financial condition or results of operations, particularly in the context of the substantially greater resources of the Company's two principal competitors in the general battery market, Duracell and Energizer. See "--Competition." Similarly, in those market segments where the Company's battery products currently have technological advantages there can be no assurance that the Company's products will maintain such advantages.

The general battery industry historically has sustained unit sales growth even as battery life has increased with innovation (largely due to expansion in the use of and the number of applications for batteries); however, there can be no assurance that continued enhancements of battery performance (including rechargeable battery performance) will not have an adverse effect on unit sales.

Risks of Foreign Sales; Exchange Rate Fluctuations

The Company's foreign sales and certain expenses are transacted in foreign currencies. In fiscal 1997, approximately 18.9% of the Company's revenues and 18.4% of the Company's expenses were denominated in currencies other than U.S. dollars. International operations and exports and imports to and from foreign markets are subject to a number of special risks including, but not limited to, risks with respect to currency exchange rates, economic and political destabilization, restrictive actions by foreign governments (e.g. duties and quotas and restrictions on transfer of funds), changes in United States and foreign laws regarding trade and investment and difficulty in obtaining distribution and support. Significant increases in the value of the U.S. dollar relative to certain foreign currencies could have a material adverse effect on the Company's results of operations. The Company generally hedges a portion of its foreign currency exposure and will, in the future, be vulnerable to the effects of currency exchange rate fluctuations. For a description of the Company's operations in different geographic areas, including the Company's sales, revenue and profit or loss and identifiable assets attributable to each of the Company's geographic areas, see Note 12 of Notes to Combined Consolidated Financial Statements.

Raw Materials

The Company's principal raw material for the production of its battery products is zinc and the Company expects to spend approximately $8.4 million for zinc in fiscal 1998. Prices for zinc are subject to market forces beyond the control of the Company. The Company regularly engages in forward purchases and hedging transactions to effectively manage raw material costs and inventory relative to anticipated production requirements for the next six to twelve months. However, the Company's future profitability may be materially adversely affected by increased zinc prices to the extent it is unable to pass on higher raw material costs to its customers. See Note 2.o. of Notes to Combined Consolidated Financial Statements.

Limited Intellectual Property Protection

The Company relies upon a combination of patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual covenants, to establish and protect its technology and other intellectual property rights. There can be no assurance that the steps taken by the Company will be adequate to prevent misappropriation of its technology or other intellectual property or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. Moreover, although the Company believes that its current products do not infringe upon the valid proprietary rights of others, there can be no assurance that third parties will not assert infringement claims against the Company and that, in the event of an unfavorable ruling on any such claim, a license or similar agreement will be available to the Company on reasonable terms. Moreover, the laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States.

Certain technology underlying the Company's rechargeable line of alkaline batteries is the subject of a non-exclusive license from a third party and could be made available to the Company's competitors. The licensing of that technology to a competitor could have an adverse effect on the Company's business, financial condition or results of operations. The Company does not believe, however, that this effect would be material to the Company because revenues from sales of the Company's rechargeable alkaline batteries and rechargers account for less than 10% of the Company's total revenues.

The Company does not have any right to the trademark "Rayovac" in Brazil, where the mark is owned by an independent third-party battery manufacturer. In addition, ROV Limited, a third party unaffiliated with the Company, has an exclusive, perpetual, royalty-free license for the use on general batteries (but not hearing aid or other specialty batteries) and lighting devices of the Rayovac trademark in a number of countries, including in Latin America. See "Business--Patents, Licenses and Trademarks."

Seasonality

Sales of the Company's products are seasonal, with the highest sales occurring in the fiscal quarter ending on or about December 31, during the holiday season. During the past four fiscal years, the Company's sales in the quarter ending on or about December 31 have represented an average of 33% of annual net sales. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Seasonality."

Control by Existing Shareholders

Upon completion of the Offerings, the Company's existing shareholders will beneficially own 74.7% of the Company's outstanding Common Stock (71.1% if the Underwriters' over-allotment options are exercised in full). Of those shares, the Thomas H. Lee Equity Fund III, L.P. (the "Lee Fund") and certain other affiliates of Thomas H. Lee Company ("THL Co."; the Lee Fund and such other affiliates being referred to herein as the "Lee Group") will beneficially own 64.8% of the Company's outstanding Common Stock (61.1% if the Underwriters' over-allotment options are exercised in full). Consequently, the Lee Group will control the Company and have the power to elect the board of directors of the Company (the "Board of Directors") and to approve any action requiring shareholder approval, including the adoption of amendments to the Company's Amended and Restated Articles of Incorporation and the approval of mergers or sales of all or substantially all of the Company's assets. See "Ownership of Capital Stock." The Company's ability to take certain of these actions is limited by certain terms of its outstanding indebtedness. See "Description of Certain Indebtedness."

Shares Eligible for Future Sale; Potential for Adverse Effect on Stock Price; Registration Rights

Sales of a substantial number of shares of Common Stock in the public market or the perception that such sales could occur could adversely affect prevailing market prices for the Common Stock. Upon completion of the Offerings, the Company will have outstanding 27,551,431 shares of Common Stock, excluding 2,318,127 shares of Common Stock which have been granted under the Company's stock incentive plans. Of these shares, the shares of Common Stock to be sold in the Offerings will be freely tradable without restriction under the Securities Act of 1933, as amended (the "Securities Act"), except for any such shares which may be acquired by an "affiliate" of the Company. In connection with the Offerings, certain existing shareholders and the executive officers of the Company (holding an aggregate of approximately 20 million shares of Common Stock upon consummation of the Offerings) and the Company have agreed, subject to certain exceptions, not to dispose of any shares of Common Stock for a period of 180 days from the date of this Prospectus (the "Lockup Period") without the consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") on behalf of the Underwriters. Upon expiration of the Lockup Period, substantially all of such shares will be eligible for sale in the public market subject to compliance with the volume limitations and other restrictions of Rule 144 under the Securities Act.

Following the consummation of the Offerings, the Lee Group will hold 17,852,158 shares of Common Stock (without giving effect to the Underwriters' over-allotment options) and will be entitled to certain registration rights with respect to the registration of such shares under the Securities Act. Under the terms of a shareholders agreement between the Company and certain shareholders, dated as of September 12, 1996, as amended as of August 1, 1997 (the "Shareholders Agreement"), at any time when the Lee Group and their permitted transferees own in the aggregate at least 10% of the shares acquired in the Recapitalization, the Lee Group has the right to require the Company to file a registration statement under the Securities Act in order to register the sale of all or any part of its shares of Common Stock. See "Shares Eligible for Future Sale." The Lee Group is entitled to demand that the Company register their shares of Common Stock on three occasions at the Company's expense; provided, however, that if the Lee Group owns at least 10%, but not more than 25%, of the shares acquired in the Recapitalization, then the Company shall be obligated to effect only one such registration. Additionally, the Lee Group and shareholders party to the Shareholders Agreement have the right, subject to certain limitations, to include their shares in certain offerings initiated by the Company whether for its own account or for other shareholders. The Company may in certain circumstances defer such registrations, and the underwriters with respect to such sale have the right, subject to certain limitations, to limit the number of shares included in such registrations. In the event that the Company proposes to register the sale of any of its securities under the Securities Act, the Company is required to promptly give such shareholders written notice no later than 10 days before the effective date of the registration statement, at which point such shareholders will have five days to make a written request of the Company to include their shares of Common Stock in such registration, subject to the underwriters' right to limit such shares and certain other limitations. In general, the Company is required to bear the expense of all such registrations except for transfer taxes. The sale of such shares could have an adverse effect on the Company's ability to raise equity capital in the public markets. The shares held by the Lee Group are subject to the Lockup Period referred to in the preceding paragraph. See "Shares Eligible for Future Sale."

No Prior Market for Common Stock; Offering Price

Prior to the Offerings, there has been no public market for the Common Stock, and there can be no assurance that an active trading market will develop or, if developed, that such market will be sustained. The initial public offering price of the Common Stock will be determined through negotiations between the Company and the representatives of the Underwriters. In addition, the Company believes that factors such as quarterly fluctuations in the financial results of the Company, as well as developments that affect the Company's industry, the overall economy and the financial markets in general could cause the price of the Common Stock to fluctuate substantially. See "Underwriting."

Anti-Takeover and Other Provisions of Wisconsin Law

Certain provisions of the Company's Amended and Restated Articles of Incorporation (the "Charter") and the Amended and Restated By-laws (the "By-laws"), each to be effective prior to the sale of the shares of Common Stock in the Offerings, and of Wisconsin corporation law may have the effect of discouraging, delaying or preventing a change in control of the Company or unsolicited acquisition proposals. Under certain provisions of Wisconsin law, shareholders may have certain liabilities with respect to liabilities of a corporation with respect to unpaid wages under certain circumstances. See "Description of Capital Stock--Anti-Takeover Effects of Provisions of the Charter and By-laws and of Wisconsin Law" and "--Common Stock."

Substantial and Immediate Dilution to Investors Purchasing in the Offerings

Investors purchasing shares of Common Stock in the Offerings will experience immediate and substantial dilution in net tangible book value per share of $13.82 (assuming an initial public offering price of $14.00 per share). See "Dilution."

THE RECAPITALIZATION

Effective as of September 12, 1996, the Company, all of the shareholders of the Company, the Lee Fund and other affiliates of THL Co. completed a recapitalization (the "Recapitalization") pursuant to which, among other things: (i) the Company obtained senior financing under a Credit Agreement dated as of September 12, 1996 by and among the Company, Bank of America National Trust and Savings Association and DLJ Capital Funding, Inc. (the "Credit Agreement") in an aggregate amount of $170.0 million, of which $131.0 million was borrowed at the closing of the Recapitalization, including $26.0 million under the Revolving Credit Facility; (ii) the Company obtained $100.0 million in financing through the issuance of bridge notes (the "Bridge Notes"); (iii) the Company redeemed a portion of the shares of Common Stock held by Thomas F. Pyle, Jr., the former President and Chief Executive Officer of the Company; (iv) the Lee Group purchased for cash shares of Common Stock owned by shareholders of the Company (a group consisting of current and former directors and management of the Company and the Thomas Pyle and Judith Pyle Charitable Remainder Trust (the "Pyle Trust")) which resulted in a change of control of the Company; and (v) the Company repaid certain of its outstanding indebtedness, including prepayment fees and penalties. The Bridge Notes were subsequently repaid with the proceeds of the sale of 10-1/4% Senior Subordinated Notes Due 2006, which were later exchanged for a like principal amount of the Notes.

USE OF PROCEEDS

The net proceeds to the Company from the sale of shares of Common Stock offered in the Offerings are estimated to be approximately $89.8 million assuming an initial public offering price of $14.00 per share (the midpoint of the range of the initial public offering price set forth on the cover page of this Prospectus), and after deducting the underwriting discounts and estimated offering expenses. The Company will not receive any of the proceeds from the sale of the shares to be sold, if any, by certain existing shareholders of the Company who have granted over-allotment options to the Underwriters (the "Over-Allotment Selling Shareholders").

Of the net proceeds to the Company from this offering, approximately $38.2 million will be used to redeem or repurchase approximately $35.0 million principal amount of the Notes and pay the associated premium, and approximately $51.6 million will be used to repay term loans provided pursuant to the Credit Agreement incurred in connection with the Recapitalization. The Notes bear interest at a rate of 10-1/4%, payable semiannually, and mature on November 1, 2006. The term loans under the Credit Agreement consist of a six-year Tranche A term loan of $55.0 million, a seven-year Tranche B term loan of $25.0 million and an eight-year Tranche C term loan of $25.0 million (collectively, the "Term Loan Facility"). Borrowings under the Credit Agreement bear interest, in each case at the Company's option, as follows: (i) with respect to the Tranche A loans, at Bank of America National Trust and Savings Association's base rate plus 1.50% per annum, or at IBOR plus 2.50% per annum; (ii) with respect to the Tranche B loans, at Bank of America National Trust and Savings Association's base rate plus 2.00% per annum, or at IBOR plus 3.00% per annum; and (iii) with respect to the Tranche C loans, at Bank of America National Trust and Savings Association's base rate plus 2.25% per annum, or at IBOR plus 3.25% per annum. The Credit Agreement requires the Company to apply 50% of the proceeds of the Offerings not used to redeem or repurchase Notes to repayment of indebtedness under the Credit Agreement, pro rata among the tranches except as may be otherwise agreed. See "Description of Certain Indebtedness."

DIVIDEND POLICY

The Company does not anticipate paying cash dividends in the foreseeable future, but intends to retain any future earnings for reinvestment in its business. In addition, the Credit Agreement and the Notes restrict the Company's ability to pay dividends to its shareholders. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements, contractual restrictions and such other factors as the Board of Directors deems relevant.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of September 30, 1997, after giving effect to the Company's Charter to be effective prior to the sale of the shares of Common Stock in the Offerings and as adjusted as of that date to give effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (at an assumed initial public offering price of $14.00 per share) and the application of the net proceeds therefrom as described in "Use of Proceeds." This table should be read in conjunction with the Company's consolidated financial statements and the related notes thereto and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	As of September 30, 1997	
	Actual	As Adjusted
	(Dollars in millions)	
Debt:		
Revolving Credit Facility(1)	$ 4.5	$ 4.5
Term Loan Facility(2)	100.5	48.9
Notes	100.0	65.0
Capitalized leases and foreign currency borrowings	2.3	2.3
Total debt	207.3	120.7
Shareholders' equity (deficit):		
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares issued and outstanding (3)	--	--
Common stock, $.01 par value, 150,000,000 shares authorized; 20,581,431 and 27,551,431 shares outstanding, respectively, actual and as adjusted (3)	0.5	0.6
Additional paid in capital	16.0	105.7
Foreign currency translation	2.3	2.3
Notes receivable from officers/shareholders	(1.7)	(1.7)
Retained earnings	31.3	29.3
Less stock held in trust	(1.0)	(1.0)
Less treasury stock, at cost, 29,418,569 shares	(128.0)	(128.0)
Total shareholders' equity (deficit)	(80.6)	7.2
Total capitalization	$ 126.7	$ 127.9

- ----------------

(1) For a description of the Revolving Credit Facility, see "Description of Certain Indebtedness--The Credit Agreement." Total availability under the Revolving Credit Facility is $65.0 million.

(2) For a description of the Term Loan Facility, see "Description of Certain Indebtedness--The Credit Agreement."

(3) On October 22, 1997, the shareholders of the Company approved the authorization of 5,000,000 shares of Preferred Stock, $.01 par value, and an increase in authorized shares of Common Stock from 90,000,000 to 150,000,000.

DILUTION

The net tangible book value of the Company as of September 30, 1997 was $(82.8) million, or $(4.02) per share. Net tangible book value per share is determined by dividing total tangible assets less total liabilities of the Company by the total number of outstanding shares of Common Stock. After giving effect to the sale of the shares of Common Stock offered in the Offerings (assuming an initial public offering price of $14.00 per share), deducting the estimated underwriting discount and estimated expenses to be paid by the Company and applying the estimated net proceeds as set forth in "Use of Proceeds," the pro forma net tangible book value of the Company at September 30, 1997 would have been $5.1 million or $0.18 per share. This represents an immediate increase in net tangible book value of $4.20 per share to existing shareholders and an immediate dilution of $13.82 per share to new investors purchasing shares in the Offerings. The following table illustrates this dilution per share:

Assumed initial public offering price per share		$ 14.00
Net tangible book value per share as of September 30, 1997	$ (4.02)	
Increase in net tangible book value per share attributable to new investors	4.20	
Pro forma net tangible book value per share after the Offerings ...		0.18
Dilution per share to new investors		$ 13.82

The following table sets forth, on a pro forma basis as of September 30, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid to the Company and the average price per share paid by existing shareholders and by the new investors purchasing shares of Common Stock from the Company in the Offerings (before deducting underwriting discounts and estimated offering expenses).

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
	(Dollars in thousands, except per share data)				
Existing shareholders	20,581,431	74.7%	$ 76,280	43.9%	$ 3.71
New investors	6,970,000	25.3	97,580	56.1	14.00
Total	27,551,431	100.0%	$173,860	100.0%	$ 6.31

The foregoing tables assume no exercise of the Underwriters' over-allotment options. The Company currently has outstanding options to purchase an aggregate of 2,318,127 shares of Common Stock at a weighted average exercise price of $4.33 per share. See "Management--Option Grants and Exercises." To the extent that outstanding options are exercised in the future, there will be further dilution to new investors.

SELECTED FINANCIAL DATA

The following selected historical financial data as of and for the two fiscal years ended June 30, 1996, the Transition Period ended September 30, 1996 and the fiscal year ended September 30, 1997 is derived from the audited consolidated financial statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The selected historical financial data as of and for the twelve months ended September 30, 1996 is derived from the unaudited condensed consolidated financial statements of the Company and, in the opinion of management, includes all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of financial position and results of operations as of the date and for the period indicated which are not included herein. The selected historical financial data of the Company as of and for the two fiscal years ended June 30, 1993 and June 30, 1994 is derived from audited consolidated financial statements of the Company which are not included herein. The following selected financial data should be read in conjunction with the Company's consolidated financial statements and the related notes thereto and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

This financial data, as well as all other financial data set forth herein, gives effect to the reclassification by the Company of certain promotional expenses, previously reported as a reduction of net sales, to selling expense. The amounts which have been reclassified are $19.0 million, $17.5 million, $24.2 million, and $24.0 million for the fiscal years ended June 30, 1993, 1994, 1995, and 1996, respectively, $6.9 million for the Transition Period ended September 30, 1996, $24.1 million for the twelve months ended September 30, 1996 and $28.7 million for the fiscal year ended September 30, 1997. The Company believes that this reclassification is consistent with the method used by other consumer products companies.

	Fiscal Year Ended June 30,			
	1993	1994	1995	1996
	(In millions, except per share data)			
Statement of Operations Data:				
Net sales	$ 372.4	$ 403.7	$ 415.2	$ 423.4
Cost of goods sold	201.4	234.9	237.1	239.4
Gross profit	171.0	168.8	178.1	184.0
Selling expense	98.8	121.3	108.7	116.5
General and administrative expense	35.4	29.4	32.9	31.8
Research and development expense	5.6	5.7	5.0	5.4
Recapitalization and other special charges(1)(2)	--	1.5	--	--
Income (loss) from operations (3)(4)	31.2	10.9	31.5	30.3
Interest expense	6.0	7.7	8.6	8.4
Other expense (income), net	1.2	(0.6)	0.3	0.6
Income (loss) before income taxes and extraordinary item	24.0	3.8	22.6	21.3
Income tax expense (benefit)	9.0	(0.6)	6.2	7.0
Income (loss) before extraordinary item	15.0	4.4	16.4	14.3
Extraordinary item(5)	--	--	--	--
Net income (loss)	$ 15.0	$ 4.4	$ 16.4	$ 14.3
Net income (loss) per common share before extraordinary item	$ 0.29	$ 0.08	$ 0.32	$ 0.28
Net income (loss) per common share(6)	$ 0.29	$ 0.08	$ 0.32	$ 0.28
Weighted average common and common equivalent shares	51.6	51.6	51.6	51.1
Pro Forma Operations Data(7):				
Income before provision for income taxes				
Provision for income taxes				
Pro forma net income				
Pro forma net income per common and common equivalent share				
Weighted average common and common equivalent shares				
Other Financial Data:				
Depreciation	$ 7.4	$ 10.3	$ 11.0	$ 11.9
Capital expenditures(8)	30.3	12.5	16.9	6.6
Cash flows from operating activities	15.8	(18.7)	35.5	17.8
EBITDA(9)	39.3	21.2	41.3	42.2
Balance Sheet Data:				
Working capital	$ 31.6	$ 63.6	$ 55.9	$ 63.2
Total assets	189.0	222.4	220.6	221.1
Total debt	74.1	109.0	88.3	81.3
Shareholders' equity (deficit)	36.7	37.9	53.6	61.6

	Transition Period Ended September 30, 1996	Twelve Months Ended September 30, 1996	Fiscal Year Ended September 30, 1997
Statement of Operations Data:			
Net sales	$ 101.9	$ 417.9	$ 432.6
Cost of goods sold	59.3	237.9	234.6
Gross profit	42.6	180.0	198.0
Selling expense	27.8	114.4	122.1
General and administrative expense	8.6	33.0	32.2
Research and development expense	1.5	5.6	6.2
Recapitalization and other special charges(1)(2)	28.4	28.4	3.0
Income (loss) from operations (3)(4)	(23.7)	(1.4)	34.5
Interest expense	4.4	10.5	24.5
Other expense (income), net	0.1	0.5	0.4
Income (loss) before income taxes and extraordinary item	(28.2)	(12.4)	9.6
Income tax expense (benefit)	(8.9)	(3.8)	3.4
Income (loss) before extraordinary item	(19.3)	(8.6)	6.2

Extraordinary item(5)	(1.6)	(1.6)	--
Net income (loss)	$ (20.9)	$ (10.2)	$ 6.2
Net income (loss) per common share before extraordinary item	$ (0.42)	$ (0.17)	$ 0.28
Net income (loss) per common share(6)	$ (0.46)	$ (0.21)	$ 0.28
Weighted average common and common equivalent shares	45.5	49.7	22.2
Pro Forma Operations Data(7):			
Income before provision for income taxes			$ 17.5
Provision for income taxes			6.5
Pro forma net income			$ 11.0
Pro forma net income per common and common equivalent share			$ 0.38
Weighted average common and common equivalent shares			29.2
Other Financial Data:			
Depreciation	$ 3.3	$ 12.1	$ 11.3
Capital expenditures(8)	1.2	8.4	10.9
Cash flows from operating activities	(1.1)	26.0	35.7
EBITDA(9)	(20.4)	10.7	45.8
Balance Sheet Data:			
Working capital	$ 64.6	$ 64.6	$ 33.8
Total assets	243.7	243.7	236.9
Total debt	233.7	233.7	207.3
Shareholders' equity (deficit)	(85.7)	(85.7)	(80.6)

(footnotes on following page)

- ------------

(1) During the Transition Period, the Company recorded charges of $12.3 million directly related to the Recapitalization and other special charges of $16.1 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) In the fiscal year ended September 30, 1997, the Company recorded other special charges of $5.9 million offset by a special credit of $2.9 million which was related to the curtailment of the Company's defined benefit pension plan covering all domestic non-union employees. The special charges related to organizational restructuring in the United States, the discontinuation of certain manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility and the discontinuation of operations at the Company's facility in Kinston, North Carolina.

(3) Income (loss) from operations includes expenses incurred during the Fennimore Expansion (as defined herein), and Recapitalization and other special charges in fiscal 1994, the Transition Period Ended September 30, 1996, and the fiscal year ended September 30, 1997. Income from operations before these non-recurring charges was as follows:

	Fiscal Year Ended June 30, 1993	1994	1995	1996	Transition Period Ended September 30, 1996	Twelve Months Ended September 30, 1996	Fiscal Year Ended September 30, 1997
					(In millions)		
Income (loss) from operations	$31.2	$ 10.9	$31.5	$30.3	$ (23.7)	$ (1.4)	$ 34.5
Fennimore Expansion	--	9.5	--	--	--	--	--
Recapitalization and other special charges .	--	1.5	--	--	28.4	28.4	3.0
Income from operations before non-recurring charges	$31.2	$ 21.9	$31.5	$30.3	$ 4.7	$ 27.0	$ 37.5

(4) Income from operations in fiscal 1994 was impacted by increased selling expenses due to higher advertising and promotion expenses related to the Renewal Introduction (as defined herein). In addition, income from operations was impacted by non-recurring costs of $9.5 million in connection with the Fennimore Expansion including $8.4 million of increased cost of goods sold and $1.1 million of increased general and administrative expenses, and other special charges of approximately $1.5 million related to a plan to reduce the Company's cost structure and to improve productivity through an approximate 2.5% reduction in headcount on a worldwide basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(5) The Recapitalization of the Company included repayment of certain outstanding indebtedness, including prepayment fees and penalties. Such prepayment fees and penalties of $2.4 million, net of income tax benefit of $0.8 million, has been recorded as an extraordinary item in the Combined Consolidated Statement of Operations for the Transition Period ended September 30, 1996.

(6) Net income (loss) per share data has been computed using the weighted average number of shares of common and common equivalent shares from stock options (when dilutive using the treasury stock method). Pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 83, common stock warrants and options issued during the twelve-month period immediately preceding the Company's proposed initial public offering have been included in the calculation as if they were outstanding for all periods presented (even if antidilutive, using the treasury stock method and the assumed initial public offering price).

(7) The unaudited pro forma operations data gives effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (at an assumed initial public offering price of $14.00 per share and after deducting the underwriting discounts and estimated offering expenses), and the application of the net proceeds therefrom as if they had occurred at the beginning of the fiscal year ended September 30, 1997. The pro forma adjustments are based upon available data and certain assumptions that the Company believes are reasonable. The unaudited pro forma operations data does not purport to represent what the Company's results of operations would actually have been had the sale by the Company of 6,970,000 shares of Common Stock in fact occurred at such prior time or to project the Company's results of operations for or at any future period or date.

The pro forma adjustments for the fiscal year ended September 30, 1997 record (i) the reduction in interest expense of $7.9 million to give effect to the sale by the Company of 6,970,000 shares of Common Stock offered in the Offerings (after deduction for the underwriting discounts and estimated offering expenses) and the application of the net proceeds therefrom; and (ii) the incremental income tax expense of $3.1 million relating to the pro forma interest adjustment (computed using an effective income tax rate of 39%). Interest expense was calculated using the following average rates: (i) Revolving Credit Facility, 8.4%; (ii) Term Loan Facility (as defined herein), 8.4% to 9.2%; and (iii) Notes, 10.25%.

The Company will use approximately $38.2 million of the net proceeds to redeem or repurchase approximately $35.0 million principal amount of the Notes, including a $3.2 million premium. The $3.2 million premium charge which will be reported as an extraordinary item, net of applicable income tax, was not reflected in the pro forma operations data presented.

(8) From fiscal 1993 through fiscal 1995 the Company invested an aggregate of $32.7 million in connection with the Fennimore Expansion, including $19.7 million incurred in fiscal 1993. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(9) EBITDA represents income from operations plus depreciation and amortization (excluding amortization of debt issuance costs) and reflects an adjustment of income from operations to eliminate the establishment and subsequent reversal of two reserves ($0.7 million established in fiscal 1993 and reversed in fiscal 1995, and $0.5 million established in fiscal 1992 and reversed in fiscal 1995). The Company believes that EBITDA and related measures are commonly used by certain investors and analysts to analyze and compare, and provide useful information regarding, the Company's ability to service its indebtedness. However, the following factors should be considered in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with generally accepted accounting principles ("GAAP"), (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented in this Prospectus may not be comparable to other similarly titled measures of other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Financial Data" and the Company's combined consolidated financial statements and the related notes thereto, included elsewhere herein.

Introduction

Upon completion of the Recapitalization, the Company changed its fiscal year end from June 30 to September 30. For clarity of presentation and comparison, references herein to fiscal 1994, fiscal 1995 and fiscal 1996 are to the Company's fiscal years ended June 30, 1994, June 30, 1995 and June 30, 1996, respectively, and references to the "Transition Period ended September 30, 1996" and the "Transition Period" are to the period from July 1, 1996 to September 30, 1996. References to fiscal 1997 are to the Company's fiscal year ended September 30, 1997.

The Company's operating performance depends on a number of factors, the most important of which are: (i) general retailing trends, especially in the mass merchandise segment of the retail market; (ii) the Company's overall product mix among various specialty and general household batteries and battery-powered lighting devices, which sell at different price points and profit margins; (iii) the Company's overall competitive position, which is affected by both the introduction of new products and promotions by the Company and its competitors and the Company's relative pricing and battery performance; and (iv) changes in operating expenses. Set forth below are specific developments that have affected and may continue to affect the Company's performance.

Investment in Future Growth Opportunities. Since the Recapitalization, the Company has undertaken significant measures to pursue growth opportunities and increase the Company's market share for its products. These measures included the launch of a new integrated advertising campaign which shifted expenditures from the Renewal line to the Rayovac brand name. The Company also introduced new product graphics and packaging designed to build the awareness and image of the Rayovac brand name and leverage the Company's value brand position. See "Business--Growth Strategy."

Cost Rationalization Initiatives. Following the Recapitalization, the Company initiated significant measures to rationalize the Company's manufacturing, distribution and general overhead costs. The initiatives relating to manufacturing activities included discontinuing certain manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility and closing the Company's Kinston, North Carolina facility. In addition, the Company implemented a significant organizational restructuring in the United States and the United Kingdom and eliminated costs associated with the use of a corporate aircraft. These cost rationalization initiatives resulted in cash costs of approximately $6.3 million for fiscal 1996 and fiscal 1997 and are expected to result in annual savings of approximately $8.6 million.

Expansion of Production Facility. From fiscal 1993 through fiscal 1995 the Company invested an aggregate of $32.7 million in the modernization and expansion of its production lines at its Fennimore, Wisconsin facility (the "Fennimore Expansion") at which the Company manufactures all of its alkaline products. As a result of the Fennimore Expansion, the Company replaced substantially all of its alkaline battery manufacturing equipment with state-of-the-art technology which more than doubled the Company's aggregate capacity for AA and AAA size alkaline batteries. This investment also resulted in a reformulation of the Company's alkaline batteries so as to be mercury-free, better performing and higher quality. The Fennimore Expansion resulted in $9.5 million of non-recurring costs in fiscal 1994. Such costs included increased raw material costs incurred pursuant to the terms of equipment purchase agreements entered into in connection with the Fennimore Expansion which required the Company to source material from specified foreign vendors at an increased cost. These incremental costs decreased in fiscal 1996 as a result of the increased use of lower-cost domestic raw material sources to replace the foreign vendor sourcing, which replacement was substantially completed in fiscal 1997.

Effect of Recapitalization. The Recapitalization of the Company, which was completed on September 12, 1996, resulted in non-recurring charges of $12.3 million which were recognized in the Transition Period, including (i) $5.0 million of advisory, legal and consulting fees and (ii) $7.3 million of stock option compensation, severance payments and employment contract settlements for the benefit of certain current and former officers, directors and management of the Company. In connection with the Recapitalization, the Company incurred other non-recurring special charges of $16.1 million recognized in the Transition Period, including (i) $2.7 million of charges related to the discontinuation of manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility;

(ii) $1.7 million of charges for deferred compensation plan obligations to former officers of the Company resulting from the curtailment of the plan; (iii) $1.5 million of charges reflecting the present value of lease payments for land which new management determined would not be used for any future productive purpose; (iv) $5.6 million in costs and asset writedowns principally related to changes in pricing strategies for Power Station, the Renewal recharging system; and (v) $4.6 million of termination benefits and other charges. See "The Recapitalization."

Renewal Product Line. In fiscal 1994, the Company introduced the Renewal rechargeable battery, the first alkaline rechargeable battery sold in the United States (the "Renewal Introduction"). The Company incurred significant advertising and promotional expense related to Renewal of $26.0 million in fiscal 1994, $15.7 million in fiscal 1995 and $20.3 million in fiscal 1996, with the fiscal 1996 increase largely due to the Company's new promotional campaign featuring basketball superstar Michael Jordan.

Since the Recapitalization, the Company has significantly revised its marketing and advertising strategies for the Renewal product line. Management believes that continued improvement in consumer awareness of the value and money-saving benefits of Renewal over conventional disposable alkaline batteries will be necessary to further expand the Company's market for Renewal. Although the percentage of the Company's advertising budget allocated to the Renewal product line has decreased, the Company has begun aggressively marketing Renewal's money-saving benefit over disposable alkaline batteries and performance advantage over rechargeable nickel cadmium batteries and has lowered the prices of the recharger system for Renewal. Due to the historically high levels of investment associated with Renewal, the Renewal product line has been unprofitable. However, initiatives implemented by the Company's new management team resulted in the Renewal product line becoming profitable in the fourth quarter of fiscal 1997.

Seasonality

The Company's sales are seasonal, with the highest sales occurring in the fiscal quarter ending on or about December 31, during the holiday season. During the past four fiscal years, the Company's sales in the quarter ended on or about December 31 have represented an average of 33% of annual net sales. As a result of this seasonality, the Company's working capital requirements and revolving credit borrowings are typically higher in the third and fourth calendar quarters of each year. The following table sets forth the Company's net sales for each of the periods presented.

	Fiscal Quarter Ended							
	December 30, 1995	March 30, 1996	June 30, 1996	September 30, 1996	December 28, 1996	March 29, 1997	June 29, 1997	September 30, 1997
	(In millions)							
Net sales	$140.9	$80.5	$94.6	$101.9	$141.9	$83.6	$95.5	$111.5

Results of Operations

This financial data, as well as all other data set forth herein, gives effect to the reclassification by the Company of certain promotional expenses, previously reported as a reduction of net sales, to selling expense. The amounts which have been reclassified are $24.2 million and $24.0 million for the years ended June 30, 1995 and 1996, respectively, $6.7 million for the three months ended September 30, 1995, $6.9 million for the Transition Period ended September 30, 1996, $24.1 million for the twelve months ended September 30, 1996 and $28.7 million for the fiscal year ended September 30, 1997. The Company believes that this reclassification is consistent with the method used by other consumer products companies.

The following table sets forth the percentage relationship of certain items in the Company's statement of operations to net sales for the periods presented:

	Fiscal Year Ended June 30, 1995	Fiscal Year Ended June 30, 1996	Three Months Ended September 30, 1995	Transition Period Ended September 30, 1996	Twelve Months Ended September 30, 1996	Fiscal Year Ended September 30, 1997
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	57.1	56.5	59.7	58.2	56.9	54.2
Gross profit	42.9	43.5	40.3	41.8	43.1	45.8
Selling expense	26.2	27.5	27.9	27.3	27.4	28.2
General and administrative expense	7.9	7.5	6.9	8.4	7.9	7.5
Research and development expense	1.2	1.3	1.2	1.5	1.3	1.4
Recapitalization and other special charges	--	--	--	27.9	6.8	0.7
Income (loss) from operations ...	7.6%	7.2%	4.3%	(23.3%)	(0.3%)	8.0%

Fiscal Year Ended September 30, 1997 Compared to Twelve Months Ended September 30, 1996

Net Sales. The Company's net sales increased $14.7 million, or 3.5%, to $432.6 million in fiscal 1997 from $417.9 million in the twelve months ended September 30, 1996, primarily due to higher sales of alkaline batteries and lithium batteries, offset in part by decreases in sales of heavy duty batteries, lantern batteries and Renewal rechargeables. In the last quarter of fiscal 1997, net sales increased $9.6 million, or 9.4%, to $111.5 million from $101.9 million in the Transition Period, primarily due to higher sales of alkaline batteries attributed to the introduction of a 4% price increase on alkaline batteries in the U.S. phased in beginning May 1997, significant promotional programs, and sales to new accounts.

Sales of alkaline batteries increased as a result of the launch of a new integrated advertising campaign emphasizing the alkaline brand, new product graphics and packaging (designed to build brand awareness and the Company's value brand position), and strong promotional programs in the Company's fourth fiscal quarter. The Company also gained significant new distribution on the strength of this program.

Lithium sales increased primarily due to increased sales of computer clock and memory back-up batteries to Compaq Computers and SGS Thomson, two of the Company's larger OEM (Original Equipment Manufacturers) customers.

Sales of heavy duty and lantern batteries decreased primarily due to declines in the market as consumers move toward alkaline batteries away from heavy duty batteries. Lantern battery volume was also adversely impacted by the migration to reflective tape in place of flashing lights on construction barricades.

Hearing aid battery sales increased as a result of continued growth in the overall hearing aid battery market. The Company's market leadership position in this product line has resulted in new distribution gains in the retail channel, the fastest growing channel for hearing aid batteries as consumers shift their purchases toward this channel.

Net sales of lighting products increased slightly over the prior twelve months due primarily to growth in key mass merchandiser accounts and wholesale clubs.

Dollar sales of Renewal rechargeables were down approximately 13% due primarily to the Company's decision to decrease prices of the chargers by 33% in the first quarter of fiscal 1997 to reposition the product and encourage consumers to purchase the system. Unit sales of chargers and batteries combined were approximately 7% higher than the prior twelve months.

Gross Profit. Gross profit increased $18.0 million, or 10.0%, to $198.0 million in fiscal 1997 from $180.0 million for the twelve months ended September 30, 1996. Gross profit as a percentage of net sales increased to 45.8% in fiscal 1997 from 43.1% in the prior twelve months. These increases are attributed to increased sales of higher margin alkaline batteries, the introduction of a 4% price increase on alkaline batteries in the U.S. phased in beginning May 1997, and lower manufacturing costs as a result of cost rationalization initiatives. Gross profit increased $12.7 million, or 29.8%, to $55.3 million in the three months ended September 30, 1997 from $42.6 million in the Transition Period, for these same reasons.

Selling Expense. Selling expense increased $7.7 million, or 6.7%, to $122.1 million in fiscal 1997 from $114.4 million in the twelve months ended September 30, 1996 due primarily to increased marketing expense to support the launch of the Company's new graphics and packaging and increased consumer promotions on the old graphics and packaging to help retailers promote this product. These increases were partially offset by reduced advertising expense while the Company developed its new advertising program. Selling expense increased as a percentage of net sales to 28.2% in fiscal 1997 from 27.4% in the prior twelve months because of increased marketing expenses.

General and Administrative Expense. General and administrative expense decreased $0.8 million, or 2.4%, to $32.2 million in fiscal 1997 from $33.0 million in the twelve months ended September 30, 1996 due in part to cost rationalization initiatives which included the elimination of the use of a corporate aircraft. These decreases were partially offset by the expense related to a new management incentive program implemented for fiscal 1997. There were no management incentives earned during the twelve months ended September 30, 1996. As a percentage of net sales, general and administrative expense decreased to 7.5% in fiscal 1997 from 7.9% in the prior twelve months.

Research and Development Expense. Research and development expense increased $0.6 million, or 10.7%, to $6.2 million for fiscal 1997 from $5.6 million for the twelve months ended September 30, 1996 due primarily to the development of an on-the-label battery tester which the Company decided not to introduce.

Recapitalization and Other Special Charges. During fiscal 1997, the Company recorded special charges of $3.0 million compared to $28.4 million recorded in the twelve months ended September 30, 1996 as discussed above under "Effect of Recapitalization." The current year amount represents the net charges for organizational restructuring in the United States, the discontinuation of certain manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility and the discontinuation of certain manufacturing operations at the Company's facility in Kinston, North Carolina partially offset by a credit of $2.9 million related to the curtailment of the Company's defined benefit pension plan covering all domestic non-union employees.

Income from Operations. Income from operations increased $35.9 million to $34.5 million in fiscal 1997 from a loss of $(1.4) million for the twelve months ended September 30, 1996. The Company's Recapitalization and other special charges decrease of $25.4 million in combination with increased gross profits were partially offset by increased operating expenses related to the new marketing and advertising programs discussed above.

Interest Expense. Interest expense increased $14.0 million to $24.5 million in fiscal 1997 from $10.5 million in the prior twelve months due primarily to increased indebtedness associated with the Recapitalization and a write-off of $2.0 million of unamortized debt issuance costs related to the Bridge Notes the Company issued in September 1996 which were refinanced in fiscal 1997.

Net Income. Net income increased $16.4 million to $6.2 million in fiscal 1997 from a net loss of $(10.2) million in the twelve months ended September 30, 1996 primarily due to increased income from operations as discussed above partially offset by increased interest expense due to the Recapitalization. The Company's effective tax rate for fiscal 1997 was 35.6% compared to an effective tax benefit rate of 31.0% for the prior twelve months due primarily to some of the Recapitalization expenses in the prior twelve months being non-tax deductible and the tax benefits of Rayovac International Corporation, a domestic international sales corporation ("DISC") owned by the shareholders in the prior twelve months. The DISC was terminated in August 1996 and replaced with Rayovac Foreign Sales Corporation, a foreign sales corporation ("FSC"), in fiscal 1997 which generated fewer tax benefits in fiscal 1997.

Net income for the prior twelve months also decreased $1.6 million resulting from an extraordinary loss on the early retirement of debt related to the Recapitalization.

Fiscal Year Ended September 30, 1997 Compared to Transition Period Ended September 30, 1996

Results of operations for fiscal 1997 include amounts for a twelve-month period, while results for the Transition Period include amounts for a three-month period. Results (in terms of dollars) for these periods are not directly comparable. Accordingly, management's discussion and analysis for these periods is generally based upon a comparison of specified results as a percentage of net sales.

Net Sales. The Company's net sales increased $330.7 million to $432.6 million in fiscal 1997 from $101.9 million in the Transition Period due primarily to fiscal 1997 including twelve months compared to three months in the Transition Period. Sales during the Transition Period were unfavorably impacted by the pending sale of the Company.

Gross Profit. Gross profit increased $155.4 million to $198.0 million in fiscal 1997 from $42.6 million in the Transition Period. As a percentage of net sales, gross profit increased to 45.8% in fiscal 1997 from 41.8% in the Transition Period due to selling more higher margin products like alkaline and hearing aid batteries in fiscal 1997, the alkaline price increase discussed above, and lower manufacturing costs attributed to cost rationalization initiatives.

Selling Expense. Selling expense increased $94.3 million to $122.1 million in fiscal 1997 from $27.8 million in the Transition Period. As a percentage of net sales, selling expense increased to 28.2% in fiscal 1997 from 27.3% in the Transition Period due to increased promotional spending to support the new alkaline battery graphics and packaging, the new advertising program to build brand awareness and increased spending to gain new distribution.

General and Administrative Expense. General and administrative expense increased $23.6 million to $32.2 million in fiscal 1997 from $8.6 million in the Transition Period. As a percentage of net sales, general and administrative expense decreased to 7.5% in fiscal 1997 from 8.4% in the Transition Period attributed to the effects of cost rationalization initiatives.

Research and Development Expense. Research and development expense increased $4.7 million to $6.2 million in fiscal 1997 from $1.5 million in the Transition Period. As a percentage of net sales, research and development expense decreased slightly to 1.4% in fiscal 1997 from 1.5% in the Transition Period due primarily to the effects of the cost rationalization initiatives.

Recapitalization and Other Special Charges. Recapitalization and other special charges decreased by $25.4 million, or 89.4%, to $3.0 million in fiscal 1997 from $28.4 million in the Transition Period which is explained above in the discussion of fiscal 1997 compared to the twelve months ended September 30, 1996.

Income (loss) from Operations. Income (loss) from operations increased $58.2 million to $34.5 million in fiscal 1997 from $(23.7) million in the Transition Period. As a percentage of net sales, income (loss) from operations increased to 8.0% in fiscal 1997 from (23.3)% in the Transition Period for the reasons discussed above.

Net Income (loss). Net income (loss) for fiscal 1997 increased $27.1 million to $6.2 million from $(20.9) million in the Transition Period. As a percentage of net sales, net income (loss) increased to 1.4% in fiscal 1997 from (20.5)% in the Transition Period primarily due to significant Recapitalization and other special charges in the Transition Period. In addition, an extraordinary loss on the early retirement of debt decreased net income in the Transition Period by $1.6 million, net of income taxes. The effective tax rate for fiscal 1997 was 35.6% compared to 31.6% in the Transition Period due primarily to some of the Recapitalization expenses being non-tax deductible in the Transition Period.

Transition Period Ended September 30, 1996 Compared to Three Months Ended September 30, 1995

Net Sales. The Company's net sales decreased $5.4 million, or 5.0%, to $101.9 million in the Transition Period from $107.3 million in the three months ended September 30, 1995 (the "Prior Fiscal Year Period") primarily due to decreased sales to the food and drug store retail channels and the Company having made sales to certain retail customers in connection with promotional orders after the Transition Period which were made during the Prior Fiscal Year Period.

Gross Profit. Gross profit decreased $0.6 million, or 1.4%, to $42.6 million in the Transition Period from $43.2 million in the Prior Fiscal Year Period, primarily as a result of decreased sales in the Transition Period, as discussed above. Gross profit increased as a percentage of net sales to 41.8% in the Transition Period from 40.3% in the Prior Fiscal Year Period due primarily to a lower proportion of promotion sales as discussed above.

Selling Expense. Selling expense decreased $2.1 million, or 7.0%, to $27.8 million in the Transition Period from $29.9 million in the Prior Fiscal Year Period, primarily due to decreased advertising expense in the Transition Period.

General and Administrative Expense. General and administrative expense increased $1.2 million, or 16.2%, to $8.6 million in the Transition Period from $7.4 million in the Prior Fiscal Year Period, primarily as a result of the Company having incurred certain expenditures during the Transition Period which were incurred subsequent to the Prior Fiscal Year Period.

Research and Development Expense. Research and development expense increased $0.2 million, or 15.4%, to $1.5 million in the Transition Period from $1.3 million in the Prior Fiscal Year Period, primarily as a result of increased product development efforts.

Recapitalization and Other Special Charges. During the Transition Period, the Company recorded charges of $28.4 million, including non-recurring charges related to the Recapitalization and other special charges.

Non-recurring charges of $12.3 million related to the Recapitalization include (i) $5.0 million of advisory, legal and consulting fees and (ii) $7.3 million of stock option compensation, severance payments and employment contract settlements for the benefit of certain present and former officers, directors and management of the Company.

Other special charges of $16.1 million include (i) $2.7 million of charges related to the discontinuation of manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility; (ii) $1.7 million of charges for deferred compensation plan obligations to former officers of the Company resulting from the curtailment of the plan; (iii) $1.5 million of charges reflecting the present value of lease payments for land which new management determined would not be used for any future productive purpose; (iv) $5.6 million in costs and asset writedowns principally related to changes in Renewal Power Station pricing strategies adopted by new management subsequent to the Recapitalization and prior to September 30, 1996; and (v) $4.6 million of termination benefits and other charges.

Income (loss) from Operations. Income (loss) from operations decreased $28.3 million to $(23.7) million in the Transition Period from $4.6 million in the Prior Fiscal Year Period for the reasons discussed above.

Net Income (loss). Net income (loss) for the Transition Period decreased $22.3 million to $(20.9) million from $1.4 million in the Prior Fiscal Year Period, primarily because of non-recurring charges related to the Recapitalization and other special charges discussed above. In addition, amortization of deferred finance charges related to the Bridge Notes and an extraordinary loss on the early retirement of debt decreased net income in the Transition Period by $2.6 million, net of income taxes.

Transition Period Ended September 30, 1996 Compared to Fiscal Year Ended June 30, 1996

Results of operations for the Transition Period Ended September 30, 1996 include amounts for a three-month period, while results for the fiscal year ended June 30, 1996 include amounts for a twelve-month period. Results (in terms of dollar amounts) for these periods are not directly comparable. Accordingly, management's discussion and analysis for these periods is generally based upon a comparison of specified results as a percentage of net sales.

Net Sales. The Company's net sales decreased $321.5 million, or 75.9%, to $101.9 million in the Transition Period from $423.4 million in fiscal 1996 because the Transition Period included only three months of net sales as compared to twelve months in fiscal 1996. Overall pricing was relatively constant between the two periods.

Gross Profit. Gross profit decreased $141.4 million, or 76.8%, to $42.6 million in the Transition Period from $184.0 million in fiscal 1996. As a percentage of net sales, gross profit decreased to 41.8% in the Transition Period from 43.5% in fiscal 1996, primarily because the products sold during the Transition Period carried a higher average unit cost than the overall average unit cost of products sold in fiscal 1996 due to seasonal sales trends.

Selling Expense. Selling expense decreased $88.7 million, or 76.1%, to $27.8 million in the Transition Period from $116.5 million in fiscal 1996. As a percentage of net sales, selling expenses decreased to 27.3% in the Transition Period from 27.5% in fiscal 1996, primarily as a result of decreased advertising expense in the Transition Period.

General and Administrative Expense. General and administrative expense decreased $23.2 million, or 73.0%, to $8.6 million in the Transition Period from $31.8 million in fiscal 1996. As a percentage of net sales, general and administrative expense increased to 8.4% in the Transition Period from 7.5% in fiscal 1996, primarily as a result of the effects of seasonal sales trends in the Transition Period.

Research and Development Expense. Research and development expense decreased $3.9 million, or 72.2%, to $1.5 million in the Transition Period from $5.4 million in fiscal 1996. As a percentage of net sales, research and development expense increased to 1.5% in the Transition Period from 1.3% in fiscal 1996, primarily as a result of increased support for ongoing product development efforts.

Recapitalization and Other Special Charges. During the Transition Period ended September 30, 1996, the Company recorded charges totalling $28.4 million, including non-recurring charges related to the Recapitalization and other special charges. Non-recurring charges of $12.3 million related to the Recapitalization include (i) $5.0 million of advisory, legal and consulting fees and (ii) $7.3 million of stock option compensation, severance payments and employment contract settlements for the benefit of certain present and former officers, directors and management of the Company.

Other special charges of $16.1 million include (i) $2.7 million of charges related to the discontinuation of manufacturing operations at the Company's Newton Aycliffe, United Kingdom facility; (ii) $1.7 million of charges for deferred compensation plan obligations to former officers of the Company resulting from the curtailment of the plan; (iii) $1.5 million of charges reflecting the present value of lease payments for land which new management determined would not be used for any future productive purpose; (iv) $5.6 million in costs and asset writedowns principally related to changes in Renewal Power Station pricing strategies adopted by new management subsequent to the Recapitalization and prior to September 30, 1996; and (v) $4.6 million of termination benefits and other charges.

Income (loss) from Operations. Income (loss) from operations decreased $54.0 million, or 178.2%, to $(23.7) million in the Transition Period from $30.3 million in fiscal 1996. As a percentage of net sales, income (loss) from operations decreased to (23.3)% in the Transition Period from 7.2% in fiscal 1996 for the reasons discussed above.

Net Income (loss). Net income (loss) decreased $35.2 million, or 246.2%, to $(20.9) million for the Transition Period from $14.3 million in fiscal 1996. As a percentage of net sales, net income (loss) decreased to (20.5)% in the Transition Period from 3.4% in fiscal 1996, primarily because of non-recurring charges related to the Recapitalization and other special charges discussed above. In addition, amortization of deferred finance charges related to the Bridge Notes and an extraordinary loss on the early retirement of debt decreased net income in the Transition Period by $2.6 million, net of income taxes.

Fiscal Year Ended June 30, 1996 Compared to Fiscal Year Ended June 30, 1995

Net Sales. The Company's net sales increased $8.2 million, or 2.0%, to $423.4 million in fiscal 1996 from $415.2 million in fiscal 1995, primarily due to higher unit sales of hearing aid batteries, Renewal rechargeable batteries and alkaline batteries, offset in part by decreases in unit sales of heavy duty and lantern batteries. Overall pricing was relatively constant between the two periods. Sales of hearing aid batteries increased as a result of unit sales growth in the overall hearing aid battery market as well as increased penetration by the Company's Loud'n Clear line of hearing aid batteries and the introduction of a new miniature size battery, used in hearing aids that fit completely in the ear. Unit sales of Renewal rechargeable alkaline batteries increased as a result of increased consumer awareness of the benefits of Renewal over nickel-cadmium household rechargeable batteries and disposable batteries and as replacement sales increased to retailers who had sold through their high levels of fiscal 1995 Renewal inventory. The Company's unit sales of alkaline batteries increased as the Company participated to a certain extent in the continued overall growth in the market for alkaline batteries. Unit sales of heavy duty batteries decreased due to the continued worldwide migration away from heavy duty batteries and toward alkaline batteries while unit sales of lantern batteries also decreased due to an overall decline in the lantern battery market.

Gross Profit. Gross profit increased $5.9 million, or 3.3%, to $184.0 million in fiscal 1996 from $178.1 million in fiscal 1995. Gross profit increased as a percentage of net sales to 43.5% in fiscal 1996 from 42.9% in fiscal 1995. These increases are primarily attributable to increased sales of higher margin products such as Renewal rechargeable batteries and hearing aid batteries. In addition, the Company experienced manufacturing cost improvements, particularly for alkaline battery raw materials related to the Fennimore Expansion as discussed above.

Selling Expense. Selling expense increased $7.8 million, or 7.2%, to $116.5 million in fiscal 1996 from $108.7 million in fiscal 1995. Selling expense as a percentage of net sales increased to 27.5% in 1996 from 26.2% in 1995. These increases are primarily attributable to increased advertising costs to promote the Renewal product line as discussed above.

General and Administrative Expense. General and administrative expense decreased $1.1 million, or 3.3%, to $31.8 million in fiscal 1996 from $32.9 million in fiscal 1995. General and administrative expense as a percentage of net sales decreased from 7.9% in fiscal 1995 to 7.5% in fiscal 1996. These decreases occurred primarily because the $4.0 million payment of management incentives in 1995 was not repeated in fiscal 1996.

Research and Development Expense. Research and development expense increased $0.4 million, or 8.0%, to $5.4 million in fiscal 1996 from $5.0 million in fiscal 1995 as a result of continued support for ongoing product development efforts.

Income from Operations. Income from operations decreased $1.2 million, or 3.8%, to $30.3 million, or 7.2% of net sales in fiscal 1996, from $31.5 million, or 7.6% of net sales, in fiscal 1995 for the reasons discussed above.

Net Income. Net income decreased $2.1 million, or 12.8%, to $14.3 million for fiscal 1996 from $16.4 million in fiscal 1995, principally as a result of decreased income from operations and higher effective tax rates, which increased from 27.4% in 1995 to 32.9% in 1996. The Company's effective income tax rates in fiscal 1996 and fiscal 1995 were impacted by the income tax benefits of Rayovac International Corporation, a domestic international sales corporation ("DISC") owned by the Company's shareholders, and fiscal 1995 was also impacted by the utilization of a foreign net operating loss carryforward.

Liquidity and Capital Resources

For fiscal 1997, net cash provided by operating activities increased $9.7 million to $35.7 million from $26.0 million for the prior twelve months due primarily to increased focus on working capital management and increased earnings from operations partially offset by the payment of Recapitalization and other special charges accrued during the prior twelve months.

Capital expenditures for fiscal 1997 were $10.9 million, an increase of $2.5 million from the prior twelve months, due primarily to new computer information systems purchased in September 1997. Capital expenditures for fiscal 1996 and the Transition Period reflected maintenance level spending. Spending will continue on the new computer systems in fiscal 1998 with implementation currently planned in calendar 1998. Capital expenditures for fiscal 1998 are expected to increase to approximately $23.0 million due to alkaline capacity expansion, alkaline vertical integration programs, and the new computer information systems.

Since the Recapitalization, the Company's primary capital requirements have been for debt service, working capital, and capital expenditures. The Company believes that cash flow from operating activities and periodic borrowings under its existing credit facilities will be adequate to meet the Company's short-term and long-term liquidity requirements prior to the maturity of those credit facilities, although no assurance can be given in this regard. The Company's current credit facilities include a revolving credit facility of $65.0 million of which $4.5 million was outstanding at September 30, 1997, and approximately $0.6 million was utilized for outstanding letters of credit. After giving effect to the Offerings and the application of net proceeds therefrom, the Company will have approximately $48.9 million outstanding under the term loans pursuant to the Company's credit facilities which will be subject to quarterly amortization. See "Risk Factors--Substantial Leverage" and "Description of Certain Indebtedness."

The Company is subject to various federal, state, local and foreign environmental laws and regulations in the jurisdictions in which it operates, including laws and regulations relating to discharges to air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances. Except for liabilities related to the Velsicol Chemical and Morton International proceedings described under "Business--Environmental Matters" as to which the Company cannot predict the impact of such liabilities, the Company does not currently anticipate any material adverse effect on its operations or financial condition or any material capital expenditure as a result of its efforts to comply with environmental laws and as of September 30, 1997 had reserved $1.8 million for known on-site and off-site environmental liabilities. Some risk of environmental liability is inherent in the Company's business, however, and there can be no assurance that material environmental costs will not arise in the future. The Company has been identified as a PRP under CERCLA or similar state laws with respect to the past disposal of waste and is a party to two lawsuits as to which there is insufficient information to make a judgment as to the likelihood of a material impact on the Company's operations, financial condition or liquidity at this time. The Company may be named as a PRP at additional sites in the future, and the costs associated with such additional or existing sites may be material. In addition, certain of the Company's facilities have been in operation for decades and, over such time, the Company and other prior operators of such facilities have generated and disposed of wastes which are or may be considered hazardous such as cadmium and mercury utilized in the battery manufacturing process. See "Risk Factors--Environmental Matters" and "Business--Environmental Matters." The Company engages in hedging transactions in the ordinary course of its business. See Note 2.o. to Notes to Consolidated Financial Statements.

Impact of Recently Issued Accounting Standards

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("FAS 128"). FAS 128 will be effective for periods ending after December 15, 1997, and specifies the computation, presentation, and disclosure requirements for earnings per share. Adoption of this accounting standard is not expected to have a material effect on the earnings per share computations of the Company assuming the current capital structure.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ("FAS 130"), which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. All items that are required to be recognized under accounting standards as components of comprehensive income are to be reported in a financial statement that is displayed with the same prominence as other financial statements. FAS 130 requires that an enterprise (i) classify items of other comprehensive income by their nature in a financial statement and (ii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of the balance sheet. FAS 130 is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company is evaluating the effect of this pronouncement on its consolidated financial statements.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("FAS 131"), which is effective for financial statements for periods beginning after December 15, 1997. FAS 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company is evaluating the effect of this pronouncement on its consolidated financial statements.

General

The Company is the leading value brand and the third largest domestic manufacturer of general batteries (including alkaline, heavy duty and rechargeable alkaline), and is the leading worldwide manufacturer of hearing aid batteries. The Company is also the leading domestic manufacturer of rechargeable household batteries, heavy duty batteries and certain other specialty batteries, including lantern batteries and lithium batteries for personal computer clocks and memory backup. In addition, the Company is a leading marketer of battery-powered lighting products. Originally introduced in 1921, the Rayovac brand is a well recognized name in the battery industry. The Company attributes the longevity and strength of its brand name to its high-quality products and to the success of its marketing and merchandising initiatives.

The Company has established its position as the leading value brand in the U.S. general alkaline battery market by focusing on the mass merchandiser channel. The Company achieved this position by (i) offering batteries with quality and performance substantially equivalent to batteries offered by its principal competitors at a lower price, (ii) emphasizing innovative in-store merchandising programs, and (iii) offering retailers attractive margins. The Company has established its position as the leader in various specialty battery niche markets through (i) continual technological advances, (ii) creative distribution and marketing, and (iii) strong relationships with industry professionals and manufacturers. The Company sells and distributes its products in several channels including mass merchandisers, food and convenience stores, drug and specialty retailers, hardware/home centers, department stores, hearing aid professionals, industrial and government/OEM. The Company markets all of its branded products under the Rayovac(R) name and selected products under sub-brand names such as MAXIMUM(TM), Renewal(R), Loud'n Clear(R), ProLine(R), Lifex(TM), Power Station(R), Workhorse(R), and Roughneck(R).

Business Strategy

In September 1996, pursuant to the Recapitalization, affiliates of the Thomas H. Lee Company acquired beneficial ownership of approximately 80% of the outstanding Common Stock of Rayovac. David A. Jones was hired as Chief Executive Officer of the Company to implement a new business strategy focused on (i) reinvigorating the Rayovac brand name by raising consumer brand awareness through, among other things, focused marketing and advertising, (ii) growing Rayovac's market share by expanding distribution into new channels, increasing sales to under-penetrated channels and customers, launching new products, and selectively pursuing acquisitions and alliances, (iii) reducing costs by rationalizing manufacturing and distribution, better utilizing existing plant capacity, outsourcing products where appropriate, reducing working capital, and downsizing corporate overhead, and (iv) improving employee productivity by reorganizing workflow to support the business units, implementing modern information systems, increasing training and education, and implementing a pay-for-performance culture.

To implement its new strategy, the Company has undergone a significant transformation since the Recapitalization.

Strengthened Senior Management Team. In addition to Mr. Jones, three experienced senior managers were recruited to fill key positions: Kent J. Hussey, Executive Vice President of Finance and Administration and Chief Financial Officer; Merrell M. Tomlin, Senior Vice President of Sales; and Stephen P. Shanesy, Senior Vice President of Marketing and General Manager of General Batteries. The new senior managers have over 70 years of collective experience in the consumer products industry. In addition, the current management team includes several key members who served the Company prior to the Recapitalization, providing continuity and retaining significant battery industry expertise. After giving effect to the Offerings, the eight executive officers of the Company will beneficially own 12.2% of the outstanding Common Stock on a fully diluted basis.

Reorganized Sales, Marketing and Administration by Distribution Channel. Rayovac has realigned its marketing department, sales organization, supply chain and support functions along major distribution channels, including mass merchandisers, food and convenience stores, drug and specialty retailers, hardware/home centers, department stores, hearing aid professionals, industrial and government/OEM. The Company believes that sales to under-penetrated channels should increase as the dedicated teams focus on implementing channel specific marketing strategies, sales promotions and customer service initiatives.

Launched New Sales and Marketing Programs. Rayovac has developed and is in the process of implementing broad new marketing initiatives designed to reinvigorate the Rayovac brand name. Major steps completed to date include: (i) the selection of Young & Rubicam as the Company's new advertising agency and the development of its first major national advertising campaign for general battery products, (ii) the launch of a new and improved alkaline product line under the MAXIMUM sub-brand, (iii) the redesign of all product graphics and packaging to convey a high quality image and emphasize the Rayovac brand name, (iv) the extension of the Company's existing contract with Michael Jordan to include his representation for all Rayovac products, (v) the restructuring of the Company's sales representative network, and (vi) the implementation of a 4% price increase for alkaline general battery products in May 1997.

Outsourced Certain Non-Manufacturing Operations. Since the Recapitalization, the Company has outsourced a number of non-manufacturing operations, including mainframe computer operations, graphic design and production, packaging design and payroll processing. As a result, the Company has reduced costs and increased profitability, while improving services and operations.

Rationalized Manufacturing and Other Costs. In March 1997, the Company transferred the manufacture of round cell batteries from its Newton Aycliffe, United Kingdom facility to its Wisconsin manufacturing plants. In August 1997, it closed its Kinston, North Carolina facility and transferred production to its Wonewoc, Wisconsin lighting products plant and to Far Eastern suppliers. The Company also implemented a significant organizational restructuring in the United States and United Kingdom and undertook additional measures to rationalize the Company's manufacturing, distribution and other overhead costs. Additionally, the Company eliminated costs associated with the use of a corporate aircraft. The Company estimates these initiatives should result in aggregate annual savings of $8.6 million. The Company believes that its current manufacturing capacity remains sufficient to meet its anticipated production requirements.

Reorganized Information Systems. The Company has completed an initial reorganization of its information systems function by (i) hiring an experienced Chief Information Officer, (ii) outsourcing mainframe computer operations, (iii) completing an enterprise software system analysis, and (iv) retaining Electronic Data Systems to modernize and upgrade its data processing and telecommunications infrastructure. The Company has purchased from SAP and begun implementing an enterprise-wide, integrated information system to upgrade and modernize its business operations, the majority of which is expected to be substantially completed by late 1998. When fully implemented, this system is expected to reduce cycle times, lower manufacturing and administrative costs, improve both asset and employee productivity and address the Year 2000 issue.

Growth Strategy

Rayovac believes it has significant growth opportunities in its businesses and has developed corporate and market segment strategies aimed at increasing sales, profits and market share. Key elements of the Company's growth strategy are as follows:

Reinvigorate the Rayovac Brand Name. The brand, originally introduced in 1921, has wide recognition in all markets where the Company competes, but has lower awareness than the more highly advertised Duracell and Energizer brands. The Company is committed to reinvigorating the Rayovac brand name after many years of underdevelopment. The Company has initiated an integrated advertising campaign using significantly higher levels of TV and print media. The campaign is designed to increase awareness of the Rayovac brand and to heighten customers' perceptions of the quality, performance and value of Rayovac products. The Company intends to continue building its brand name to increase sales of all its products. In 1997, the Company launched a reformulated alkaline battery, Rayovac MAXIMUM, supported by new graphics, new packaging, a new advertising campaign, and aggressive introductory retail promotions. This focused marketing approach is specifically designed to raise consumer awareness and increase retail sales.

Leverage Value Brand Position. Rayovac believes it has a unique position in the general battery market as the value brand in an industry in which the leading three brands (Duracell, Energizer and Rayovac) account for approximately 90% of sales. The Company's strategy is to provide products of quality and performance equal to its major competitors in the general battery market at a lower price, appealing to a large segment of the population desiring a value brand. To demonstrate its value positioning, Rayovac offers comparable battery packages at a lower price or, in some cases, more batteries for the same price.

Expand Retail Distribution. Historically the Company had focused its sales and marketing efforts on the mass merchandiser channel which accounted for 41% of industry sales growth in the domestic alkaline battery market over the past five years. As a result, the Company has achieved a 19% share of domestic alkaline battery unit sales through mass merchandisers. However, this narrow focus contributed to much lower market share in all other retail channels which represent a market of $1.7 billion or 70% of the general battery market. The Company believes its value brand positioned products and innovative merchandising programs make it an attractive supplier to these channels. The Company has reorganized its marketing, sales, and sales representative organizations by channel in order to grow market share by (i) gaining new customers, (ii) penetrating existing customers with a larger assortment of products, (iii) introducing new products, and (iv) utilizing more aggressive and channel specific promotional programs.

Further Capitalize on Worldwide Leadership in Hearing Aid Batteries. The Company seeks to increase its 50% worldwide market share in the hearing aid battery segment, as it has done consistently for the past 10 years, by leveraging its leading technology and its dedicated and focused sales and marketing organizations. Rayovac is the only hearing aid battery manufacturer to advertise its products and plans to continue to utilize Arnold Palmer as its spokesperson in its print media campaign. Rayovac has also recently introduced large multi-packs of hearing aid batteries which have rapidly gained consumer favor.

Reposition the Renewal Rechargeable Alkaline Battery. The Company's Renewal rechargeable battery is the only rechargeable alkaline battery in the U.S. market, commanding a 66% market share of the rechargeable household battery market through mass merchandisers, food and drug stores for the 52 weeks ended July 5, 1997. Since the Recapitalization, management has lowered the price of Renewal rechargers by 33% to encourage consumers to purchase the system and shifted Renewal's marketing message from its environmental benefits to its money-saving benefits. Renewal batteries present a value proposition to consumers because Renewal batteries can be recharged over 25 times, providing 10 times the energy of disposable alkaline batteries at only twice the retail price. In addition, alkaline rechargeables are superior to nickel cadmium rechargeables (the primary competing technology) because they provide more energy between charges, are sold fully charged, retain their charge longer and are environmentally safer.

Introduce New Niche Products. The Company has developed leading positions in several important niche markets, including those for lantern batteries and lithium coin cells for personal computer memory back-up. The Company intends to continue selectively pursuing opportunities to exploit under-served niche markets, as well as further develop recent initiatives including the sales and marketing of photo and keyless entry batteries. In the lighting products segment, the Company is introducing a number of attractively designed new products over the next twelve months and intends to bring new products to the market in the future on a six-month cycle. New products have been proven to be a key element in gaining market share for lighting products.

Develop New Markets. The Company intends to leverage its existing resources to expand its business into new markets for batteries and related products both domestically and internationally. The Company expects to pursue a strategy of selective acquisitions and regularly considers potential acquisition candidates. These acquisitions may focus on expansion into new geographic markets, technologies or product lines and, in addition, such acquisitions may be of a significant size and could involve domestic or international parties. See "Risk Factors--Risks Associated with Future Acquisitions."

Battery Industry

The U.S. battery industry had aggregate sales in 1996 of approximately $4.2 billion as set forth below.

1996 U.S. Battery Industry Sales	(In billions)
Retail:	
General	$ 2.4
Hearing aid	0.2
Other specialty	0.8
Industrial, OEM and Government	0.8
Total	$ 4.2

Retail sales of general batteries represented $2.4 billion of aggregate U.S. battery industry sales in 1996. As set forth below, this segment has experienced steady growth, with compound annual unit sales growth since 1990 of

[line chart]

RETAIL GENERAL BATTERY MARKET
Total Retail General Batteries

	Dollars (Millions)	Units (Millions)
1990	1834	2225
1991	1912	2358
1992	2003	2543
1993	2099	2715
1994	2192	2910
1995	2310	3071
1996	2497	3250

Source: A.C. Nielsen Scanner Data
A.C. Nielsen Consumer Panel Data

The U.S. battery industry is dominated by three manufacturers, (Duracell, Energizer and Rayovac) each of which manufactures and markets a wide variety of batteries. Together, these three accounted for approximately 90% of the U.S. retail general battery market in the 52 weeks ended July 5, 1997. Retail sales of general and specialty batteries represent the largest portion of the U.S. battery industry, accounting for approximately 80% of sales in 1996. Batteries are popular with many retailers because they provide attractive profit margins. As batteries are an impulse purchase item, increasing display locations in stores tends to generate increased sales.

The growth in retail sales of general batteries in the U.S. is largely due to (i) the popularity and proliferation of battery-powered devices (such as remote controls, personal radios and cassette players, pagers, portable compact disc players, electronic and video games and battery-powered toys), (ii) the miniaturization of battery-powered devices, which has resulted in consumption of a larger number of smaller batteries, and (iii) increased purchases of multiple-battery packages for household "pantry" inventory. These factors have increased the average household usage of batteries from an estimated 23 batteries per year in 1986 to an estimated 35 batteries per year in 1996.

Similar to general retailing trends, increased battery sales through mass merchandisers and warehouse clubs have driven the overall growth of retail battery sales. Mass merchandisers accounted for 53% of the total increase in general battery retail dollar sales from 1992 through 1996 and, together with warehouse clubs, accounted for 43% of total retail battery sales in 1996.

In 1996, U.S. and worldwide retail sales of hearing aid batteries were approximately $205 million and $530 million, respectively, and have grown at a compound annual growth rate of 7% and 5%, respectively, over the last five years. Growth in the hearing aid battery market has been driven by an aging population; increases in hearing instrument device sales driven by technological advances, including miniaturization, which provides higher cosmetic appeal and improved amplification; and the higher replacement rates of smaller hearing instruments.

Other markets in which the Company operates include those for replacement watch and calculator batteries, which had worldwide sales of approximately $920 million in 1996, photo batteries, which had worldwide sales of approximately $600 million in 1996 and lithium coin cells, which had worldwide sales of approximately $50 million in 1996.

Products

Rayovac develops, manufactures and markets a wide variety of batteries and battery-powered lighting devices. The Company's broad line of products includes (i) general batteries (including alkaline, heavy duty and rechargeable alkaline batteries) and specialty batteries (including hearing aid, watch, photo, keyless entry, and personal computer clock and memory back-up batteries) and (ii) lighting products and lantern batteries. General batteries (D, C, AA, AAA and 9-volt sizes) are used in devices such as radios, remote controls, personal radios and cassette players, pagers, portable compact disc players, electronic and video games and battery-powered toys, as well as a variety of battery-powered industrial applications. Of the Company's specialty batteries, button cells are used in smaller devices (such as hearing aids and watches), lithium coin cells are used in cameras, calculators, communication equipment, medical instrumentation and personal computer clocks and memory back-up systems, and lantern batteries are used almost exclusively in battery-powered lanterns. The Company's lighting products include flashlights, lanterns and similar portable products.

Net sales data for the Company's products as a percentage of net sales for fiscal 1995, fiscal 1996, the Transition Period and fiscal 1997 are set forth below.

	Percentage of Company Net Sales			
	Fiscal Year June 30,		Transition Period Ended September 30,	Fiscal Year Ended September 30,
Product Type	1995	1996	1996	1997
Battery Products:				
Alkaline	43.4%	43.6%	41.4%	45.0%
Heavy Duty	14.1	12.2	12.7	10.4
Rechargeable Batteries	5.6	7.1	5.1	5.5
Hearing Aid	12.7	14.6	14.3	14.8
Other Specialty Batteries	10.0	8.6	10.1	9.8
Total	85.8	86.1	83.6	85.5
Lighting Products and Lantern Batteries	14.2	13.9	16.4	14.5
Total	100.0%	100.0%	100.0%	100.0%

Battery Products

A description of the Company's major battery products including their typical uses is set forth below.

	General Batteries		Hearing Aid Batteries	Other Specialty Batteries		Lantern Batteries
Technology	Alkaline	Zinc	Zinc Air	Lithium	Silver	Zinc
Types/ Common Name:	- Disposable - Rechargeable	- Heavy Duty (Zinc Chloride)	--	--	--	Lantern (Zinc Chloride and Zinc Carbon)
Brand; Sub-brand Names(1):	Rayovac; MAXIMUM, Renewal, Power Station	Rayovac	Rayovac; Loud'n Clear, ProLine	Rayovac; Lifex	Rayovac	Rayovac
Sizes:	D, C, AA, AAA, 9-volt(2) for both Alkaline and Zinc		5 sizes	5 primary sizes	10 primary sizes	Standard lantern
Typical Uses:	All standard household applications including pagers, personal radios and cassette players, remote controls and a wide variety of industrial applications		Hearing aids	Personal computer clocks and memory back-up	Watches	Beam lanterns Camping lanterns

(1) The Company also produces and supplies private label brands in selected categories.

(2) The Company does not produce 9-volt rechargeable batteries.

Products

Alkaline Batteries. Alkaline batteries are based on technology which first gained widespread application during the 1980s. Alkaline batteries provide greater average energy per cell and considerably longer service life than traditional zinc chloride (heavy duty) or zinc carbon (general purpose) batteries, the dominant battery types

throughout the world until the 1980s. Alkaline performance superiority has resulted in alkaline batteries steadily displacing zinc chloride and zinc carbon batteries. In the domestic retail general battery market, for instance, alkaline batteries represented approximately 87% of total battery unit sales in the 52 weeks ended July 5, 1997, despite higher per battery prices than zinc batteries.

Rayovac produces a full line of alkaline batteries including D, C, AA, AAA and 9-volt size batteries for both consumers and industrial customers. The Company's alkaline batteries are marketed and sold primarily under the Rayovac MAXIMUM brand, although the Company also engages in limited private label manufacture of alkaline batteries. AA and AAA size batteries are often used with smaller electronic devices such as remote controls, photography equipment, personal radios and cassette players, pagers, portable compact disc players and electronic and video games. C and D size batteries are generally used in devices such as flashlights, lanterns, radios, cassette players and battery-powered toys. 9-volt size batteries are generally used in fire alarms, smoke detectors and communication devices.

The Company regularly tests the performance of its alkaline batteries against those of its competitors across a number of applications and battery sizes using American National Standards Institute ("ANSI") testing criteria, the standardized testing criteria generally used by industry participants to evaluate battery performance, as well as its own specific product device testing, which the Company believes may provide more relevant information to consumers. Although relative performance varies based on battery size and device tests, the average performance of the Company's alkaline batteries and those of its competitors are substantially equivalent. The Company's performance comparison results are corroborated by published independent test results.

For the 52 weeks ended July 5, 1997, the Company had an 11% overall alkaline battery unit market share and a 19% alkaline battery unit market share within the mass merchandiser retail channel.

Heavy Duty Batteries. Heavy duty batteries include zinc chloride batteries designed for low and medium-drain devices such as lanterns, flashlights, radios and remote controls. The Company produces a full line of heavy duty batteries, although AA, C and D size heavy duty batteries together accounted for 90% of the Company's heavy duty battery sales in fiscal 1996.

The Company had a 46% unit market share in the heavy duty battery market through mass merchandisers, food and drug stores for the 52 weeks ended July 5, 1997. Generally, the size of the heavy duty battery market has been decreasing because of increased sales of alkaline batteries for uses traditionally served by non-alkaline batteries.

Rechargeable Batteries. The Company's Renewal rechargeable battery is the only rechargeable alkaline battery in the U.S. market, commanding a 66% market share of the rechargeable household battery market through mass merchandisers, food and drug stores for the 52 weeks ended July 5, 1997. Since the Recapitalization, management has lowered the price of Renewal rechargers by 33% to encourage consumers to purchase the system and shifted Renewal's marketing message from its environmental benefits to its money-saving benefits. Renewal batteries present a value proposition to consumers because they can be recharged over 25 times, providing 10 times the energy of disposable alkaline batteries at only twice the retail price. In addition, alkaline rechargeables are superior to nickel cadmium rechargeables (the primary competing technology) because they provide more energy between charges, are sold fully charged, retain their charge longer and are environmentally safer. Certain technology underlying the Company's Renewal line of rechargeable alkaline batteries could be made available to the Company's competitors under certain circumstances. See "Risk Factors--Limited Intellectual Property Protection."

Hearing Aid Batteries. The Company was the largest worldwide seller of hearing aid batteries in fiscal 1996, with a market share of approximately 50%. This strong market position is the result of hearing aid battery products with advanced technological capabilities, consistent product performance, a strong distribution system and an extensive marketing program. Hearing aid batteries are produced in several sizes and are designed for use with various types and sizes of hearing aids. The Company produces five sizes and two types of zinc air button cells for use in hearing aids, which are sold under the Loud'n Clear and ProLine brand names and under several private labels, including Beltone, Miracle Ear and Siemens. Zinc air is a highly reliable, high energy density, lightweight battery system with performance superior to that of traditional hearing aid batteries. The Company was the pioneer and currently is the leading manufacturer of the smallest (5A and 10A size) hearing aid batteries. The Company's zinc air button cells offer consistently strong performance, capacity and reliability based on ANSI testing criteria as applied by the Company.

Other Specialty Batteries. The Company's other specialty battery products include non-hearing aid button cells, lithium coin cells, photo batteries and keyless entry batteries. The Company produces button and coin cells for watches, cameras, calculators, communications equipment and medical instrumentation. The Company's market shares within each of these categories vary. The Company's Lifex lithium coin cells are high-quality lithium batteries with certain performance advantages over other lithium battery systems. These products are used in calculators and personal computer clocks and memory back-up systems. Lifex lithium coin cells have outstanding shelf life and excellent performance. The Company believes that the market for lithium personal computer memory back-up batteries has significant growth potential due to growth in the personal computer market.

Battery Merchandising and Advertising

Alkaline and Rechargeable Batteries. Since the Recapitalization, the Company has substantially revised its merchandising and advertising strategies for general batteries. Key elements of the Company's strategies include: building the awareness and image of the Rayovac brand name; focusing on the reformulated MAXIMUM alkaline product line; improving consumer perceptions of the quality and performance of the Company's products; upgrading and unifying product packaging; and solidifying the Company's position as the value brand by offering batteries of equal quality and performance at a lower price than those offered by its principal competitors. The Company's strategy is to provide products of quality and performance equal to its major competitors in the general battery market at a lower price, appealing to a large segment of the population desiring a value brand. To demonstrate its value positioning, Rayovac offers comparable battery packages at a lower price or, in some cases, more batteries for the same price. The Company also works with individual retail channel participants to develop unique merchandising programs and promotions and to provide retailers with attractive profit margins to encourage retailer brand support.

In response to the introduction by the Company's principal competitors in the U.S. general battery market of on-the-label battery testers for alkaline batteries, the Company developed an on-the-label tester for the Company's alkaline batteries. Based on the Company's consumer testing which indicated that such testers are difficult to use, prone to failure and do not represent a significant marketing advantage, management decided not to proceed with the implementation of such testers.

In the three fiscal years prior to the Recapitalization, the Company spent substantially all of its advertising budget on its Renewal product line. The Company's current advertising campaign designed by Young & Rubicam, the Company's new advertising agency, has shifted advertising efforts to the Company's MAXIMUM alkaline products. In addition, the Company is launching its first major national advertising campaign. The campaign is designed to increase awareness of the Rayovac brand and to heighten customers' perceptions of the quality, performance and value of Rayovac products. The Company has engaged Michael Jordan as a spokesperson for its general battery products under a contract which extends through 2004.

The Company substantially overhauled its marketing strategy for its Renewal rechargeable batteries in 1997 to focus on the economic advantages of Renewal rechargeable batteries and to position the rechargers at lower, more attractive price points. As part of its marketing strategy for its rechargeable batteries, the Company actively pursues OEM arrangements and other alliances with major electronic device manufacturers.

Hearing Aid Batteries. To market and distribute its hearing aid battery products, the Company continues to use a highly successful national print advertising campaign featuring Arnold Palmer. A binaural wearer and user of Rayovac hearing aid batteries, Mr. Palmer has been extremely effective in promoting the use of hearing aids, expanding the market and communicating the specific product benefits of Rayovac hearing aid batteries. The Company has also developed a national print advertising campaign in selected publications such as Modern Maturity to reach the largest potential market for hearing aid batteries. The Company also pioneered the use of multipacks and intends to further expand multipack distribution in additional professional and retail channels. Additionally, the Company believes that it has developed strong relationships with hearing aid manufacturers and audiologists, the primary purveyors of hearing aids, and seeks to further penetrate the professional market. The Company has also established relationships with major Pacific Rim hearing aid battery distributors to take advantage of anticipated global market growth.

Other Specialty Batteries. The Company's marketing strategies for its other specialty batteries focus on leveraging the Company's brand name and strong market position in hearing aid batteries to promote its specialty battery products. The Company has redesigned its product graphics and packaging of its other specialty battery products to achieve a uniform brand appearance with the Company's other products and generate greater brand awareness and loyalty. In addition, the Company plans to continue to develop relationships with manufacturers of communications equipment and other products in an effort to expand its share of the non-hearing aid button cell market. The Company believes there to be significant opportunity for growth in the photo and keyless entry battery markets and seeks to further penetrate the replacement market for these products.

With regard to lithium coin cells, the Company seeks to further penetrate the OEM portable personal computer market, as well as to broaden its customer base by focusing additional marketing and distribution efforts on telecommunication and medical equipment manufacturers.

Lighting Products and Lantern Batteries

Products

The Company is a leading marketer of battery-powered lighting devices, including flashlights, lanterns and similar portable products for the retail and industrial markets. For the 52 weeks ended July 5, 1997, the Company's products accounted for 12% of aggregate lighting product retail dollar sales in the mass merchandiser retail market segment. Rayovac has established its position in this market based on innovative product features, consistent product quality and creative product packaging. In addition, the Company endeavors to regularly introduce new products to stimulate consumer demand and promote impulse purchases.

The Company also produces a wide range of consumer and industrial lantern batteries. For the 52 weeks ended July 5, 1997, the Company held a 44% unit market share in the lantern battery market. This market has experienced a decline in recent years due to the declining use of this product for highway construction barricades.

Merchandising and Advertising

The Company's marketing strategy for its lighting products and lantern batteries focuses on leveraging the Company's strong brand name, regularly introducing new products, utilizing innovative packaging and merchandising programs, and promoting impulse buying and gift purchases.

Sales and Distribution

General

After the Recapitalization, the Company reorganized its sales force by distribution channel. As a result of this reorganization, the Company maintains separate U.S. sales forces primarily to service its retail sales and distribution channels and its hearing aid professionals, industrial and OEM sales and distribution channels. In addition, the Company utilizes a network of independent brokers to service participants in selected distribution channels. In conjunction with its broader cost rationalization initiatives, the Company has reduced the number of independent brokers and sales agents from over 100 to approximately 50. With respect to sales of the Company's hearing aid batteries, while most of the Company's sales have historically been through hearing aid professionals, the Company is actively engaged in efforts to increase sales through retail channels. In addition, the Company maintains its own sales force of approximately 30 employees in Europe which promotes the sale of all of the Company's products.

Retail

In the retail segment, the Company realigned its sales resources to create a sales force dedicated to each of its retail distribution channels. The primary retail distribution channels include: mass merchandisers (both national and regional); food and convenience stores; drug and specialty retailers; hardware/home centers; department stores; automotive aftermarket dealers; military sales; and catalog showrooms. The Company works closely with individual retailers to develop unique product promotions and to provide them with the opportunity for attractive profit margins to encourage brand support.

The Company's sales efforts in the retail channel focus primarily on sales and distribution to national mass merchandisers, in particular the Wal-Mart, Kmart and Target chains, which collectively accounted for 48% of industry sales growth in the domestic alkaline battery market over the past five years. The Company's sales strategy for these and other mass merchandisers includes increasing market share for all of the Company's products through the use of account specific programs and a separate sales and marketing team dedicated to these large retailers.

The Company's sales strategy is to penetrate further particular retail distribution channels, including home centers, hardware stores, warehouse clubs and food and drug stores. The Company's strategy for these retail channels is to develop creative and focused marketing campaigns which emphasize the performance parity and consumer cost advantage of the Rayovac brand and to tailor specific promotional programs unique to these distribution channels.

Industrial and OEM

In the industrial battery market, the Company services three sales and distribution channels: contract sales to governments and related agencies; maintenance repair organizations (including buying groups); and office product supply companies. The primary products sold to this market include alkaline, heavy duty, and lantern batteries and flashlights. Maintenance repair organizations, the largest of which is W.W. Grainger (to whom the Company is a major supplier of battery and lighting products), generally sell to contractors and manufacturers. The office product supply channel includes sales to both professional and retail companies in the office product supply business.

In the OEM sales channel, the Company actively pursues OEM arrangements and other alliances with major electronic device manufacturers for its rechargeable batteries. The Company also utilizes the OEM channel for the sale and distribution of its hearing aid batteries through strong relationships it has developed with hearing aid manufacturers. The Company plans to continue to develop relationships with manufacturers of communications equipment and other products in an effort to expand its share of the non-hearing aid button cell market. With regard to lithium coin cells, the Company plans to penetrate further the OEM portable personal computer market and broaden its customer base by focusing additional sales and distribution efforts on telecommunications and medical equipment manufacturers.

Manufacturing and Raw Materials

The Company manufactures batteries in the United States and the United Kingdom. Since the Recapitalization, the Company has shifted manufacturing operations from its Newton Aycliffe, United Kingdom and Kinston, North Carolina facilities to other facilities of the Company and outsourced the manufacture of certain lighting products. These efforts have increased plant capacity utilization and eliminated some of the Company's underutilized manufacturing capacity.

During the past five years, the Company has spent significant resources on capital improvements, including the modernization of many of its manufacturing lines and manufacturing processes. These manufacturing improvements have enabled the Company to increase the quality and service life of its alkaline batteries and to increase its manufacturing capacity. Management believes that the Company's manufacturing capacity is sufficient to meet its anticipated production requirements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The most significant raw materials used by the Company to manufacture batteries are zinc powder, electrolytic manganese dioxide powder, graphite and steel. There are a number of worldwide sources for all necessary raw materials, and management believes that Rayovac will continue to have access to adequate quantities of such materials at competitive prices. The Company regularly engages in forward purchases and hedging transactions to effectively manage raw material costs and inventory relative to anticipated production requirements. See "Risk Factors--Raw Materials."

Research and Development

The Company's research and development strategy is to purchase or license state-of-the-art manufacturing technology from third parties and to develop such technology through the Company's own research and development efforts. The Company's research and development efforts focus primarily on performance and cost improvements of existing products and technologies. In recent years, these efforts have led to advances in alkaline, heavy duty and lithium chemistries, as well as zinc air hearing aid batteries and enhancements of licensed rechargeable alkaline technology.

The Company believes that continued development efforts are important in light of the continually evolving nature of battery technology and credits the competitive performance of its products to its recent development efforts. In the hearing aid battery segment, the Company's research and development group maintains close alliances with the developers of hearing aid devices and often works in conjunction with these developers in preparing new product designs. The success of these efforts is most recently demonstrated by the Company's development of the two smallest (5A and 10A size) hearing aid batteries. The Company's research and development efforts in the Lighting Products and Lantern Batteries segment are focused on the development of new products. Further, the Company continues to partner with the U.S. government in research efforts to develop new battery technology. The Company's research and development group includes approximately 95 employees, the expense for some of whom is funded by U.S. government research contracts. See "--Patents, Trademarks and Licenses."

Information Systems

The Company has completed an initial reorganization of its information systems function by (i) hiring an experienced Chief Information Officer, (ii) outsourcing mainframe computer operations, (iii) completing an enterprise software system analysis and selection, and (iv) retaining Electronic Data Systems to modernize and upgrade its data processing and telecommunications infrastructure. The Company has purchased from SAP and begun implementing an enterprise-wide, integrated information system to upgrade and modernize its business operations, the majority of which will be substantially implemented by late 1998. When fully implemented, this system is expected to reduce cycle times, lower manufacturing and administrative costs, improve both asset and employee productivity and address the Year 2000 issue.

Patents, Trademarks and Licenses

The Company's success and ability to compete depends in part upon its technology. The Company relies upon a combination of patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual covenants, to establish and protect its technology and other intellectual property rights.

The Company owns or licenses from third parties a considerable number of patents and patent applications throughout the world, primarily for battery product improvements, additional features and manufacturing equipment.

The Company also uses a number of trademarks in its business, including Rayovac(R), MAXIMUM(TM), Renewal(R), Loud'n Clear(R), Power Station(R), ProLine(R), Lifex(TM), Smart Pack(R), Smart(TM) Strip, Workhorse(R) and Roughneck(R). The Company relies on both registered and common law trademarks in the United States to protect its trademark rights. The Rayovac(R) mark is also registered in countries outside the United States, including in Europe and the Far East. The Company does not have any right to the trademark "Rayovac" in Brazil, where the mark is owned by an independent third-party battery manufacturer. In addition, ROV Limited, a third party unaffiliated with the Company, has an exclusive, perpetual, royalty-free license for the use of certain of the Company's trademarks (including the "Rayovac" mark) in connection with zinc carbon and alkaline batteries and certain lighting devices in many countries outside the United States, including Latin America.

The Company has obtained a non-exclusive license to use certain technology underlying its rechargeable battery line to manufacture such batteries in the United States, Puerto Rico and Mexico and to sell and distribute batteries based on the licensed technology worldwide. This license terminates with the expiration of the last-expiring patent covering the licensed technology. In addition, in the conduct of its business, the Company relies upon other licensed technology in the manufacture of its products. See Note 13 to Notes to Combined Consolidated Financial Statements.

Competition

The Company believes that the markets for its products are highly competitive. Duracell and Energizer are the Company's primary battery industry competitors, each of which has substantially greater financial and other resources and greater overall market share than the Company. Although other competitors have sought to enter this market, the Company believes that new market entrants would need significant financial and other resources to develop brand recognition and the distribution capability necessary to serve the U.S. marketplace. Substantial capital expenditures would be required to establish U.S. battery manufacturing operations, although potential competitors could import their products into the U.S. market. The Company and its primary competitors enjoy significant advantages in having established brand recognition and distribution channels. See "Risk Factors--Competition."

In the U.S. market for general batteries competition is based on brand name recognition, perceived quality, price, performance, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies. In comparison to the U.S. battery market, the international general battery market has more competitors, is as highly competitive and has similar methods of competition.

Competition in the hearing aid battery industry is based upon reliability, performance, quality, product packaging and brand name recognition. The Company's primary competitors in the hearing aid battery industry include Duracell, Energizer and Panasonic. The battery-powered lighting device industry is also very competitive and includes a greater number of competitors (including Black & Decker, Mag-Lite and Energizer) than the U.S. battery industry.

Employees

As of September 30, 1997 the Company had approximately 2,150 full-time employees. The Company believes its relationship with its employees is good and there have been no work stoppages involving Company employees since 1981. A significant number of the Company's factory employees are represented by one of four labor unions. The Company has recently entered into collective bargaining agreements with its Madison and Fennimore, Wisconsin employees, each of which expires in 2000. The Company's collective bargaining agreement with 24 of its Washington, United Kingdom employees is scheduled to expire in December 1997. In addition, the Company's collective bargaining agreements with its five Hayward, California and 203 Portage, Wisconsin employees are scheduled to expire in May and July 1998, respectively.

Properties and Equipment

The following table sets forth information regarding the Company's six manufacturing sites in the United States and the United Kingdom:

Location	Product	Owned/Leased	Square Feet
Fennimore, WI	Alkaline batteries and Renewal rechargeable batteries	Owned	176,000
Madison, WI	Heavy duty/general purpose batteries	Owned	158,000
Portage, WI	Zinc air and silver button cells	Owned	62,000
Appleton, WI	Lithium coin cells and alkaline computer batteries	Owned	60,600
Wonewoc, WI	Battery-powered lighting products and lantern batteries	Leased	60,000
Washington, UK	Mercuric oxide and zinc air button cells	Leased	63,000

From fiscal 1993 through fiscal 1995 the Company has invested in all of its major battery facilities. During this period, the Company invested approximately $33 million in connection with the Fennimore Expansion. Additional investments in zinc air battery production have helped to increase output and precision of assembly as well as to increase the capacity of critical component manufacturing. Investments in lithium coin cell production have been used to build capacity for newly developed sizes of lithium coin cells as well as to increase capacity of the largest volume sizes of such cells. The Company has recently shifted manufacturing operations from its Newton Aycliffe, United Kingdom and Kinston, North Carolina facilities to other facilities of the Company and outsourced the manufacture of certain lighting products. The following table sets forth information regarding the Company's four packaging and distribution sites in the United States and the United Kingdom, all of which are leased:

Location	Square Feet
Middleton, WI	220,000
Laverne, TN	73,000
Hayward, CA	30,000
Newton Aycliffe, UK	75,000

The Company believes that its facilities, in general, are adequate for its present and currently foreseeable needs.

Environmental Matters

The Company's facilities are subject to a broad range of federal, state, local and foreign laws and regulations relating to the environment, including those governing discharges to the air and water and land, the handling and disposal of solid and hazardous substances and wastes, and the remediation of contamination associated with releases of hazardous substances at Company facilities and at off-site disposal locations. The Company has a proactive environmental management program that includes the use of periodic comprehensive environmental audits to detect and correct practices that violate environmental laws or are inconsistent with best management practices. Based on information currently available to Company management, the Company believes that it is substantially in compliance with applicable environmental regulations at its facilities, although no assurance can be provided with respect to such compliance in the future. There are no pending proceedings against the Company alleging that the Company is or has been in violation of environmental laws, and the Company is not aware of any such proceedings contemplated by governmental authorities. The Company is, however, subject to certain proceedings under CERCLA or analogous state laws, as described below.

The Company has from time to time been required to address the effect of historic activities on the environmental condition of its properties, including without limitation the effect of releases from underground storage tanks. Several Company facilities have been in operation for decades and are constructed on fill that includes, among other materials, used batteries containing various heavy metals. The Company has accepted a deed restriction on one such property in lieu of conducting remedial activities, and may consider similar actions at other properties if appropriate. Although the Company is currently engaged in remedial projects at a few of its facilities, the Company does not expect that such projects will cause it to incur material expenditures. Nonetheless, the Company has not conducted invasive testing to identify all potential risks and, given the age of the Company's facilities and the nature of the Company's operations, there can be no assurance that the Company will not incur material liabilities in the future with respect to its current or former facilities.

The Company has been notified that its former manganese processing facility in Covington, Tennessee is being evaluated by TDEC for a determination as to whether the facility should be added to the National Priorities List as a Superfund site pursuant to CERCLA. Groundwater monitoring conducted pursuant to the post-closure maintenance of solid waste lagoons on site, and recent groundwater testing beneath former process areas on site, indicate that there are elevated levels of certain inorganic contaminants, particularly (but not exclusively) manganese, in the groundwater underneath the site. The Company has completed closure of the aforementioned lagoons and has completed the remediation of a stream that borders the site. The Company cannot predict the outcome of TDEC's investigation of the site and there can be no assurance that the Company will not incur material liabilities in the future with respect to this site.

The Company has been and is subject to several proceedings related to its disposal of industrial and hazardous waste at off-site disposal locations, under CERCLA or analogous state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for the costs incurred in responding to the release or threatened release of hazardous substances from such sites. Current and former owners and operators of such sites, and transporters of waste who participated in the selection of such sites, are also strictly liable for such costs. Liability under CERCLA is generally "joint and several," so that a responsible party under CERCLA may be held liable for all of the costs incurred at a particular site. However, as a practical matter, liability at such sites generally is allocated among all of the viable responsible parties. Some of the most significant factors for allocating liabilities to persons that disposed of wastes at Superfund sites are the relative volume of waste such persons sent to the site and the toxicity of their waste streams. Other than the Velsicol Chemical and Morton International proceedings described below (as to which there is insufficient information to make a judgment as to the likelihood of a material impact on the Company's operations, financial condition or liquidity at this time), the Company does not believe that any of its pending proceedings under CERCLA or analogous state laws, either individually or in the aggregate, will have a material impact on the Company's operations, financial condition or liquidity, and the Company is not aware of any such matters contemplated by governmental agencies that will have such an impact. However, the Company may be named as a PRP at additional sites in the future, and the costs associated with such additional or existing sites may be material. In addition, certain of the Company's facilities have been in operation for decades and, over such time, the Company and other prior operators of such facilities have generated and disposed of wastes which are or may be considered hazardous such as cadmium and mercury utilized in the battery manufacturing process.

The Company has been named as a defendant in two lawsuits in connection with a Superfund site located in Bergen County, New Jersey (Velsicol Chemical Corporation, et al, v. A.E. Staley Manufacturing Company, et al., and Morton International, Inc. v. A.E. Staley Manufacturing Company, et al., United States District Court for the District of New Jersey, filed July 29, 1996). The Company is one of almost one hundred defendants named in these cases. Both cases involve contamination at a former mercury processing plant. One case was brought by the current owner and the other case by a former owner. The complaints in the two cases are identical, with four counts alleging claims for contribution under CERCLA, the New Jersey Spill Act, the Federal Declaratory Judgment Act and the common law. The plaintiffs allege that the Company arranged for the treatment or disposal of hazardous substances at the site. Consequently, the plaintiffs allege, the Company is liable to them for contribution toward the costs of investigating and remediating the site.

No ad damnum is specified in either complaint. The Remedial Investigation/Feasibility Study ("RI/FS") of the site has just begun. Plaintiff's counsel estimates the cost of the RI/FS to be $4 million. There is no estimate at this juncture as to the potential cost of remediation. The Company is one of approximately 75 defendants who allegedly arranged for treatment or disposal at the site. The remaining defendants are former owners or operators of the site and adjacent industrial facilities which allegedly contributed to the contamination. Evidence developed in discovery to date indicates that while the Company was a customer of the facility, the relationship was of relatively brief duration. The cost to remediate the Bergen County Site has not been determined and the Company cannot predict the outcome of these proceedings. "See Risk Factors--Environmental Matters."

There can be no assurances that additional proceedings relating to off-site disposal locations will not arise in the future or that such proceedings will not have a material adverse effect on the Company's business, financial condition or results of operations. The discovery of previously unknown contamination of property underlying or in the vicinity of the Company's manufacturing facilities could require the Company to incur material unforeseen expenses. Occurrences of any such events may have a material adverse effect on the Company's financial condition. See "Risk Factors--Environmental Matters." As of September 30, 1997, the Company has reserved $1.8 million for known on-site and off-site environmental liabilities. The Company believes these reserves are adequate, although there can be no assurance that this amount will be adequate to cover such matters.

Legal Proceedings

In the ordinary course of business, various suits and claims are filed against the Company. The Company has been named as a defendant in two lawsuits in connection with a Superfund site located in Bergen County, New Jersey (Velsicol Chemical Corporation, et al. v. A.E. Staley Manufacturing Company, et al. and Morton International, Inc. v. A.E. Staley Manufacturing Company, et al., United States District Court for the District of New Jersey, filed July 29, 1996). For a discussion of the principal parties, the factual basis alleged to underlie the proceedings and the relief sought, see "Business--Environmental Matters." See also "Risk Factors--Environmental Matters." Other than the Velsicol Chemical and Morton International proceedings (as to which there is insufficient information to make a judgment as to the likelihood of a material impact on the Company's business or financial condition at this time), the Company is not party to any legal proceedings which, in the opinion of management of the Company, are material to the Company's business or financial condition.

MANAGEMENT

Directors and Executive Officers

Set forth below is certain information regarding each director and executive officer of the Company as of October 1, 1997:

Name	Age	Position and Offices
David A. Jones	48	Chairman of the Board, Chief Executive Officer and President
Kent J. Hussey	51	Executive Vice President of Finance and Administration, Chief Financial Officer and Director
Roger F. Warren	56	President/International and Contract Micropower and Director
Trygve Lonnebotn	60	Executive Vice President of Operations and Director
Stephen P. Shanesy	41	Senior Vice President of Marketing and General Manager of General Batteries
Kenneth V. Biller	49	Senior Vice President and General Manager of Lighting Products & Industrial
Merrell M. Tomlin	44	Senior Vice President of Sales
James A. Broderick	54	Vice President, General Counsel and Secretary
Scott A. Schoen	39	Director
Thomas R. Shepherd	67	Director
Warren C. Smith, Jr.	41	Director

Mr. Jones has served as the Chairman of the Board of Directors, Chief Executive Officer and President of the Company since September 12, 1996. Between February 1995 and March 1996, Mr. Jones was Chief Operating Officer, Chief Executive Officer and Chairman of the Board of Directors of Thermoscan, Inc. From 1989 to September 1994, he served as President and Chief Executive Officer of The Regina Company, a manufacturer of vacuum cleaners and other floor care equipment. Mr. Jones has over 25 years of experience working in the consumer durables industry, most recently in management of operations, manufacturing and marketing.

Mr. Hussey is a director of the Company and has served as Executive Vice President of Finance and Administration, Chief Financial Officer since October 1, 1996. Prior to that time and since 1994, Mr. Hussey was Vice President and Chief Financial Officer of ECC International, a producer of industrial minerals and specialty chemicals, and from 1991 to July 1994 he served as Vice President and Chief Financial Officer of The Regina Company.

Mr. Warren is a director of the Company and has served as President/International and Contract Micropower of the Company since 1995. Mr. Warren joined the Company in 1985 and has held several positions including Executive Vice President and General Manager and Senior Vice President and General Manager/International.

Mr. Lonnebotn is a director of the Company and, since 1985, has served as Executive Vice President of Operations. He joined Rayovac in 1965.

Mr. Shanesy is the Senior Vice President of Marketing and the General Manager of General Batteries of the Company. From 1991 to 1995, Mr. Shanesy was Vice President of Marketing of Oscar Mayer. Prior to that time and since 1983, Mr. Shanesy held various marketing positions with Kraft Foods.

Mr. Biller has been the Senior Vice President and General Manager of Lighting Products & Industrial since 1996. Prior to such time he was Vice President and General Manager of Lighting Products & Industrial since 1995. Mr. Biller joined the Company in 1972 and has held several positions, including Director of Technology/Battery Products and Vice President of Manufacturing.

Mr. Tomlin is the Senior Vice President of Sales of the Company. From March 1996 to September 30, 1996, Mr. Tomlin served as Vice President Sales of Braun of North America/Thermoscan and from August 1995 to March 1996, he served as Vice President Sales of Thermoscan, Inc. Prior to that time, Mr. Tomlin was Vice President of Sales of various divisions of Casio Electronics.

Mr. Broderick is Vice President, General Counsel and Secretary for Rayovac and has held these positions since 1985.

Mr. Schoen has been a director of the Company since the Recapitalization and is a managing director of THL Co., which he joined in 1986. In addition, Mr. Schoen is a Vice President of Thomas H. Lee Advisors I and Thomas H. Lee Advisors II. He is also a director of First Alert, Inc., Signature Brands, U.S.A., Inc. and various private corporations.

Mr. Shepherd has been a director of the Company since the Recapitalization and is a managing director of THL Co. and has been engaged as a consultant to THL Co. since 1986. In addition, Mr. Shepherd is an Executive Vice President of Thomas H. Lee Advisors I and an officer of various other THL Co. affiliates. He is also a director of General Nutrition Companies, Inc. and various private corporations and Chairman of Signature Brands, U.S.A., Inc.

Mr. Smith has been director of the Company since the Recapitalization and is a managing director of THL Co. and has been employed by THL Co. since 1990. In addition, Mr. Smith is a Vice President of Thomas H. Lee Advisors II. He is also a director of Finlay Enterprises, Inc., Finlay Fine Jewelry Corporation and various private corporations.

The Company anticipates that it will designate two additional, independent persons to the Board of Directors following the Offerings.

Board Committees and Terms of Office

The Board of Directors has established an audit committee (the "Audit Committee") and a compensation committee (the "Compensation Committee"). The members of the Audit Committee and the Compensation Committee are Messrs. Schoen, Shepherd and Smith. The independent directors will be elected to the Audit Committee and replace the existing members.

The Company's Charter provides that the Board of Directors is classified into three classes, with the members of the respective classes serving for staggered three-year terms. The first class consists of Messrs. Jones, Lonnebotn and Schoen, the second of Messrs. Warren and Shepherd and the third of Messrs. Hussey and Smith, with the initial terms of the directors comprising the classes expiring upon the election and qualification of directors at the annual meetings of shareholders following the fiscal years ended September 30, 1998, 1999 and 2000, respectively. At each annual meeting of shareholders, directors will be reelected or elected for full three-year terms. See "Description of Capital Stock--Anti-Takeover Effects of Provisions of the Charter and By-laws and of Wisconsin Law."

Executive Compensation

The following table sets forth compensation paid to the former and current Chief Executive Officer of the Company and the other four most highly compensated executive officers of the Company during fiscal 1997, the three month Transition Period ended September 30, 1996 and fiscal 1996 (the "Named Executive Officers") for services rendered in all capacities to the Company.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compen- sation ($)	Securities Underlying Options (#)	All Other Compensation($)
David A. Jones,	1997	$400,000	$218,500	$65,800	83,196	
Chairman of the Board,	Transition Period	19,700	179,500		911,577	
Chief Executive Officer						
and President						
Kent J. Hussey,	1997	275,000	185,000		253,657	$ 57,000(1)
Executive Vice President of						
Finance and						
Chief Financial Officer						
Roger F. Warren,	1997	258,000	103,200		28,286	
President/International	Transition Period	64,500		24,700	227,894	486,600(2)
and Contract Micropower	1996	248,100				
Trygve Lonnebotn,	1997	240,200	96,100		16,640	
Executive Vice President	Transition Period	60,100		32,400	170,921	377,800(2)
of Operations	1996	231,000				
Steven P. Shanesy,	1997	154,900	140,000		135,579	
Senior Vice President of						
Marketing and General Manager						
of General Batteries						

- ----------------

(1) Represents relocation payments.
(2) Represents amounts paid by the Company in connection with the Recapitalization.

Option Grants and Exercises

In connection with the Recapitalization, the Board adopted the Rayovac Corporation 1996 Stock Option Plan (the "1996 Plan"). Pursuant to the 1996 Plan, options may be granted with respect to an aggregate of 3,000,000 shares of Common Stock. The Board of Directors has granted an aggregate of 2,318,127 options to purchase shares of Common Stock at a weighted average exercise price of $4.33 per share, 911,577 of which have been granted to David A. Jones in accordance with the terms of his employment agreement. See "--Employment Agreement." Pursuant to the Company's 1997 Stock Option Plan (the "1997 Plan"), options to purchase an aggregate of 556,222 shares of Common Stock were granted to certain management employees, which options were immediately exercised or surrendered to the Company's Deferred Compensation Plan as of such date. See "Benefit Plans--Stock Option Plans."

The following table discloses the grants of stock options during fiscal 1997 to the Named Executive Officers.

Option/SAR Grants in Fiscal 1997

	Individual Grants				Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date	5% ($)	10% ($)
David A. Jones	83,196(1)	5.9	$6.01	11/30/1997	$ 8,320	$ 16,639
Rogert F. Warren	28,286(1)	2.0	6.01	11/30/1997	2,829	5,657
Trygve Lonnebotn	16,640(1)	1.2	6.01	11/30/1997	1,664	3,328
Kent J. Hussey	227,894	16.2	4.39	10/01/2006	628,987	1,595,258
	25,763(1)	1.8	6.01	11/30/1997	2,576	5,153
Steven P. Shanesy	113,947	8.1	4.39	10/01/2006	314,494	797,629
	21,632(1)	1.5	6.01	11/30/1997	2,163	4,326

- ----------------
(1) These options granted under the 1997 Plan were exercised immediately upon grant. See "Benefit Plans--Stock Option Plans."

The following table sets forth information concerning options to purchase Common Stock held by the Named Executive Officers.

Aggregated Option Exercises In Fiscal 1997 And Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized $ (1)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) (Exercisable/Unexercisable)	Value of Unexercised In-the-Money (2) Options at Fiscal Year End ($) (Exercisable/Unexercisable)
David A. Jones	83,196	$-0-	182,315/729,262	$1,752,047/$7,008,208
Roger F. Warren	28,286	-0-	45,579/182,315	438,014/1,752,047
Trygve Lonnebotn	16,640	-0-	34,184/136,737	328,508/1,314,043
Kent J. Hussey	25,763	-0-	45,579/182,315	438,014/1,752,047
Steven P. Shanesy	21,632	-0-	22,789/91,158	219,002/876,028

- ----------------
(1) These options granted under the 1997 Plan were immediately exercised and no value was received by the Named Executive Officers. See "Benefit Plans--Stock Option Plans."
(2) These values are calculated using an assumed initial public offering price of $14.00 per share, less the exercise price of the options.

Compensation Committee Interlocks and Insider Participation

During fiscal 1997, the Compensation Committee of the Board of Directors was composed of Scott A. Schoen, Thomas R. Shepherd and Warren C. Smith, Jr.

The Company and THL Co. (which together with its affiliates will own 64.8% of the outstanding Common Stock following the Offerings) are parties to a Management Agreement entered into in connection with the Recapitalization pursuant to which the Company has engaged THL Co. to provide consulting and management advisory services for an initial period of five years through September 12, 2001. Under the Management Agreement and in connection with the closing of the Recapitalization, the Company paid THL Co. and an affiliate an aggregate fee of $3.25 million (the "THL Transaction Fee"). In consideration of the consulting and management advisory services, the Company pays THL Co. and its affiliate an aggregate annual fee of $360,000 plus expenses (the "Management Fee"). The Company believes that this Management Agreement is on terms no less favorable to the Company than could have been obtained from an independent third party.

In connection with the Recapitalization, the Lee Group, certain other shareholders of the Company and the Company entered into the Shareholders Agreement. The Shareholders Agreement provides for certain restrictions on transfer of the shares beneficially owned by the parties thereto. Additionally, the Shareholders Agreement provides that, subject to certain limitations, so long as the Lee Group and their permitted transferees own at least 10% of the shares of Common Stock acquired in the Recapitalization, the Lee Group shall be entitled to three "demand" registrations which may be exercised at any time. The shareholders party to the Shareholders Agreement, including the Lee Group, are also entitled, subject to certain limitations, to include shares of Common Stock held by them in other registrations of equity securities of the Company initiated by the Company for its own account or pursuant to a request for registration by the Lee Group. See "Risk Factors--Shares Eligible for Future Sale."

Employment Agreement

Under the employment agreement between David A. Jones and the Company (the "Jones Employment Agreement"), Mr. Jones is entitled to a salary of $400,000 per annum (which may be increased from time to time at the discretion of the Board of Directors) and an annual bonus based upon the Company achieving certain annual performance goals established by the Board of Directors. The Jones Employment Agreement became effective on September 12, 1996 for a term of three years expiring on September 30, 1999 which automatically renews for successive one year periods unless terminated earlier upon 90 days prior written notice by either party. At any time Mr. Jones has the right to resign and terminate the agreement upon 60 days notice. Upon such resignation, the Company must pay to Mr. Jones any unpaid base salary and any accrued but unpaid bonus through the date of resignation. The agreement provides that, upon the termination of Mr. Jones' employment for death or disability, the Company will pay to Mr. Jones or his estate any unpaid base salary, any accrued but unpaid bonus through the date of termination and a pro rata portion of the bonus for such period. The Company has the right to terminate employment for "cause" (as defined) and shall be obligated to pay to Mr. Jones any unpaid base salary to the date of termination. In the event Mr. Jones is terminated without cause (as defined), the Company must pay to him any unpaid base salary, any accrued but unpaid bonus through the date of termination and Mr. Jones' base salary and any additional salary until the earlier of the end of the term of the agreement or 12 months from the date of termination as well as other benefits under the agreement.

The agreement also provides that, during the term of the agreement or the period of time served as a director, and for one year thereafter, Mr. Jones shall not engage in or have a financial interest in any business which is involved in the industries in which the Company is engaged. The Company has also granted Mr. Jones options to purchase 911,577 shares of Common Stock at $4.39 per share, half of which become exercisable at a rate of 20% per year over a five-year period and the other half of which become exercisable at the end of ten years with accelerated vesting over each of the next five fiscal years if the Company achieves certain performance goals. In connection with the Recapitalization, Mr. Jones individually also purchased 227,895 shares of Common Stock at approximately $4.39 per share. One-half of the purchase price was paid in cash and one-half with a promissory note. The Company holds this promissory note in the principal amount of $500,000 from Mr. Jones in connection with the purchase of shares of Common Stock. Mr. Jones will receive additional salary of $35,000 annually as long as the promissory note remains outstanding. See "Certain Relationships and Related Transactions."

Severance Agreements

Each of Kent J. Hussey, Executive Vice President of Finance and Administration and Chief Financial Officer, Roger F. Warren, President/International and Contract Micropower, Trygve Lonnebotn, Executive Vice President of Operations, Stephen P. Shanesy, Senior Vice President of Marketing and General Manager of General Batteries, and Merrell M. Tomlin, Senior Vice President of Sales has entered into a severance agreement (each, a "Severance

Agreement") with the Company pursuant to which, in the event that his employment is terminated during the term of the Severance Agreement (a) by the Company without cause (as defined) or (b) by reason of death or disability (as defined), the Company shall pay him an amount in cash equal to the sum of (i) his base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs and (ii) the annual bonus (if any) earned by him pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which such termination occurs, such amount to be paid ratably monthly in arrears over the remaining term of the Severance Agreement. In the event of such termination, the Company shall also maintain for the twelve-month period following such termination insurance benefits for such individual and his dependents similar to those provided immediately prior to such termination. Under the Severance Agreements, each of Messrs. Hussey, Warren, Lonnebotn, Shanesy and Tomlin has agreed that for one year following the later of the end of the term of the Severance Agreement or the date of termination, that he will not engage or have a financial interest in any business which is involved in the industries in which the Company is engaged. The initial term of each Severance Agreement is one year with automatic one-year renewals thereafter, subject to thirty days notice of non-renewal prior to the end of the then current term.

Director Compensation

Directors who are employees of the Company receive no compensation for serving on the Board of Directors. Non-employee directors of the Company are reimbursed for their out-of-pocket expenses in attending meetings of the Board of Directors. Messrs. Schoen, Shepherd and Smith receive no fees in their capacities as directors. See "Certain Relationships and Related Transactions" for a description of certain other arrangements pursuant to which THL Co., of which they are managing directors, receives compensation from the Company.

Benefit Plans

Rayovac Profit Sharing and Savings Plan. The Company sponsors the Rayovac Profit Sharing and Savings Plan (the "Profit Sharing Plan"). Under the terms of the Profit Sharing Plan, eligible employees may elect to contribute to the Profit Sharing Plan, through payroll deductions, up to 15% of their compensation for services rendered in any year, not to exceed a statutorily prescribed annual limit. The Profit Sharing Plan provides that for any pay period the Company may in its discretion make contributions to the Profit Sharing Plan on behalf of each Profit Sharing Plan participant, which contributions shall be a percentage of each participant's compensation for such pay period. Participants may direct the investment of all contributions among the funds offered by the Profit Sharing Plan. The executive officers of the Company participate in the Profit Sharing Plan. Participants in the Profit Sharing Plan are fully vested in their Profit Sharing Plan accounts.

Deferred Compensation Plan. The Company has adopted the Rayovac Corporation Deferred Compensation Plan (the "Deferred Compensation Plan") for eligible management employees employed at the level of vice president or above. Participants in the Deferred Compensation Plan may elect to defer some or all of their base salary and bonuses pursuant to elections made prior to the period with respect to which such compensation is earned ("Deferrals"). In general, Deferrals are payable upon retirement, death or disability, with a participant also being eligible for certain hardship withdrawals. The normal form of Deferral payment is in up to 15 annual installments, with a participant having the option to receive a lump sum payment with the consent of the Company. The Deferral will not be subject to federal income tax at the time of the Deferral. Participants are credited with earnings on their accounts based upon individual participant's selection from among investment benchmarks chosen by the Company. The Company has established a related trust to fund Deferrals upon a change in control of the Company. The Deferrals are unsecured liabilities payable by the Company out of its general assets.

The Company also has nonqualified deferred compensation agreements with certain current and former officers under which the Company has agreed to pay such individuals designated amounts annually for the first 15 years subsequent to retirement or to a designated beneficiary upon death. The Company estimates the actuarial present value of the unfunded liabilities related to such agreements to be approximately $8.7 million as of September 30, 1997. See Note 10 to Notes to Consolidated Financial Statements.

Stock Option Plans. In connection with the Recapitalization, the Company adopted the 1996 Plan. The 1996 Plan provides for the grant, from time to time, of non-qualified stock options for an aggregate of 3,000,000 shares of Common Stock to employees and directors of the Company or a subsidiary to encourage continuity of service with the Company, to increase their efforts on behalf of the Company and to promote the success of the Company's business. The 1996 Plan is administered by the Compensation Committee. Subject to the provisions of the 1996

Plan, the Compensation Committee is empowered to, among other things, determine the persons to whom and the time or times at which options may be granted, the number of shares to which an option may relate and the terms, conditions and restrictions relating to any option.

The 1996 Plan provides that the exercise price of options shall be paid in full at the time of exercise and may be paid in cash or in shares of Common Stock having a fair market value equal to the exercise price, or in a combination of cash and shares of Common Stock or, in the discretion of the Compensation Committee, through a cashless exercise procedure.

Unless otherwise provided in the applicable option agreement, options may be exercised only during the period that the recipient is an employee or member of the Board of the Company and for a period of 30 days after termination of employment other than for cause or due to the death or disability of the recipient or for a period of twelve months from the date of termination due to the death or disability of the recipient. The 1996 Plan may, at any time and from time to time, be altered, amended, suspended or terminated by the Board of Directors or the Compensation Committee, in whole or in part; provided that no amendment may be made which adversely affects any of the rights of a recipient of an option theretofore granted, without such recipient's consent, and no amendment which requires shareholder approval under applicable law or in order for the plan to continue to comply with Section 162 (m) of the Internal Revenue Code of 1986, as amended, will be effective unless it is approved by the requisite vote of shareholders. Options granted under the 1996 Plan are subject to adjustment under certain specified circumstances to prevent dilution. Options to purchase an aggregate of 2,318,127 shares of Common Stock were granted under the 1996 Plan as of September 30, 1997.

In connection with the purchase by the Company and the Lee Group of shares of Common Stock from Thomas F. Pyle, Jr., former Chairman, President and Chief Executive Officer of the Company as of August 1, 1997, the Company adopted the Rayovac Corporation 1997 Stock Option Plan (the "1997 Plan"). The 1997 Plan provides for the grant of options to purchase an aggregate of 665,000 shares of Common Stock to employees of the Company at a specified management level and above to provide an incentive to such employees to remain in the Company's employ and to increase their efforts for the success of the Company by offering them an opportunity to increase their proprietary interest in the Company. The 1997 Plan is administered by David Jones as administrator (the "Administrator").

The 1997 Plan provides that the exercise price of an option under the 1997 Plan shall be $6.01 per share. The Administrator may determine those persons who shall be entitled to receive options and may prescribe the minimum and maximum number of shares of Common Stock for which a participant may exercise an option, the expiration date of such option and such other terms and conditions as the Administrator shall deem appropriate. The 1997 Plan and each option granted thereunder shall expire no later than November 30, 1997. The 1997 Plan provides that the Administrator may cause the Company to lend to a participant the amount of cash necessary to exercise the option granted to such participant; provided, however, that such participant simultaneously executes a promissory note in the form prescribed by the 1997 Plan.

The Administrator may permit a participant to surrender an option held by such participant and elect instead to have a portion of the amounts credited to such participant's account under the Company's Deferred Compensation Plan credited as deferred stock units, each economically equivalent to a share of Common Stock. The maximum amount which a participant may elect to have so credited shall be equal to the aggregate purchase price of the shares of Common Stock subject to the option (or portion thereof) so surrendered.

Pursuant to the 1997 Plan, as of August 1, 1997, options to purchase an aggregate of 500,868 shares of Common Stock were granted to certain management employees of the Company. Such options were immediately exercised or surrendered to the Deferred Compensation Plan as of such date and the proceeds from the exercise or surrender thereof were used to fund the Company's purchase of shares of Common Stock from the former Chairman, President and Chief Executive Officer of the Company occurring as of such date. On September 15, 1997, options to purchase 55,354 shares were granted to certain management employees, immediately exercised or surrendered to the Deferred Compensation Plan and the proceeds used to fund the Company's purchase of Common Stock from another former executive officer of the Company.

On September 5, 1997, the Board adopted the 1997 Rayovac Incentive Plan (the "Incentive Plan") which was approved by the Shareholders on October 22, 1997 to support the Company's ongoing efforts to develop and retain exceptionally talented employees and give the Company the ability to provide employees with incentives that are directly linked to the profitability of the Company's businesses and increases in shareholder value. The Incentive

Plan replaces the 1996 Plan and no further awards will be granted under the 1996 Plan other than awards of options for shares up to an amount equal to the number of shares covered by options that terminate or expire prior to being exercised. Under the Incentive Plan, the Company may grant to employees and non-employee directors stock options, stock appreciation rights ("SARs"), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. The Company believes that the Incentive Plan will form an important part of the Company's overall compensation program.

All employees of the Company, its subsidiaries and its affiliates as well as non-employee members of the Boards of Directors of the Company, its subsidiaries, and its affiliates will be eligible to receive awards under the Incentive Plan.

It is currently anticipated that the Incentive Plan will be administered by the Compensation Committee or a subcommittee thereof. The Compensation Committee will select the individuals to whom awards will be granted and will establish the terms of such awards. The Compensation Committee may delegate its authority under the Incentive Plan to officers of the Company, subject to Board-approved guidelines, with respect to employees or directors who are not "executive officers" of the Company.

Up to 3,000,000 shares of Common Stock may be issued under the Incentive Plan of which none have been issued as of September 30, 1997. The Incentive Plan will permit the granting of incentive stock options, which qualify for special tax treatment, and nonqualified stock options. SARs may also be granted either singly or in combination with underlying stock options. Cash-based annual and long-term incentive awards granted under the Incentive Plan will be earned only if corporate, business unit or individual performance objectives over performance cycles established by or under the direction of the Compensation Committee are met.

The Incentive Plan also provides for awards that are denominated in, valued by reference to, or otherwise based on or related to, Common Stock. These awards may include, without limitation, performance shares and restricted stock units that entitle the recipient to receive, upon satisfaction of performance goals or other conditions, a specified number of shares of Common Stock or the cash equivalent thereof.

The Incentive Plan provides that in the event of a "Change in Control" (as defined in the Incentive Plan), all stock options and SARs will become immediately exercisable, the restrictions applicable to outstanding restricted stock and other stock-based awards will lapse, and, unless otherwise determined by the Compensation Committee, the value of outstanding stock options, SARs, restricted stock and other stock-based awards will be cashed out on the basis of the highest price paid (or offered) during the preceding 60-day period. In addition, outstanding incentive awards will be vested and paid out on a prorated basis, based on the maximum award opportunity of such awards and the number of months elapsed compared with the total number of months in the performance cycle.

The Incentive Plan will expire on August 31, 2007, unless terminated earlier, or extended, by the Board. Any awards granted before the Incentive Plan expires or is terminated may extend beyond the expiration or termination date. The Board may amend the Incentive Plan at any time, provided that no such amendment will be made without shareholder approval if such approval is required under applicable law, or if such amendment would increase the number of shares that may be issued under the Incentive Plan.

The terms and conditions of each award will be set forth in award agreements, which can be amended by the Compensation Committee. The Compensation Committee may require or permit deferral of the payment of awards and may provide for the payment of interest or other earnings on deferred amounts or the payment of dividend equivalents where the deferred amounts are denominated in stock equivalents. Awards under the Incentive Plan may earn dividends or dividend equivalents, as determined by the Compensation Committee.

Under the Incentive Plan, no recipient may receive awards during the term of the Incentive Plan that cover in the aggregate more than 25% of the shares originally reserved for distribution. The value of a recipient's annual incentive award may not exceed $1 million; individual long-term incentive awards are limited to $1 million times the number of years in the applicable performance cycle.

It is presently intended that the Incentive Plan constitute an "unfunded" plan for incentive compensation. The Incentive Plan authorizes the creation of trusts and other arrangements to facilitate or ensure payment of the Company's obligations.

PRINCIPAL AND OVER-ALLOTMENT SELLING SHAREHOLDERS

The following table sets forth as of the date hereof and after giving effect to the sale of the shares of Common Stock offered in the Offerings (including upon full exercise of the over-allotment options granted to the Underwriters) certain information with respect to beneficial ownership of the Common Stock by each director, executive officer and beneficial owner of more than 5% of the Company's outstanding Common Stock, by all directors and executive officers of the Company as a group and by the Over-Allotment Selling Shareholders, in each case as of September 30, 1997.

	Shares of Common Stock Beneficially Owned Prior to the Offerings(2)		Shares Subject to Over-Allotment Options(3)	Shares of Common Stock Beneficially Owned After the Offerings and Assuming Full Exercise of Over-Allotment Options	
Name and Address(1)	Number of Shares	Percentage of Class		Number of Shares	Percentage of Class
Thomas H. Lee Equity Fund III, L.P.(4) ... 75 State Street, Ste. 2600 Boston, MA 02109	15,298,292	74.2%	861,228	14,437,064	52.3
Thomas H. Lee Foreign Fund III, L.P.(4) ... 75 State Street, Ste. 2600 Boston, MA 02109	947,692	4.6	53,351	894,341	3.2
THL-CCI Limited Partnership(5) .... 75 State Street, Ste. 2600 Boston, MA 02109	1,606,174	7.8	90,421	1,515,753	5.5
David A. Jones(6)	456,100	2.2	--	456,100	1.6
Kent J. Hussey(7)	97,191	*	--	97,191	*
Roger F. Warren(8)	626,961	3.0	--	626,961	2.3
Stephen P. Shanesy(9)	67,556	*	--	67,556	*
Kenneth V. Biller(10)	122,269	*	--	122,269	*
Merrell M. Tomlin(11)	58,444	*	--	58,444	*
James A. Broderick(12)	223,425	1.1	--	223,425	*
Trygve Lonnebotn(13)	452,714	2.2	--	452,714	1.6
Scott A. Schoen(4)(14)	77,096	*	--	77,096	*
Thomas R. Shepherd(14)	40,154	*	--	40,154	*
Warren C. Smith, Jr.(4)(14)	64,258	*	--	64,258	*
All directors and executive officers of the Company as a group (11 persons)(4)(14)	2,286,168	10.9%	--	2,286,168	8.2

*Less than 1%.

(1) Addresses are given only for beneficial owners of more than 5% of the outstanding shares of Common Stock.

(2) Unless otherwise noted, the nature of beneficial ownership is sole voting and/or investment power, except to the extent authority is shared by spouses under applicable law. Shares of Common Stock not outstanding but deemed beneficially owned by virtue of the right of a person or group to acquire them within 60 days are treated as outstanding only for purposes of determining the number and percent of outstanding shares of Common Stock owned by such person or group, except that 40,000 immediately exercisable options to purchase Common Stock of an employee of the Company who is not an executive officer of the Company are included for all purposes.

(3) Each Over-Allotment Selling Shareholder is an affiliate of the Lee Group. See "Risk Factors--Control by Existing Shareholders."

(4) THL Equity Advisors III Limited Partnership ("Advisors"), the general partner of the Lee Fund and Thomas H. Lee Foreign Fund III, L.P., THL Equity Trust III ("Equity Trust"), the general partner of Advisors, Thomas H. Lee, Scott A. Schoen, Warren C. Smith, Jr. and other managing directors of THL Co., as Trustees of Equity Trust, and Thomas H. Lee as sole shareholder of Equity Trust, may be deemed to be beneficial owners of the shares of Common Stock held by such Funds. Each of such persons maintains a principal business address at Suite 2600, 75 State Street, Boston, MA 02109. Each of such persons disclaims beneficial ownership of all shares.

(5) THL Investment Management Corp., the general partner of THL-CCI Limited Partnership, and Thomas H. Lee, as director and sole shareholder of THL Investment Management Corp., may also be deemed to be beneficial owners of the shares of Common Stock held by THL-CCI Limited Partnership. Each of such persons maintains a principal business address at Suite 2600, 75 State Street, Boston, MA 02109.

(6) Includes 4,292 shares representing Mr. Jones' proportional interest in the Lee Fund. Mr. Jones disclaims beneficial ownership of these shares. Also includes 182,315 shares subject to options which are currently exercisable.
(7) Includes 45,579 shares subject to options which are currently exercisable.
(8) Includes 45,579 shares subject to options which are currently exercisable.
(9) Includes 22,789 shares subject to options which are currently exercisable.
(10) Includes 22,789 shares subject to options which are currently exercisable.
(11) Includes 22,789 shares subject to options which are currently exercisable.
(12) Includes 10,000 shares subject to options which are currently exercisable.
(13) Includes 34,184 shares subject to options which are currently exercisable.
(14) Includes 77,096 shares, 40,154 shares and 64,258 shares, representing the proportional interests of Messrs. Schoen, Shepherd and Smith, respectively, in THL-CCI Limited Partnership; and 15,078 shares which Mr. Smith may be deemed to beneficially own as a result of Mr. Smith's children's proportional beneficial interest in THL-CCI Limited Partnership.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company and THL Co. (which, together with its affiliates will own 64.8% of the outstanding Common Stock following the Offerings) are parties to a Management Agreement entered into in connection with the Recapitalization pursuant to which the Company has engaged THL Co. to provide consulting and management advisory services for an initial period of five years through September 12, 2001. Under the Management Agreement and in connection with the closing of the Recapitalization, the Company paid THL Co. and an affiliate an aggregate fee of $3.25 million (the "THL Transaction Fee"). In consideration of the consulting and management advisory services, the Company pays THL Co. and its affiliate an aggregate annual fee of $360,000 plus expenses (the "Management Fee"). The Company believes that this Management Agreement is on terms no less favorable to the Company than could have been obtained from an independent third party.

The Company and David A. Jones are parties to the Jones Employment Agreement pursuant to which Mr. Jones agreed to be the Chairman of the Board of Directors, Chief Executive Officer and President of the Company. Mr. Jones also purchased from the Company 227,895 shares of Common Stock with cash and a $500,000 promissory note held by the Company with interest payable at a rate of 7% per annum and principal payable on the earliest of the following to occur: (i) the fifth anniversary of the note; (ii) the date on which (a) Mr. Jones terminates his employment for any reason other than a Constructive Termination (as defined in the Jones Employment Agreement) and (b) he is no longer a director of the Company; or (iii) the date the Company terminates Mr. Jones' employment for Cause (as defined in the Jones Employment Agreement). Proceeds from any sale of Mr. Jones' shares must be used to immediately prepay, in whole or in part, the principal amount of the promissory note outstanding and any accrued and unpaid interest on the portion prepaid or the holder of the promissory note may declare the entire principal amount of such note to be immediately due and payable. Mr. Jones receives additional salary of $35,000 annually during the period the promissory note is outstanding. See "Management--Employment Agreement."

The Company holds five year promissory notes dated March 17, 1997 from Messrs. Hussey, Tomlin and Shanesy, in principal amounts of $75,000, $60,000 and $80,000, respectively, with interest payable at 8% per annum. Such notes were incurred in connection with the purchase of shares of Common Stock by Messrs. Hussey, Tomlin and Shanesy upon joining the Company.

Pursuant to the 1997 Plan, on August 1, 1997, certain executive officers of the Company, including Messrs. Jones, Hussey, Tomlin and Shanesy, exercised options to purchase shares of Common Stock under the 1997 Plan with five-year promissory notes held by the Company, in principal amounts of $250,000, $50,000, $50,000 and $20,000, respectively, with interest payable at 8% per annum. On September 15, 1997, certain other executive officers, including Messrs. Warren, Lonnebotn, Shanesy and Hussey, exercised options under the 1997 Plan with, in the case of Messrs. Warren, Lonnebotn and Shanesy, five-year promissory notes held by the Company, in principal amounts of $50,003, $46,079 and $30,002, respectively, with interest payable at 8% per annum and in the case of Mr. Hussey, a non-interest bearing promissory note in the principal amount of $36,000 held by the Company due November 21, 1997 of which a principal amount of $18,000 remains outstanding. No principal amounts have been paid to date on such other notes.

In connection with the Recapitalization, the Lee Group, certain other shareholders of the Company and the Company entered into the Shareholders Agreement. The Shareholders Agreement provides for certain restrictions on transfer of the shares beneficially owned by the parties thereto. Additionally, the Shareholders Agreement provides that, subject to certain limitations, so long as the Lee Group and their permitted transferees own at least 10% of the shares of Common Stock acquired in the Recapitalization, the Lee Group shall be entitled to three "demand" registrations which may be exercised at any time. The shareholders party to the Shareholders Agreement including the Lee Group are also entitled, subject to certain limitations, to include shares of Common Stock held by them in other registrations of equity securities of the Company initiated by the Company for its own account or pursuant to a request for registration by the Lee Group. See "Risk Factors--Shares Eligible for Future Sale."

DESCRIPTION OF CAPITAL STOCK

The following summary description of the capital stock of the Company does not purport to be complete, and is subject to the detailed provisions of, and is qualified in its entirety by reference to, the Restated Articles of Incorporation of the Company, a copy of which is filed as an exhibit to the Registration Statement (the "Registration Statement") of which this is a part and the Wisconsin Business Corporation Law (the "WBCL"). Whenever particular provisions of the foregoing are referred to, such provisions are incorporated by reference as a part of the statements made and such statements are qualified in their entirety by reference to such provisions.

General

Upon the closing of the Offerings, the authorized capital stock of the Company will consist of 150,000,000 shares of Common Stock, par value $.01 per share, 27,551,431 shares of which will be issued and outstanding, and 5,000,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock"), none of which will be outstanding.

Common Stock

Holders of Common Stock are entitled to one vote per share in all matters to be voted on by the shareholders of the Company and do not have cumulative voting rights. Accordingly, holders of a majority of the outstanding shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any Preferred Stock outstanding at the time, holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to share ratably in all assets remaining after payment of the Company's liabilities and the liquidation preference, if any, of any outstanding Preferred Stock. Holders of shares of Common Stock have no preemptive, subscription, redemption or conversion rights. There are no redemption or sinking fund provisions applicable to the Common Stock. All of the outstanding shares of Common Stock are, and the shares offered by the Company in the Offerings will be, when issued and paid for, fully paid and non-assessable. The rights, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which the Company may designate and issue in the future. In addition, under Section 180.0622 of the WBCL, holders of shares of Common Stock are personally liable, up to the par value of the shares owned, for debts of the Company owed to its employees for services rendered by employees to the Company during no more than a six month period in any one case. Certain Wisconsin courts have interpreted "par value" to mean the full amount paid upon the purchase of the Common Stock.

At present, there is no established trading market for the Common Stock. The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "ROV," subject to official notice of issuance.

Preferred Stock

The Board of Directors may, without further action by the Company's shareholders, from time to time, direct the issuance of shares of Preferred Stock in series and may, at the time of issuance, determine the rights, preferences and limitations of each series. Satisfaction of any dividend preferences of outstanding shares of Preferred Stock would reduce the amount of funds available for the payment of dividends on shares of Common Stock. Holders of shares of Preferred Stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of shares of Common Stock. Under certain circumstances, the issuance of shares of Preferred Stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of the Company's securities or the removal of incumbent management. The Board of Directors, without shareholder approval, may issue shares of Preferred Stock with voting and conversion rights which could adversely affect holders of shares of Common Stock. Upon consummation of the Offerings, there will be no shares of Preferred Stock outstanding, and the Company has no present intention to issue any shares of Preferred Stock.

Limitations on Directors' Liability

Wisconsin law provides that, except as limited in a corporation's articles of incorporation, directors of a corporation will not be liable to the corporation, its shareholders, or any person asserting rights on behalf of the corporation or its shareholders, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a director, unless the person asserting liability proves that the breach or failure to perform constitutes (i) a willful failure to deal fairly with the corporation or its shareholders in connection with a matter in which the director has a material conflict of interest; (ii) a violation of criminal law, unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful; (iii) a transaction from which the director derived an improper personal profit; or (iv) willful misconduct.

Anti-Takeover Effects of Provisions of the Charter and By-laws and of Wisconsin Law

Charter and By-laws

The Charter and the By-laws to be effective prior to the sale of the shares of Common Stock in the Offerings, together with certain provisions of Wisconsin law, contain certain provisions that could discourage potential takeover attempts and make more difficult the acquisition of a substantial block of the Common Stock. The Charter provides for a Board of Directors that is divided into three classes. The directors in Class I will hold office until the first annual meeting of shareholders following the Offerings, the directors in Class II will hold office until the second annual meeting of shareholders following the Offerings, and the directors in Class III will hold office until the third annual meeting of shareholders following the Offerings (or, in each case, until their successors are duly elected and qualified or until their earlier resignation, removal from office for cause or death), and, after each such election, the directors in each such class will then serve in succeeding terms of three years and until their successors are duly elected and qualified. The classification system of electing directors and the ability of shareholders to remove directors only for cause may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of the Company and may maintain the incumbency of the Board of Directors, as the classification of the Board of Directors generally increases the difficulty of replacing a majority of the directors.

The Charter authorizes the directors to issue, without shareholder approval, shares of Preferred Stock in one or more series and to fix the voting powers, designations, preferences and relative, participating, optional or other special rights (and the qualifications, limitations or restrictions of such preferences and rights) of the shares of each such series. The Charter also provides that special meetings of the Company's shareholders may be called only by the Chairman of the Board of Directors (if there is one) or the President, any Vice President (if there is one), the Secretary or any Assistant Secretary (if there is one) and shall be called by any such officer at the written request of a majority of the directors. The By-laws also provide that nominations for directors may not be made by shareholders at any annual or special meeting thereof unless the shareholder intending to make a nomination notifies the Company of its intentions a specified number of days in advance of the meeting and furnishes to the Company certain information regarding itself and the intended nominee. The By-laws also require a shareholder to provide to the Secretary of the Company advance notice of business to be brought by such shareholder before any annual or special meeting of shareholders as well as certain information regarding such shareholder and others known to support such proposal and any material interest they may have in the proposed business. These provisions could delay shareholder actions that are favored by the holders of a majority of the outstanding shares of the Company until the next shareholders' meeting.

Wisconsin Anti-Takeover Statute

As a Wisconsin corporation, the Company is subject to certain provisions of the WBCL, including a business combination statute, a fair price statute and a control share statute, which provide Wisconsin corporations with anti-takeover protection.

Sections 180.1140 to 180.1144 of the WBCL (collectively, the "Wisconsin Business Combination Statute") regulate a broad range of "business combinations" between a Wisconsin corporation and an "interested stockholder." The Wisconsin Business Combination Statute defines a "business combination" to include a merger or share exchange, sale, lease, exchange, mortgage, pledge, transfer or other disposition of assets equal to at least 5% of the aggregate market value of the stock or assets of a corporation or 10% of its earning power, or the issuance of stock or rights to purchase stock with an aggregate market value equal to at least 5% of the aggregate market value of all of the outstanding stock, adoption of a plan of liquidation or dissolution, and certain other transactions involving an "interested stockholder." An "interested stockholder" is defined as a person who beneficially owns, directly or indirectly, 10% of the voting power of the outstanding voting stock of a corporation or who is an affiliate or associate of the corporation and beneficially owned 10% of the voting power of the then outstanding voting stock within the last three years. The Wisconsin Business Combination Statute prohibits a corporation from engaging in a business combination (other than a business combination of a type specifically excluded from the coverage of the statute) with an interested stockholder for a period of three years following the date such person becomes an interested stockholder, unless the board of directors approved the business combination or the acquisition of the stock that resulted in a person becoming an interested stockholder prior to such acquisition. Business combinations after the three-year period following the stock acquisition date are permitted only if (a) the board of directors approved the acquisition of the stock prior to the acquisition date, (b) the business combination is approved by a majority of the outstanding voting stock not beneficially owned by the interested stockholder at a meeting called for that purpose, or (c) the consideration to be received by shareholders meets certain requirements of the Wisconsin Business Combination Statute with respect to form and amount.

In addition, Sections 180.1130 to 180.1134 of the WBCL provide that certain mergers, share exchanges or sales, leases, exchanges or other dispositions of assets in a transaction involving a "significant shareholder" are subject to a supermajority vote of shareholders, in addition to any approval otherwise required by law or the articles of incorporation of the corporation (the "Wisconsin Fair Price Statute"). A "significant shareholder" is defined as a person who beneficially owns, directly or indirectly, 10% or more of the voting power of the outstanding voting shares of a corporation or an affiliate of the corporation which beneficially owned, directly or indirectly, 10% or more of the voting power of the then outstanding voting shares of the corporation. The Wisconsin Fair Price Statute provides that certain transactions with a significant shareholder must be approved by 80% of the votes entitled to be cast by outstanding voting shares of the corporation and at least two-thirds of the votes entitled to be cast by holders of voting shares other than voting shares beneficially owned by the significant shareholder who is a party to the relevant transaction or any of its affiliates or associates, in each case voting together as a single group, unless the following fair price standards have been met: (a) the aggregate value of the per share consideration is equal to the higher of (i) the highest price paid for any common shares of the corporation by the significant shareholder in the transaction in which it became a significant shareholder or within two years before the date of the transaction, (ii) the market value of the corporation's shares on the date of commencement of any tender offer by the significant shareholder, the date on which the person became a significant shareholder or the date of the first public announcement of the proposed transaction, whichever is higher, or (iii) the highest liquidation or dissolution distribution to which holders of the shares would be entitled; and (b) either cash, or the form of consideration used by the significant shareholder to acquire the largest number of shares, is offered.

Under Section 180.1150 (the "Wisconsin Control Share Statute"), the voting power of shares, including shares issuable upon conversion of securities or exercise of options or warrants, of an "issuing public corporation" held by any person or persons acting as a group in excess of 20% of the voting power in the election of directors is limited to 10% of the full voting power of those shares. The Wisconsin Control Share Statute does not apply to shares acquired directly from the issuing public corporation, in certain specified transactions, or in a transaction in which the corporation's shareholders have approved restoration of the full voting power of the otherwise restricted shares.

Section 180.1134 (the "Wisconsin Defensive Action Restrictions") provides that, in addition to the vote otherwise required by law or the articles of incorporation of an issuing public corporation, the approval of the holders of a majority of the shares entitled to vote is required before such corporation can take certain action while a takeover offer for such corporation's shares is being made or after a takeover offer has been publicly announced and before it is concluded. Under the Wisconsin Defensive Action Restrictions, shareholder approval is required for the corporation to (a) acquire more than 5% of the outstanding voting shares at a price above the market value from any individual or organization that owns more than 3% of the outstanding voting shares and has held such shares for less than two years, unless a similar offer is made to acquire all voting shares and all securities which may be converted into voting shares, or (b) sell or option assets of the corporation which amount to at least 10% of the market value of the corporation, unless the corporation has at least three independent directors and a majority of the independent directors vote not to have this provision apply to the corporation. The restrictions described in clause (a) above may have the effect of deterring a shareholder from acquiring shares of the Company with the goal of seeking to have the Company repurchase such shares at a premium over the market price.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Firstar Trust Company.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following summaries of the principal terms of certain outstanding indebtedness of the Company do not purport to be complete and are subject to the detailed provisions of, and qualified in their entirety by reference to, the respective financing agreements, copies of which have been filed or incorporated by reference as exhibits to the Registration Statement of which this Prospectus is a part and to which exhibits reference is hereby made. Whenever particular provisions of such documents are referred to, such provisions are incorporated by reference as a part of the statements made, and the statements are qualified in their entirety by such reference.

The Credit Agreement

Pursuant to the Credit Agreement, BA Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and certain of its affiliates (collectively, the "Arrangers"), as Arrangers for a group of financial institutions and other accredited investors, have provided senior bank facilities in an aggregate amount of $170.0 million.

The Credit Agreement provides for a six-year Tranche A term loan of up to $55.0 million, a seven-year Tranche B term loan of up to $25.0 million and an eight-year Tranche C term loan of up to $25.0 million (collectively, the "Term Loan Facility"), and a six-year Revolving Credit Facility of up to $65.0 million under which working capital loans may be made and with a $10.0 million sublimit for letters of credit (the "Revolving Credit Facility," and, together with the Term Loan Facility, referred to collectively as the "Bank Facilities"). On September 13, 1996 (the "Closing Date"), the Company borrowed an aggregate amount of $131.0 million comprised of $26.0 million of Revolving Loans, $55.0 million of Term A Loans, $25.0 million of Term B Loans and $25.0 million of Term C Loans.

As shown in the table below, quarterly amortization of the Tranche A loans is in aggregate amounts ranging from $1.0 million to $3.75 million and began December 31, 1996. Amortization of the Tranche B loans is in aggregate quarterly amounts of $0.0625 million during each of the first six years and $5.875 million during the seventh year and began December 31, 1996. After consummation of the Offerings and the application of the net proceeds therefrom to repay approximately $51.6 million of the amounts outstanding under the Term Loan Facility, the amortization schedule will be adjusted to give effect to such repayment applied pro rata among the tranches, except as may be otherwise agreed. Amortization of the Tranche C loans will be in aggregate quarterly amounts of $0.0625 million during each of the first seven years and $5.8125 million during the eighth year and began December 31, 1996. The Revolving Credit Facility must be reduced for 30 consecutive days each year to no more than $10.0 million for the fiscal year ending September 30, 1997, $5.0 million for fiscal year ending September 30, 1998 and to zero for any fiscal year thereafter.

Term Loan Quarterly Amortization
(Dollars in millions)

Year	Tranche A	Tranche B	Tranche C
1	$ 1.0	$ .0625	$ .0625
2	1.5	.0625	.0625
3	2.0	.0625	.0625
4	2.5	.0625	.0625
5	3.0	.0625	.0625
6	3.75	.0625	.0625
7	--	5.875	.0625
8	--	--	5.8125

Borrowings under the Credit Agreement bear interest, in each case at the Company's option, as follows: (i) with respect to the Tranche A loans and the Revolving Credit Facility, at Bank of America National Trust and Savings Association's base rate plus 1.50% per annum, or at IBOR plus 2.50% per annum; (ii) with respect to the Tranche B loans, at Bank of America National Trust and Savings Association's base rate plus 2.00% per annum, or at IBOR plus 3.00% per annum; (iii) with respect to the Tranche C loans, at Bank of America National Trust and Savings Association's base rate plus 2.25% per annum, or at IBOR plus 3.25% per annum; and (iv) with respect to the Revolving Credit Facility, at Bank of America National Trust and Savings Association's base rate plus 1.50% per annum, or at IBOR plus 2.50% per annum. Performance-based reductions of the Tranche A and Revolving Credit Facility interest rates are available. The Company also incurs standard letter of credit fees to issuing institutions and other standard commitment fees. The Company obtained interest rate protection in the form of an interest rate swap for $62.5 million of the Term Loan Facility on October 7, 1996.

The indebtedness outstanding under the Credit Agreement has been guaranteed by ROV Holding, Inc. and is secured by all existing and after-acquired personal property of the Company and its domestic subsidiaries, including the stock of all domestic subsidiaries of the Company and any intercompany debt obligations and 65% of the stock of all foreign subsidiaries (other than dormant subsidiaries) held directly by the Company or its domestic subsidiaries, and, subject to certain exceptions, all existing and after-acquired real and intangible property.

The Credit Agreement contains financial and other restrictive covenants customary and usual for credit facilities of this type, including those involving maintenance of minimum coverage for fixed charges, a required minimum level of earnings before income taxes, depreciation and amortization, a required minimum net worth and a required maximum leverage. The Credit Agreement's covenants also restrict the ability of the Company to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, merge or acquire or sell assets, make capital expenditures and restrict certain other activities. The Credit Agreement requires the Company to apply 50% of the proceeds of the Offerings not used to redeem or repurchase Notes to repayment of indebtedness under the Credit Agreement, pro rata among the tranches except as may be otherwise agreed.

"Events of Default" under the Credit Agreement include, among other things, failure to make payments when due, defaults under certain other agreements or instruments of indebtedness, noncompliance with covenants, breaches of representations and warranties, certain bankruptcy or insolvency events, judgments in excess of specified amounts, pension plan defaults, impairment of security interests in collateral, invalidity of guarantees and certain "changes of control" (as defined in the Credit Agreement).

The Notes

Pursuant to an Indenture (the "Indenture") dated October 22, 1996 by and among the Company, ROV Holding, Inc. and Marine Midland Bank as trustee, the Company issued $100 million of 10 1/4% Senior Subordinated Notes Due 2006 to repay certain bridge financing incurred in connection with the Recapitalization. On March 11, 1997, the Company consummated an offer to exchange such notes for the Notes registered under the Securities Act.

The Notes bear interest at the rate of 10 1/4% per annum, payable semi-annually on May 1 and November 1 of each year and mature on November 1, 2006. The Notes are unsecured senior subordinated general obligations of the Company and are unconditionally guaranteed on an unsecured senior subordinated basis by ROV Holding, Inc. The payment of principal of, premium, if any, and interest on the Notes and the guarantees thereon are subordinated in right of payment to all existing and future Senior Debt (as defined in the Indenture), including borrowings under the Credit Agreement, whether outstanding on the date of the Indenture or thereafter incurred.

The Notes are not redeemable at the option of the Company prior to November 1, 2001. Thereafter the Notes are subject to redemption at the option of the Company, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the twelve-month period beginning November 1 of the years indicated below:

Year	Percentage
2001	105.125%
2002	103.417
2003	101.708
2004 and thereafter	100.000

In addition, at any time on or before October 22, 1999, the Company may redeem up to 35% of the original aggregate principal amount of the Notes with the net proceeds of a public equity offering at a redemption price equal to 109.25% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of redemption, provided that at least 65% of the original aggregate principal amount of the Notes remains outstanding immediately after such redemption. The Company intends to use a portion of the net proceeds of the Offerings to redeem or repurchase Notes in the aggregate principal amount of $35.0 million. See "Use of Proceeds." The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Each holder of Notes has the right to require the Company to repurchase all or any part of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest thereon upon a change of control of the Company. A change of control for this purpose includes any of the following: (i) any transaction pursuant to which a person or group becomes the beneficial owner of 50% or more of the voting power of the voting stock of the Company, and more of the voting power of the Company than is at that time beneficially owned by the Lee Group, (ii) the time at which individuals who were either members of the Board of Directors of the Company as of the date of the Indenture or whose election was approved by such members cease to be a majority of the directors of the Company then in office or (iii) the sale, lease, transfer or other disposition in one or a series of related transactions of all or substantially all the assets of the Company.

The Indenture restricts, among other things, the Company's ability to incur additional indebtedness, pay dividends or make certain other restricted payments, incur liens to secure pari passu or subordinated indebtedness, engage in any sale and leaseback transaction, sell stock of subsidiaries, sell assets, merge or consolidate with any other person, sell, assign, transfer, lease, convey or otherwise dispose of substantially all of the assets of the Company, enter into certain transactions with affiliates, or incur indebtedness that is subordinate in right of payment to any Senior Debt (including indebtedness incurred under the Credit Agreement and any other indebtedness permitted to be incurred under the Indenture) and senior in right of payment to the Notes. The Indenture permits, under certain circumstances, the Company's subsidiaries to be deemed unrestricted subsidiaries and thus not be subject to the restrictions of the Indenture.

The Indenture contains standard events of default, including (i) defaults in the payment of principal, premium or interest, (ii) defaults in the compliance with covenants contained in the Indenture, (iii) cross defaults on more than $5 million of other indebtedness, (iv) failure to pay more than $5 million of judgments and (v) certain events of bankruptcy with respect to the Company and certain of its subsidiaries.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the Offerings, the Company will have 27,551,431 shares of Common Stock outstanding. The 6,970,000 shares of Common Stock offered in the Offerings will be freely tradeable without restriction or further registration under the Securities Act, except for any such shares which may be acquired by or shares sold by persons deemed to be "affiliates" of the Company, as such term is defined under the Securities Act, which shares will be subject to the resale limitations of Rule 144. Substantially all other shares will be eligible for resale pursuant to Rule 144 after the Lock Up Period.

In general, under Rule 144, as currently in effect, a person (or persons whose shares are required to be aggregated) who has beneficially owned, for at least one year, shares of Common Stock that have not been registered under the Securities Act or that were acquired from an "affiliate" of the Company is entitled to sell within any three-month period the number of shares of Common Stock which does not exceed the greater of one percent of the number of then outstanding shares of Common Stock or the average weekly reported trading volume during the four calendar weeks preceding the sale. Sales under Rule 144 are also subject to certain notice requirements and to the availability of current public information about the Company and must be made in unsolicited brokers' transactions or to a market maker. A person (or persons whose shares are aggregated) who is not an "affiliate" of the Company under the Securities Act during the three months preceding a sale and who had beneficially owned such shares for at least two years is entitled to sell such shares under Rule 144 without regard to the volume, notice, information and manner of sale provisions of such Rule.

An aggregate of 2,318,127 shares of Common Stock are reserved for issuance upon the exercise of outstanding options granted to employees and directors of the Company pursuant to the 1996 Plan. After the Offerings, the Company intends to file a registration statement on Form S-8 to register the shares of Common Stock issuable upon the exercise of options granted pursuant to the the 1996 Plan and the Incentive Plan. Accordingly, shares issued upon exercise of such options will be freely tradeable, except for any shares held by an "affiliate" of the Company.

Prior to the Offerings, there has been no market for the Common Stock. No predictions can be made of the effect, if any, that sales of shares of Common Stock or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of significant amounts of Common Stock or the perception that such sales may occur could adversely affect the prevailing market price of Common Stock, as well as impair the ability of the Company to raise capital through the issuance of additional equity securities. See "Risk Factors--Shares Eligible for Future Sale; Potential for Adverse Effect on Stock Price; Registration Rights."

Notwithstanding the foregoing, in connection with the Offerings, the Company, its executive officers and directors, the Lee Group and certain other shareholders (holding an aggregate of approximately 20 million shares of Common Stock upon consummation of the Offerings) have agreed, subject to certain exceptions, not to directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or thereafter acquired by the person executing the agreement or with respect to which the person executing the agreement thereafter acquires the power of disposition, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of the Common Stock whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, without the prior written consent of Merrill Lynch & Co. on behalf of the Underwriters for a period of 180 days after the date of this Prospectus, other than (i) the sale to the Underwriters of the shares of Common Stock under the Underwriting Agreement, (ii) upon the exercise of outstanding stock options or (iii) the issuance of options pursuant to the Company's stock option plans.

In connection with the Recapitalization, the Lee Fund and other affiliates of THL Co. which purchased shares of Common Stock pursuant to the Recapitalization, certain other shareholders of the Company and the Company entered into the Shareholders Agreement. The Shareholders Agreement provides for certain restrictions on transfer of the shares beneficially owned by the parties thereto. The Shareholders Agreement also provides that, subject to certain limitations, the Lee Group and their permitted transferees have demand registration rights with respect to their shares of Common Stock. The Lee Group and certain other shareholders also have certain piggy-back registration rights. See "Risk Factors--Shares Eligible for Future Sale; Potential for Adverse Effect on Stock Price; Registrations Rights" and "Certain Relationships and Related Transactions."

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

The following is a general discussion of certain United States federal income and estate tax considerations with respect to the ownership and disposition of Common Stock applicable to Non-U.S. Holders. In general, a "Non-U.S. Holder" is any holder other than (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state, (iii) an estate, the income of which is includable in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust. This discussion is based on current law, which is subject to change (possibly with retroactive effect), and is for general information only. This discussion does not address aspects of United States federal taxation other than income and estate taxation and does not address all aspects of income and estate taxation or any aspects of state, local or non-United States taxes, nor does it consider any specific facts or circumstances that may apply to a particular Non-U.S. Holder (including certain U.S. expatriates). ACCORDINGLY, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND NON-UNITED STATES INCOME AND OTHER TAX CONSIDERATIONS OF HOLDING AND DISPOSING OF SHARES OF COMMON STOCK.

Dividends

In general, dividends paid to a Non-U.S. Holder will be subject to United States withholding tax at a 30% rate of the gross amount (or a lower rate prescribed by an applicable income tax treaty) unless the dividends are either (i) effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States, or (ii) if certain income tax treaties apply, attributable to a permanent establishment in the United States maintained by the Non-U.S. Holder. Dividends effectively connected with such a United States trade or business or attributable to such a United States permanent establishment generally will not be subject to United States withholding tax if the Non-U.S. Holder files certain forms, including Internal Revenue Service Form 4224, with the payor of the dividend, and generally will be subject to United States federal income tax on a net income basis, in the same manner as if the Non-U.S. Holder were a resident of the United States. A Non-U.S. Holder that is a corporation may be subject to an additional branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the repatriation from the United States of its "effectively connected earnings and profits," subject to certain adjustments. To determine the applicability of a tax treaty providing for a lower rate of withholding under the currently effective United States Treasury Department regulations (the "Current Regulations"), dividends paid to an address in a foreign country are presumed to be paid to a resident of that country absent knowledge to the contrary. Under United States Treasury Department regulations issued on October 6, 1997 (the "Final Regulations") generally effective for payments made after December 31, 1998, a Non-U.S. Holder (including, in certain cases of Non-U.S. Holders that are fiscally transparent entities, the owner or owners of such entities) will be required to provide to the payor certain documentation that such Non-U.S. Holder (or the owner or owners of such fiscally transparent entities) is a foreign person in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

Gain on Sale or Other Disposition of Common Stock

In general, a Non-U.S. Holder will not be subject to United States federal income tax on any gain realized upon the sale or other disposition of such holder's shares of Common Stock unless (i) the gain either is effectively connected with a trade or business carried on by the non-U.S. Holder within the United States or, if certain income tax treaties apply, is attributable to a permanent establishment in the United States maintained by the Non-U.S. Holder (and, in either case, the branch profits tax discussed above may also apply if the Non-U.S. Holder is a corporation); (ii) the Non-U.S. Holder is an individual who holds shares of Common Stock as a capital asset and is present in the United States for 183 days or more in the taxable year of disposition, and certain other tests are met; or (iii) the Company is or has been a United States real property holding corporation (a "USRPHC") for United States federal income tax purposes (which the Company does not believe that it is or is likely to become) at any time within the shorter of the five year period preceding such disposition or such Non-U.S. Holder's holding period. If the Company were or were to become a USRPHC at any time during this period, gains realized upon a disposition of Common Stock by a Non-U.S. Holder which did not directly or indirectly own more than 5% of the Common Stock during this period generally would not be subject to United States federal income tax, provided that the Common Stock is regularly traded on an established securities market.

Estate Tax

Common Stock owned or treated as owned by an individual who is not a citizen or resident (as defined for United States federal estate tax purposes) of the United States at the time of death will be includable in the individual's gross estate for United States federal estate tax purposes unless an applicable estate tax treaty provides otherwise, and therefore may be subject to United States federal estate tax.

Backup Withholding, Information Reporting and Other Reporting Requirements

The Company must report annually to the Internal Revenue Service and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, each Non-U.S. Holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the Non-U.S. Holder resides or is established.

Under the Current Regulations, United States backup withholding tax (which generally is imposed at the rate of 31% on certain payments to persons that fail to furnish the information required under the United States information reporting requirements) and information reporting requirements (other than those discussed above under "Dividends") generally will not apply to dividends paid on Common Stock to a Non-U.S. Holder at an address outside the United States. Backup withholding and information reporting generally will apply, however, to dividends paid on shares of Common Stock to a Non-U.S. Holder at an address in the United States, if such holder fails to establish an exemption or to provide certain other information to the payor.

Under the Current Regulations, the payment of proceeds from the disposition of Common Stock to or through a United States office of a broker will be subject to information reporting and backup withholding unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a Non-U.S. Holder or otherwise establishes an exemption. The payment of proceeds from the disposition of Common Stock to or through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding and information reporting except as noted below. In the case of proceeds from a disposition of Common Stock paid to or through a non-U.S. office of a broker that is (i) a United States person, (ii) a "controlled foreign corporation" for United States federal income tax purposes, or (iii) a foreign person 50% or more of whose gross income from certain periods is effectively connected with a United States trade or business, information reporting (but not backup withholding) will apply unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder (and the broker has no actual knowledge to the contrary).

Under the Final Regulations, the payment of dividends or the payment of proceeds from the disposition of Common Stock to a Non-U.S. Holder may be subject to information reporting and backup withholding unless such recipient provides to the payor certain documentation as to its status as a Non-U.S. Holder or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be refunded or credited against the Non-U.S. Holder's United States federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service in a timely manner.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives (the "U.S. Representatives") of each of the Underwriters named below (the "U.S. Underwriters"). Subject to the terms and conditions set forth in a U.S. purchase agreement (the "U.S. Purchase Agreement") among the Company, the Over-Allotment Selling Shareholders and the U.S. Underwriters, and concurrently with the sale of 1,340,000 shares of Common Stock to the International Managers (as defined below), the Company has agreed to sell to the U.S. Underwriters, and each of the U.S. Underwriters severally and not jointly has agreed to purchase from the Company, the number of shares of Common Stock set forth opposite its name below.

U.S. Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Bear, Stearns & Co. Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Smith Barney Inc.	
Total	5,360,000

The Company has also entered into an international purchase agreement (the "International Purchase Agreement") with certain underwriters outside the United States and Canada (the "International Managers" and, together with the U.S. Underwriters, the "Underwriters") for whom Merrill Lynch International, Bear, Stearns International Limited, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as lead managers (the "Lead Managers"). Subject to the terms and conditions set forth in the International Purchase Agreement, and concurrently with the sale of 5,360,000 shares of Common Stock to the U.S. Underwriters pursuant to the U.S. Purchase Agreement, the Company has agreed to sell to the International Managers, and the International Managers severally and not jointly have agreed to purchase from the Company, an aggregate of 1,340,000 shares of Common Stock. The initial public offering price per share and the underwriting discount per share of Common Stock are identical under the U.S. Purchase Agreement and the International Purchase Agreement.

In the U.S. Purchase Agreement and the International Purchase Agreement, the several U.S. Underwriters and the several International Managers, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock being sold pursuant to each such agreement if any of the shares of Common Stock being sold pursuant to such agreement are purchased. Under certain circumstances, under the U.S. Purchase Agreement and the International Purchase Agreement, the commitments of non-defaulting U.S. Underwriters may be increased. The closings with respect to the sale of shares of Common Stock to be purchased by the U.S. Underwriters and International Managers are conditioned upon one another.

The U.S. Representatives have advised the Company that the U.S. Underwriters propose initially to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of $ per share of Common Stock. The U.S. Underwriters may allow, and such dealers may reallow, a discount not in excess of $ per share of Common Stock on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Over-Allotment Selling Shareholders have granted options to the U.S. Underwriters, exercisable for 30 days after the date of this Prospectus, to purchase up to an aggregate of 804,000 additional shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The U.S. Underwriters may exercise these options solely to cover over-allotments, if any, made on the sale of the Common Stock offered hereby. To the extent that the U.S. Underwriters exercise these options, each U.S. Underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such U.S. Underwriters' initial amount reflected in the foregoing table. The Over-Allotment

Selling Shareholders also have granted options to the International Managers, exercisable for 30 days after the date of this Prospectus, to purchase up to an aggregate of 201,000 additional shares of Common Stock to cover over-allotments, if any, on terms similar to those granted to the U.S. Underwriters.

At the request of the Company, the Underwriters have reserved for sale, at the initial public offering price up to 530,000 of the shares offered hereby to be sold to certain employees of the Company and certain other persons. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not orally confirmed for purchase within one day of the pricing of the Offerings will be offered by the Underwriters to the general public on the same terms as the other shares offered hereby.

The Company, the Company's executive officers and directors, the Lee Group, and certain other shareholders have agreed, subject to certain exceptions, not to directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or thereafter acquired by the person or entity executing the agreement or with respect to which the person or entity executing the agreement thereafter acquires the power of disposition, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of the Common Stock whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, without the prior written consent of Merrill Lynch on behalf of the Underwriters for a period of 180 days after the date of this Prospectus. See "Shares Eligible for Future Sale."

The Lee Group, the beneficial owner of more than 10% of the Company's outstanding Common Stock, may be deemed to be an affiliate of Sutro & Co. Incorporated and Tucker Anthony Incorporated, members of the NASD which may participate in the U.S. Offering and the International Offering. Accordingly, the U.S. Offering and the International Offering will be conducted in accordance with NASD Conduct Rule 2720 which provides that the initial public offering price of the Common Stock may not be higher than the price recommended by a Qualified Independent Underwriter which has participated in the preparation of this Prospectus and performed its usual standard of due diligence with respect thereto. Smith Barney Inc. has agreed to act as the Qualified Independent Underwriter for the U.S. Offering and the International Offering, and the initial public offering price of the Common Stock will not be higher than the price recommended by Smith Barney Inc.

The U.S. Underwriters and the International Managers have entered into an intersyndicate agreement (the "Intersyndicate Agreement") that provides for the coordination of their activities. Pursuant to the Intersyndicate Agreement, the U.S. Underwriters and the International Managers are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, and the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to U.S. persons or to Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions pursuant to the Intersyndicate Agreement.

Prior to the Offerings, there has been no public market for the Common Stock of the Company. The initial public offering price will be determined through negotiations among the Company, the U.S. Representatives and the Lead Managers. The factors to be considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the U.S. Representatives and Lead Managers believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which it competes, and an assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development and the above factors in relation to market and various valuation measures of other companies engaged in activities similar to the Company. There can be no assurance given that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the initial public offering price.

The Common Stock has been approved for listing on the New York Stock Exchange under the trading symbol "ROV," subject to official notice of issuance. In order to meet the requirements for listing of the Common Stock on the New York Stock Exchange, the U.S. Underwriters and International Managers have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

The Underwriters and International Managers do not intend to confirm sales of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

The Company and the Over-Allotment Selling Shareholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including certain liabilities under the Securities Act, or to contribute to payments which the U.S. Underwriters and International Managers may be required to make in respect thereof.

Until the distribution of the Common Stock is completed, rules of the Securities and Exchange Commission (the "Commission") may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the U.S. Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offerings, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Representatives may reduce that short position by purchasing Common Stock in the open market. The U.S. Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The U.S. Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Representatives purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offerings.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might have been in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of the Common Stock to the extent that it discourages resales of the Common Stock.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the U.S. Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Donaldson, Lufkin & Jenrette Securities Corporation and its affiliate, DLJ Capital Funding, Inc., have provided from time to time, and may provide in the future, commercial and investment banking services to the Company and its affiliates, including in connection with the Credit Agreement between the Company, BA Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and its affiliate DLJ Capital Funding, Inc. as arrangers for a group of financial institutions and accredited investors which provided the Company with senior bank facilities in an aggregate amount of $170 million.

LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by DeWitt Ross & Stevens s.c., Madison, Wisconsin. Certain other legal matters will be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, Boston, Massachusetts, special counsel to the Company. Certain legal matters will be passed upon for the Underwriters by Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York. Fried, Frank, Harris, Shriver & Jacobson will rely on the opinion of DeWitt Ross & Stevens s.c. as to certain matters of Wisconsin law.

EXPERTS

The financial statements and schedule of the Company and Subsidiaries as of September 30, 1997, and for the year then ended, have been included herein and elsewhere in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements and schedules of the Company and Subsidiaries as of June 30, 1996 and as of September 30, 1996 and for each of the years in the two-year period ended June 30, 1996, and the Transition Period ended September 30, 1996 included herein and elsewhere in the Registration Statement have been included herein and in the Registration Statement in reliance upon the reports of Coopers & Lybrand L.L.P., independent certified public accountants, appearing elsewhere herein, given upon the authority of said firm as experts in accounting and auditing.

The Company believes, and it has been advised by Coopers & Lybrand L.L.P. that it concurs in such belief, that, during the period of its engagement, the Company and Coopers & Lybrand L.L.P. did not have any disagreement on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Coopers & Lybrand L.L.P., would have caused it to make reference in connection with its report on the Company's financial statements to the subject matter of the disagreement.

The report of Coopers & Lybrand L.L.P. on the Company's consolidated financial statements as of June 30, 1995 and 1996 and as of September 30, 1996 and for each of the years in the three-year period ended June 30, 1996, and the Transition Period ended September 30, 1996, did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During that period there were no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K promulgated under the Securities Act.

In June 1997, KPMG Peat Marwick LLP replaced Coopers & Lybrand L.L.P. as the Company's independent accountants. The decision to engage KPMG Peat Marwick LLP was made with the approval of the Company's Audit Committee.

AVAILABLE INFORMATION

The Company is subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files periodic reports and other information with the Commission. The Company has filed with the Commission the Registration Statement under the Securities Act with respect to the shares of Common Stock being offered in the Offerings. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description thereof. Such reports, the Registration Statement and other exhibits and other information omitted from this Prospectus may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and will also be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048 and at Northwestern Atrium Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Additionally, the Commission maintains a World Wide Web site at (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission through the Electronic Data Gathering, Analysis and Retrieval System.

The Company intends to furnish its shareholders with annual reports containing audited financial statements of the Company and quarterly reports containing unaudited financial information for the Company for the first three fiscal quarters of each fiscal year.

RAYOVAC CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

The Board of Directors
Rayovac Corporation:

We have audited the accompanying consolidated balance sheet of Rayovac Corporation and Subsidiaries as of September 30, 1997, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying consolidated financial statements of Rayovac Corporation and Subsidiaries as of June 30, 1996 and September 30, 1996, and for each of the years ended June 30, 1995 and 1996, and the transition period from July 1, 1996 to September 30, 1996, were audited by other auditors whose report thereon dated November 22, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fiscal year 1997 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rayovac Corporation and Subsidiaries as of September 30, 1997, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Milwaukee, Wisconsin
October 28, 1997

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Rayovac Corporation

We have audited the accompanying combined consolidated balance sheets of Rayovac Corporation and Subsidiaries as of June 30, 1996 and September 30, 1996, and the related combined consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the two years in the period ended June 30, 1996 and the period July 1, 1996 to September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rayovac Corporation and Subsidiaries as of June 30, 1996 and September 30, 1996, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 1996 and the period July 1, 1996 to September 30, 1996, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Milwaukee, Wisconsin
November 22, 1996

RAYOVAC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	June 30, 1996	September 30, 1996	September 30, 1997
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,190	$ 4,255	$ 1,133
Receivables:			
Trade accounts receivable, net of allowance for doubtful receivables of $786, $722 and $1,221, respectively	55,830	62,320	76,590
Other	2,322	4,156	3,079
Inventories	66,941	70,121	58,551
Deferred income taxes	5,861	9,158	9,099
Prepaid expenses and other	4,975	4,864	5,928
Total current assets	138,119	154,874	154,380
Property, plant and equipment, net	73,181	68,640	65,511
Deferred charges and other	9,655	7,413	7,713
Debt issuance costs	173	12,764	9,277
Total assets	$221,128	$ 243,691	$ 236,881
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current maturities of long-term debt	$11,631	$ 8,818	$ 23,880
Accounts payable	38,695	46,921	57,259
Accrued liabilities:			
Wages and benefits	6,126	5,894	9,343
Accrued interest	1,890	631	5,613
Recapitalization and other special charges	--	14,942	4,612
Other	16,557	13,019	19,856
Total current liabilities	74,899	90,225	120,563
Long-term debt, net of current maturities	69,718	224,845	183,441
Employee benefit obligations, net of current portion	12,141	12,138	11,291
Deferred income taxes	2,584	142	735
Other	162	2,061	1,446
Total liabilities	159,504	329,411	317,476
Shareholders' equity (deficit):			
Common stock, $.01 par value, authorized 90,000 shares; issued 50,000 shares; outstanding 49,500, 20,470 and 20,581 shares, respectively	500	500	500
Rayovac International Corporation common stock, $.50 value, authorized 18 shares; issued and outstanding 10 shares at June 30, 1996	5	--	--
Additional paid-in capital	12,000	15,970	15,974
Foreign currency translation adjustment	1,650	1,689	2,270
Notes receivable from officers/shareholders	--	(500)	(1,658)
Retained earnings	48,002	25,143	31,321
	62,157	42,802	48,407
Less stock held in trust for deferred compensation plan, 160 shares	--	--	(962)
Less treasury stock, at cost, 500, 29,530 and 29,419 shares, respectively	(533)	(128,522)	(128,040)
Total shareholders' equity (deficit)	61,624	(85,720)	(80,595)
Total liabilities and shareholders' equity (deficit)	$221,128	$ 243,691	$ 236,881

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Year ended June 30, 1995	Year ended June 30, 1996	Transition Period ended September 30, 1996	Year ended September 30, 1997
Net sales	$415,224	$423,354	$ 101,880	$432,552
Cost of goods sold	237,126	239,343	59,242	234,569
Gross profit	178,098	184,011	42,638	197,983
Operating expenses:				
Selling	108,703	116,525	27,796	122,055
General and administrative	32,861	31,767	8,628	32,205
Research and development	5,005	5,442	1,495	6,196
Recapitalization charges	--	--	12,326	--
Other special charges	--	--	16,065	3,002
	146,569	153,734	66,310	163,458
Income (loss) from operations	31,529	30,277	(23,672)	34,525
Interest expense	8,644	8,435	4,430	24,542
Other expense, net	230	552	76	378
Income (loss) before income taxes and extraordinary item	22,655	21,290	(28,178)	9,605
Income tax expense (benefit)	6,247	7,002	(8,904)	3,419
Income (loss) before extraordinary item	16,408	14,288	(19,274)	6,186
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $777	--	--	(1,647)	--
Net income (loss)	$ 16,408	$ 14,288	$ (20,921)	$ 6,186
Net income (loss) per common share:				
Income (loss) before extraordinary item	$ 0.32	$ 0.28	$ (0.42)	$ 0.28
Extraordinary item	--	--	(0.04)	--
Net income (loss)	$ 0.32	$ 0.28	$ (0.46)	$ 0.28
Weighted average shares of common stock outstanding	51,648	51,148	45,469	22,179

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share amounts)

	Year ended June 30, 1995	Year ended June 30, 1996	Transition Period ended September 30, 1996	Year ended September 30, 1997
Cash flows from operating activities:				
Net income (loss)	$ 16,408	$ 14,288	$ (20,921)	$ 6,186
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Recapitalization and other special charges	--	--	13,449	--
Extraordinary item, loss on early extinguishment of debt	--	--	2,424	--
Amortization of debt issuance costs	103	53	1,609	3,563
Depreciation	11,024	11,932	3,279	11,308
Deferred income taxes	346	3	(5,739)	652
Loss (gain) on disposal of fixed assets	110	(108)	1,289	(326)
Curtailment gain	--	--	--	(2,923)
Changes in assets and liabilities:				
Accounts receivable	(2,537)	(6,166)	(8,940)	(14,794)
Inventories	9,004	(1,779)	(3,078)	11,987
Prepaid expenses and other	(990)	1,148	741	(563)
Accounts payable and accrued liabilities	2,051	(1,526)	(185)	30,905
Accrued recapitalization and other special charges	--	--	14,942	(10,330)
Net cash provided (used) by operating activities	35,519	17,845	(1,130)	35,665
Cash flows from investing activities:				
Purchases of property, plant and equipment	(16,938)	(6,646)	(1,248)	(10,856)
Proceeds from sale of property, plant and equipment	139	298	1,281	52
Net cash provided (used) by investing activities	(16,799)	(6,348)	33	(10,804)
Cash flows from financing activities:				
Reduction of debt	(106,383)	(104,526)	(107,090)	(135,079)
Proceeds from debt financing	85,698	96,252	259,489	108,890
Cash overdraft	3,925	2,339	(2,493)	164
Debt issuance costs	--	--	(14,373)	--
Extinguishment of debt	--	--	(2,424)	--
Proceeds from direct financing lease	--	--	--	100
Distributions from DISC	(1,500)	(5,187)	(1,943)	--
Issuance of stock	--	--	--	271
Acquisition of treasury stock	--	(533)	(127,925)	(3,343)
Exercise of stock options	--	--	--	1,438
Payments on capital lease obligation	--	(295)	(84)	(426)
Net cash provided (used) by financing activities	(18,260)	(11,950)	3,157	(27,985)
Effect of exchange rate changes on cash and cash equivalents	(345)	(2)	5	2
Net increase (decrease) in cash and cash equivalents	115	(455)	2,065	(3,122)
Cash and cash equivalents, beginning of period	2,530	2,645	2,190	4,255
Cash and cash equivalents, end of period	$ 2,645	$ 2,190	$ 4,255	$ 1,133
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 8,789	$ 7,535	$ 7,977	$ 16,030
Cash paid for income taxes	8,821	5,877	419	1,172

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except per share amounts)

	Common Stock		Rayovac International Corporation common stock (DISC)			
	Shares	Amount	Shares	Amount	Additional paid-in capital	Foreign currency translation adjustment
Balances at June 30, 1994	50,000	$500	10	$ 5	$12,000	$1,555
Net income	--	--	--	--	--	--
Distributions from DISC	--	--	--	--	--	--
Translation adjustment	--	--	--	--	--	424
Adjustment of additional minimum pension liability	--	--	--	--	--	--
Balances at June 30, 1995	50,000	500	10	5	12,000	1,979
Net income	--	--	--	--	--	--
Distributions from DISC	--	--	--	--	--	--
Translation adjustment	--	--	--	--	--	(329)
Adjustment of additional minimum pension liability	--	--	--	--	--	--
Treasury stock acquired	(500)	--	--	--	--	--
Balances at June 30, 1996	49,500	500	10	5	12,000	1,650
Net loss	--	--	--	--	--	--
Common stock acquired in Recapitalization	(29,030)	--	--	--	--	--
Exercise of stock options	--	--	--	--	3,970	--
Increase in cost of existing treasury stock	--	--	--	--	--	--
Note receivable from officers/shareholders	--	--	--	--	--	--
Termination of DISC	--	--	(10)	(5)	--	--
Translation adjustment	--	--	--	--	--	39
Balances at September 30, 1996	20,470	500	--	--	15,970	1,689
Net income	--	--	--	--	--	--
Sale of common stock	111	--	--	--	4	--
Treasury stock acquired	(556)	--	--	--	--	--
Exercise of stock options and sale of common stock to trust	556	--	--	--	--	--
Notes receivable from officers/shareholders	--	--	--	--	--	--
Adjustment of additional minimum pension liability	--	--	--	--	--	--
Translation adjustment	--	--	--	--	--	581
Balances at September 30, 1997	20,581	$500	--	--	$15,974	$2,270

	Notes receivable officers/ shareholders	Retained earnings	Stock held in trust	Treasury stock	Total shareholders' equity (deficit)
Balances at June 30, 1994	$ --	$ 23,862	$ --	$ --	$ 37,922
Net income	--	16,408	--	--	16,408
Distributions from DISC	--	(1,500)	--	--	(1,500)
Translation adjustment	--	--	--	--	424
Adjustment of additional minimum pension liability	--	333	--	--	333
Balances at June 30, 1995	--	39,103	--	--	53,587
Net income	--	14,288	--	--	14,288
Distributions from DISC	--	(5,187)	--	--	(5,187)
Translation adjustment	--	--	--	--	(329)
Adjustment of additional minimum pension liability	--	(202)	--	--	(202)
Treasury stock acquired	--	--	--	(533)	(533)
Balances at June 30, 1996	--	48,002	--	(533)	61,624
Net loss	--	(20,921)	--	--	(20,921)
Common stock acquired in Recapitalization	--	--	--	(127,425)	(127,425)
Exercise of stock options	--	--	--	--	3,970
Increase in cost of existing treasury stock	--	--	--	(564)	(564)
Note receivable from officers/shareholders	(500)	--	--	--	(500)
Termination of DISC	--	(1,938)	--	--	(1,943)
Translation adjustment	--	--	--	--	39

Balances at September 30, 1996	(500)	25,143	--	(128,522)	(85,720)
Net income	--	6,186	--	--	6,186
Sale of common stock	--	--	--	482	486
Treasury stock acquired	--	--	--	(3,343)	(3,343)
Exercise of stock options and sale of common stock to trust	--	--	(962)	3,343	2,381
Notes receivable from officers/shareholders	(1,158)	--	--	--	(1,158)
Adjustment of additional minimum pension liability	--	(8)	--	--	(8)
Translation adjustment	--	--	--	--	581
Balances at September 30, 1997	$ (1,658)	$ 31,321	$ (962)	$(128,040)	$ (80,595)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)

1. Description of Business and Recapitalization

Rayovac Corporation and its wholly owned subsidiaries (Company) manufacture and market a variety of battery types including general (alkaline, rechargeables, heavy duty, lantern and general purpose), button cell and lithium. The Company also produces a variety of lighting devices such as flashlights and lanterns. The Company's products are sold primarily to retailers in the United States, Canada, Europe, and the Far East.

Effective as of September 12, 1996, the Company, all of the shareholders of the Company, Thomas H. Lee Equity Fund III L.P. (Lee Fund) and other affiliates of Thomas H. Lee Company (THL Co.) completed a recapitalization of the Company (Recapitalization) pursuant to which: (i) the Company obtained senior financing in an aggregate of $170,000, of which $131,000 was borrowed at the closing of the Recapitalization; (ii) the Company obtained $100,000 in financing through the issuance of senior subordinated increasing rate notes of the Company (Bridge Notes); (iii) the Company redeemed a portion of the shares of common stock held by the former President and Chief Executive Officer of the Company; (iv) the Lee Fund and other affiliates of THL Co. purchased for cash shares of common stock owned by shareholders of the Company; and (v) the Company repaid certain of its outstanding indebtedness, including prepayment fees and penalties. The prepayment fees and penalties paid have been recorded as an extraordinary item in the Consolidated Statements of Operations. Other non-recurring charges of $12,300 related to the Recapitalization were also expensed, including $2,200 in advisory fees paid to the financial advisor to the Company's selling shareholders; various legal and consulting fees of $2,800; and $7,300 of stock option compensation, severance payments and employment contract settlements for the benefit of certain present and former officers, directors and management of the Company. Payment for these costs was or is expected to be as follows: (i) $8,900 was paid prior to September 30, 1996; (ii) $2,815 was paid in fiscal year 1997 and (iii) $585 is expected to be paid in fiscal year 1998.

In 1996, the Company changed its fiscal year end from June 30 to September 30. For clarity of presentation herein, the period from July 1, 1996, to September 30, 1996 is referred to as the "Transition Period Ended September 30, 1996" or "Transition Period."

2. Significant Accounting Policies and Practices

a. Principles of Combination and Consolidation: The consolidated financial statements include the financial statements of Rayovac Corporation and its wholly owned subsidiaries. Rayovac International Corporation, a Domestic International Sales Corporation (DISC) which was owned by the Company's shareholders, was combined with Rayovac Corporation through August 1996, when the DISC was terminated and the net assets distributed to its shareholders. All intercompany transactions have been eliminated. For reporting purposes, all financial statements are referred to as "consolidated" financial statements.

b. Revenue Recognition: The Company recognizes revenue from product sales upon shipment to the customer.

c. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

d. Cash Equivalents: For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

e. Concentrations of Credit Risk, Major Customers and Employees: The Company's trade receivables are subject to concentrations of credit risk as three principal customers accounted for 26%, 24% and 24% of the outstanding trade receivables as of June 30, 1996, and September 30, 1996 and 1997, respectively. The Company derived 28%, 28%, 25% and 29% of its net sales during the years ended June 30, 1995

(In thousands, except per share amounts)

2. Significant Accounting Policies and Practices--Continued

and 1996, the Transition Period, and the year ended September 30, 1997, respectively, from the same three customers.

The Company has one customer that represented over 10% of its net sales. The Company derived 16%, 18%, 18%, and 20% of its net sales from this customer during the years ended June 30, 1995 and 1996, the Transition Period, and the year ended September 30, 1997, respectively.

A significant number of the Company's factory employees are represented by one of four labor unions. The Company has recently entered into collective bargaining agreements with its Madison and Fennimore, Wisconsin employees each of which expires in 2000. The Company's collective bargaining agreement with 24 of its Washington, United Kingdom employees is scheduled to expire in December 1997. In addition, the Company's collective bargaining agreements with its 5 Hayward, California and 203 Portage, Wisconsin employees are scheduled to expire in May and July 1998, respectively. The Company believes its relationship with its employees is good and there have been no work stoppages involving Company employees since 1981.

f. Displays and Fixtures: The costs of displays and fixtures are capitalized and recorded as a prepaid asset and charged to expense when shipped to a customer location. Such prepaid assets amount to approximately $1,068, $730 and $1,456 as of June 30, 1996, and September 30, 1996 and 1997, respectively.

g. Inventories: Inventories are stated at lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

h. Property, Plant and Equipment: Property, plant and equipment are stated at cost. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Depreciable lives by major classification are as follows:

Building and improvements	20-30 years
Machinery, equipment and other	5-20 years

i. Debt Issuance Costs: Debt issuance costs are capitalized and amortized to interest expense over the lives of the related debt agreements.

j. Accounts Payable: Included in accounts payable at June 30, 1996, and September 30, 1996 and 1997, is approximately $7,805, $5,312, and $5,476, respectively, of book overdrafts on disbursement accounts which were replenished prior to the presentation of checks for payment.

k. Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

l. Foreign Currency Translation: Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses, and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are accumulated as a separate component of shareholders' equity (deficit). Exchange gains (losses) on foreign currency transactions aggregating ($112), ($750), ($70), and ($639) for the years ended June 30, 1995 and 1996, the Transition Period, and the year ended September 30, 1997, respectively, are included in other expense, net, in the Consolidated Statements of Operations.

2. Significant Accounting Policies and Practices--Continued

m. Advertising Costs: The Company incurred expenses for advertising of $25,556, $29,976, $7,505 and $24,326 in the years ended June 30, 1995 and 1996, the Transition Period, and the year ended September 30, 1997, respectively. The Company expenses advertising production costs as such costs are incurred.

n. Net Income (Loss) Per Share: Net income (loss) per share data has been computed using the weighted average number of shares of common stock and common equivalent shares from stock options (when dilutive using the treasury stock method). Stock options issued during the 12-month period prior to the Company's proposed initial public offering have been included in the calculation as if they were outstanding for all periods presented (even if antidilutive using the treasury stock method and the anticipated initial public offering price). Net income (loss) per share on a historical basis (per APB 15) was $0.33, $0.29, and $(0.48) for fiscal 1995, 1996, and the Transition Period, respectively.

o. 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 uses interest rate swaps to manage its interest rate risk. The net amounts to be paid or received under interest rate swap agreements designated as hedges 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 counterparties are included in accounts payable or accounts receivable. The Company has entered into an interest rate swap agreement which effectively fixes the interest rate on floating rate debt at a rate of 6.16% for notional principal amount of $62,500 through October 1999. The fair value of this contract at September 30, 1997 is ($159).

The Company enters into forward foreign exchange contracts relating to the anticipated settlement in local currencies of intercompany purchases and sales. These contracts generally require the Company to exchange foreign currencies for U.S. dollars. The contracts are marked to market, and the related adjustment is recognized in other expense, net. The related amounts payable to, or receivable from, the counterparties are included in accounts payable or accounts receivable. The Company has approximately $3,100 of forward exchange contracts at September 30, 1997. The fair value at September 30, 1997, approximated the contract value.

The Company is exposed to risk from fluctuating prices for commodities used in the manufacturing process. The Company hedges some of this risk through the use of commodity calls and puts. The Company is buying calls, which allow the Company to purchase a specified quantity of zinc through a specified date for a fixed price, and writing puts, which allow the buyer to sell to the Company a specified quantity of zinc through a specified date at a fixed price. The maturity of, and the quantities covered by, the contracts highly correlate to the Company's anticipated purchases of the commodity. The cost of the calls, and the premiums received from the puts, are amortized over the life of the agreements and are recorded in cost of goods sold, along with the effect of the put and call agreements. At September 30, 1997, the Company has purchased a series of calls with a contract value of approximately $2,800 and sold a series of puts with a contact value of approximately $2,400 for the period from October through March designed to set a ceiling and floor price. While these transactions have no carrying value, the fair value of these contracts was approximately $138 at September 30, 1997. The Company has a receivable at September 30, 1997, of approximately $222 in the accompanying consolidated balance sheet from the settlement of September contracts.

These fair values represent the estimated amount the Company would receive or pay to terminate agreements at September 30, 1997, taking into consideration current market rates and the current credit worthiness of the counterparties based on dealer quotes. The Company may be exposed to credit loss in

2. Significant Accounting Policies and Practices--Continued

the event of nonperformance by the counterparties to these contracts, but does not anticipate such nonperformance.

p. Environmental Expenditures: Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed. The Company determines its liability on a site by site basis and records a liability at the time when it is probable and can be reasonably estimated. The estimated liability is not reduced for possible recoveries from insurance carriers.

q. Stock Split: In September 1996, the Company's Board of Directors declared a five-for-one stock split. A total of 16,376 additional shares were issued in conjunction with the stock split to shareholders of record. All applicable share and per share amounts herein have been restated to reflect the stock split retroactively.

r. Reclassification: Certain prior year amounts have been reclassified to conform with the current year presentation.

The Company has reclassified certain promotional expenses, previously reported as a reduction of net sales, to selling expense. The amounts which have been reclassified are $24,236 and $23,970 for the years ended June 30, 1995 and 1996, respectively, $6,899 for the Transition Period ended September 30, 1996, and $28,702 for the year ended September 30, 1997.

s. Impact of Recently Issued Accounting Standards: In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (FAS 128). FAS 128 will be effective for periods ending after December 15, 1997, and specifies the computation, presentation, and disclosure requirements for earnings per share. Adoption of this accounting standard is not expected to have a material effect on the earnings per share computations of the Company assuming the current capital structure.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (FAS 130), which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. All items that are required to be recognized under accounting standards as components of comprehensive income are to be reported in a financial statement that is displayed with the same prominence as other financial statements. FAS 130 requires that an enterprise (i) classify items of other comprehensive income by their nature in a financial statement, and (ii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of the balance sheet. FAS 130 is effective for fiscal years beginning after December 15, 1997. Reclassification of financial statements for earlier periods provided for comparative purposes is required. The Company is evaluating the effect of this pronouncement on its consolidated financial statements.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (FAS 131), which is effective for financial statements for periods beginning after December 15, 1997. FAS 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company is evaluating the effect of this pronouncement on its consolidated financial statements.

(In thousands, except per share amounts)

3. Inventories

Inventories consist of the following:

	June 30, 1996	September 30, 1996	September 30, 1997
Raw material	$24,238	$25,300	$23,291
Work-in-process	19,081	14,651	15,286
Finished goods	23,622	30,170	19,974
	$66,941	$70,121	$58,551

4. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 1996	September 30, 1996	September 30, 1997
Land, building and improvements	$ 15,469	$ 16,824	$ 10,752
Machinery, equipment and other	117,248	117,754	120,894
Construction in process	5,339	6,232	11,326
	138,056	140,810	142,972
Less accumulated depreciation	64,875	72,170	77,461
	$ 73,181	$ 68,640	$ 65,511

5. Debt

Debt consists of the following:

	June 30, 1996	September 30, 1996	September 30, 1997
Term loan facility	$ --	$105,000	$ 100,500
Revolving credit facility	--	23,500	4,500
Series B Senior Subordinated Notes, due November 1, 2006, with interest at 10-1/4% payable semi-annually	--	--	100,000
Bridge Notes	--	100,000	--
Debt paid September 1996 due to Recapitalization:			
Senior Secured Notes due 1997 through 2002	29,572	--	--
Subordinated Notes due through 2003	7,270	--	--
Revolving credit facility	39,250	--	--
Notes payable in Pounds Sterling to a foreign bank, due on demand, with interest at bank's base rate plus 1.87%	1,242	939	--
Capitalized lease obligation	1,330	1,246	866
Notes and obligations, weighted average interest rate of 5.24% at September 30, 1997	2,685	2,978	1,455
	81,349	233,663	207,321
Less current maturities	11,631	8,818	23,880
Long-term debt	$69,718	$224,845	$ 183,441

5. Debt --Continued

On September 12, 1996, the Company executed a Credit Agreement (Agreement) arranged by BA Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and certain of its affiliates for a group of financial institutions and other accredited investors. The Agreement provides for senior bank facilities, including term and revolving credit facilities in an aggregate amount of $170,000. Interest on borrowings is computed, at the Company's option, based on the Bank of America Illinois' base rate, as defined, (Base Rate) or the Interbank Offering Rate (IBOR).

The term loan facility includes: (i) Tranche A term loan of $55,000, quarterly amortization ranging from $1,000 to $3,750 beginning December 31, 1996, through September 30, 2002, interest at the Base Rate plus 1.5% per annum or at IBOR plus 2.5% per annum (8.49% at September 30, 1997); (ii) Tranche B term loan of $25,000, quarterly amortization amounts of $62.5 during each of the first six years and $5,875 in the seventh year beginning December 31, 1996, through September 30, 2003, interest at the Base Rate plus 2.0% per annum, or IBOR plus 3.0% per annum (8.93% at September 30, 1997); (iii) Tranche C term loan of $25,000, quarterly amortization of $62.5 during each of the first seven years and $5,812.5 during the eighth year beginning December 31, 1996, through September 30, 2004; interest at the Base Rate plus 2.25% per annum or IBOR plus 3.25% per annum (9.10% at September 30, 1997).

The revolving credit facility provides for aggregate working capital loans up to $65,000 through September 30, 2002, reduced by outstanding letters of credit ($10,000 limit), and other existing credit facilities and outstanding obligations (approximately $5,000 at September 30, 1997). Interest on borrowings is at the Base Rate plus 1.5% per annum or IBOR plus 2.5% per annum (10.0% at September 30, 1997). The Company had outstanding letters of credit of approximately $631 at September 30, 1997. A fee of 2.5% per annum is payable on the outstanding letters of credit. The Company also incurs a fee of .25% per annum of the average daily maximum amount available to be drawn on each letter of credit issued. The revolving credit facility must be reduced for 30 consecutive days to no more than $5,000 for the fiscal year ending September 30, 1998, and to zero for any fiscal year thereafter.

The Agreement contains financial covenants with respect to borrowings which include fixed charge coverage, adjusted net worth, and minimum earnings before interest, income taxes, depreciation, amortization. In addition, the Agreement restricts capital expenditures and the payment of dividends. The Company is required to pay a commitment fee of 0.50% per annum on the average daily unused portion of the revolving credit facility. The Tranche A term loan and the revolving credit facility interest rates may be adjusted downward if the Company's leverage ratio, as defined, decreases. Borrowings under the Agreement are collateralized by substantially all the assets of the Company. The Agreement also contains certain mandatory prepayment provisions, one of which requires the Company to pay down $14.5 million by December 29, 1997 due to excess cash flow generated as of September 30, 1997.

On October 22, 1996, the Company completed a private debt offering of 10-1/4% Senior Subordinated Notes due in 2006 (Old Notes) pursuant to an Indenture. In March 1997, the Company exchanged the Old Notes for 10-1/4% Series B Senior Subordinated Notes due in 2006 (New Notes) registered with the Securities and Exchange Commission. The terms of the New Notes are identical in all material respects to terms of the Old Notes. On or after November 1, 2001 or in certain circumstances, after a public offering of equity securities of the Company, the New Notes will be redeemable at the option of the Company, in whole or in part, at prescribed redemption prices plus accrued and unpaid interest.

Upon a change in control, the Company shall be required to repurchase all or any part of the New Notes at a purchase price equal to 101% of the aggregate principal amount. The Company is also required to repurchase all or a portion of the New Notes upon consummation of an asset sale, as defined, in excess of $5,000.

The terms of the New Notes restrict or limit the ability of the Company and its subsidiaries to, among other things, (i) pay dividends or make other restricted payments, (ii) incur additional indebtedness and issue preferred

(In thousands, except per share amounts)

5. Debt --Continued

stock, (iii) create liens, (iv) incur dividend and other payment restrictions affecting subsidiaries, (v) enter into mergers, consolidations, or sales of all or substantially all of the assets of the Company, (vi) make asset sales, (vii) enter into transactions with affiliates, and (viii) issue or sell capital stock of wholly owned subsidiaries of the Company. Payment obligations under the New Notes are fully and unconditionally guaranteed on a joint and several basis by the Company's directly and wholly owned subsidiary, ROV Holding, Inc. (ROV or Guarantor Subsidiary). The foreign subsidiaries of the Company, which do not guarantee the payment obligations under the New Notes (Nonguarantor Subsidiaries), are directly and wholly owned by ROV. See note 17.

The proceeds from the new Notes were used to pay down the Bridge Notes. The Bridge Notes bore interest at prime plus 3.5%.

The aggregate scheduled maturities of debt are as follows:

Year ending September 30,	
1998	$ 23,880
1999	12,441
2000	10,500
2001	12,500
2002	15,500
Thereafter	132,500
	$207,321

The capitalized lease obligation is payable in Pounds Sterling in installments of $425 in 1998 and $441 in 1999.

The carrying values of the debt instruments noted above are approximately 96% of their estimated fair values.

6. Shareholders' Equity (Deficit)

During the year ended June 30, 1996, the former principal shareholder of the Company granted an officer and a director options to purchase 235 shares of common stock owned by the shareholder personally at exercise prices per share ranging from $3.65 to $5.77 (the book values per share at the respective dates of grant). These options were exercised in conjunction with the Recapitalization and resulted in a charge to earnings of approximately $3,970 during the Transition Period and an increase in additional paid-in capital in the Consolidated Statements of Shareholders' Equity (Deficit).

Treasury stock acquired during the year ended June 30, 1996 was subject to an agreement which provided the selling shareholder with additional compensation for the common stock sold if a change in control occurred within a specified period of time. As a result of the Recapitalization, the selling shareholder was entitled to an additional $564, which is reflected as an increase in treasury stock in the Consolidated Statements of Shareholders' Equity (Deficit).

Retained earnings includes DISC retained earnings of $1,594 at June 30, 1996. In August 1996, the DISC was terminated and the net assets were distributed to its shareholders.

In January 1997, the Company established a trust to fund future payments under a deferred compensation plan. Certain employees eligible to participate in the plan assigned stock options to the plan. The plan exercised the options and purchased 160 shares of the Company's common stock. Shares issued to the trust are valued at $962 and are reflected as a reduction of stockholders' equity in the consolidated balance sheet.

The Company and the former principal shareholder of the Company, entered into a Stock Sale Agreement, dated as of August 1, 1997 pursuant to which the former principal shareholder sold 2,023 shares of common stock at $6.01 per share to the Company and to the Thomas H. Lee Equity Fund III, L.P. (the "Lee Fund") and certain other affiliates of Thomas H. Lee Company ("THL Co.," the Lee Fund and such other affiliates being referred to

(In thousands, except per share amounts)

6. Shareholders' Equity (Deficit) --Continued

herein as the "Lee Group"). The Stock Sale Agreement provides that, among other things, if (i) the Company enters into a business combination or other transaction with a third party whereby less than a majority of the outstanding capital stock of the surviving entity is owned by the Lee Group, and (ii) such business combination or other transaction is the result of negotiations or discussions entered into prior to December 31, 1997 and such combination is consummated prior to June 30, 1998, then the Lee Group will remit to the former principal shareholder all amounts, if any, received by the Lee Group (or any affiliated transferee of shares owned by the Lee Group) from the sale of the shares of common stock to such third party in excess of $6.01 per share. In September 1997, another former shareholder sold 205 shares of common stock to the Company and the Lee Group under similar terms.

On October 22, 1997, the shareholders of the Company approved the authorization of 5,000,000 shares of Preferred Stock, $.01 par value, and an increase in authorized shares of Common Stock from 90,000,000 to 150,000,000.

7. Stock Option Plans

Effective September 1996, the Company's Board of Directors (Board) approved the Rayovac Corporation 1996 Stock Option Plan (1996 Plan) which is intended to afford an incentive to select employees and directors of the Company to promote the interests of the Company. Under the 1996 Plan, stock options to acquire up to 3,000 shares of common stock, in the aggregate, may be granted under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the common stock on the date of grant. The time-vesting options become exercisable primarily in equal 20% increments over a five year period. The performance-vesting options become exercisable at the end of ten years with accelerated vesting over each of the next five years if the Company achieves certain performance goals. Accelerated vesting may occur upon sale of the Company, as defined in the Plan.

On September 3, 1997, the Board adopted the 1997 Rayovac Incentive Plan (Incentive Plan) which was approved by the Shareholders on October 22, 1997 and expires in August 2007. The Incentive Plan replaces the 1996 Plan and no further awards will be granted under the 1996 Plan other than awards of options for shares up to an amount equal to the number of shares covered by options that terminate or expire prior to being exercised. Under the Incentive Plan, the Company may grant to employees and non-employee directors stock options, stock appreciation rights (SARs), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting will occur in the event of a change in control, as defined in the Incentive Plan. Up to 3,000 shares of common stock may be issued under the Incentive Plan.

During 1997, the Company adopted the Rayovac Corporation 1997 Stock Option Plan (1997 Plan). Under the 1997 Plan, stock options to acquire up to 665 shares of common stock, in the aggregate, may be granted. The exercise price is $6.01. The 1997 Plan and each option granted thereunder expire no later than November 30, 1997.

A summary of the status of the Company's plan is as follows:

	Transition period ended September 30, 1996		Year ended September 30, 1997	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding, beginning of period	--	$ --	1,464	$ 4.39
Granted	1,464	4.30	1,410	5.03
Exercised	--	--	(556)	6.01
Outstanding, end of period	1,464	$4.30	2,318	$ 4.33
Options exercisable, end of period	40	$1.14	496	$ 4.13

The stock options outstanding on September 30, 1997, have a weighted-average remaining contractual life estimated at 9.5 years.

(In thousands, except per share amounts)

7. Stock Option Plans --Continued

	Transition period ended September 30, 1996	Year ended September 30, 1997
Weighted-average grant-date fair value of options granted during period	$1.92	$1.84
Assumptions used:		
Risk-free interest rate	6.78%	6.78%
Expected life	8 years	8 years

The Company applies APB Opinion 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized in the Consolidated Statements of Operations. Had the Company recognized compensation expense determined on the fair value at the grant dates for awards under the plans consistent with the method prescribed by FASB Statement No. 123, Accounting for Stock Based Compensation (SFAS No. 123), the Company's net income (loss) and net income (loss) per share, on a pro forma basis, for the Transition Period and the year ended September 30, 1997, would have been ($21,035) and ($0.46) per share and $5,680 and $0.26 per share, respectively. The effects of applying FASB 123 may not be representative of the effects on reported net income (loss) for future years.

8. Income Taxes

Pretax income (loss) (income (loss) before income taxes and extraordinary item) and income tax expense (benefit) consist of the following:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Pretax income (loss):				
United States	$16,505	$17,154	$(27,713)	$6,214
Outside the United States	6,150	4,136	(2,889)	3,391
Total pretax income (loss)	$22,655	$21,290	$(30,602)	$9,605
Income tax expense (benefit):				
Current:				
Federal	$ 3,923	$ 5,141	$ (3,870)	$2,926
Foreign	797	1,469	(72)	(176)
State	1,181	389	--	17
Total current	5,901	6,999	(3,942)	2,767
Deferred:				
Federal	799	54	(3,270)	(842)
Foreign	(544)	(57)	(847)	809
State	91	6	(1,622)	685
Total deferred	346	3	(5,739)	652
	$ 6,247	$ 7,002	$ (9,681)	$3,419

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

8. Income Taxes --Continued

The following reconciles the Federal statutory income tax rate with the Company's effective tax rate:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Statutory Federal income tax rate	35.0%	35.0%	35.0%	35.0%
DISC/FSC commission income	(5.9)	(5.2)	0.4	(1.2)
Effect of foreign items and rate differentials	(4.0)	1.0	(1.2)	0.3
State income taxes, net	3.6	1.1	3.9	4.9
Reduction of prior year tax provision	--	--	--	(3.0)
Nondeductible recapitalization charges	--	--	(6.2)	--
Other	(1.1)	1.0	(0.3)	(0.4)
	27.6%	32.9%	31.6%	35.6%

The components of the net deferred tax asset and types of significant basis differences were as follows:

	June 30, 1996	September 30, 1996	September 30, 1997
Current deferred tax assets:			
Recapitalization charges	$ --	$ 2,991	$ 792
Inventories and receivables	1,395	1,407	1,495
Marketing and promotional accruals	1,498	1,252	3,256
Employee benefits	1,554	1,780	1,509
Environmental accruals	420	752	679
Other	994	976	1,368
Total current deferred tax assets	5,861	9,158	9,099
Noncurrent deferred tax assets:			
Employee benefits	3,053	4,504	4,214
State net operating loss carryforwards	--	1,249	468
Package design expense	532	523	927
Promotional expense	784	854	594
Other	1,516	1,475	1,753
Total noncurrent deferred tax assets	5,885	8,605	7,956
Noncurrent deferred tax liabilities:			
Property, plant, and equipment	(8,430)	(8,708)	(8,651)
Other	(39)	(39)	(40)
Total noncurrent deferred tax liabilities	(8,469)	(8,747)	(8,691)
Net noncurrent deferred tax liabilities	$(2,584)	$ (142)	$ (735)

At September 30, 1997, the Company has operating loss carryforwards for state income tax purposes of approximately $6,000, which expire generally in years through 2012.

During 1995, the Company used approximately $3,200 of foreign net operating loss carryforwards for which a deferred tax asset had not been recognized in prior years due to uncertainty regarding future earnings of the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

8. Income Taxes --Continued

subsidiaries to which the carryforwards related. As a result, the Company reversed the valuation allowance of $1,240 recorded at June 30, 1994, in 1995.

Provision has not been made for United States income taxes on a portion of the undistributed earnings of the Company's foreign subsidiaries (approximately $4,342, $4,216, and $4,737 at June 30, 1996, and September 30, 1996 and 1997, respectively), either because any taxes on dividends would be offset substantially by foreign tax credits or because the Company intends to reinvest those earnings. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings.

9. Leases

Future minimum rental commitments under noncancelable operating leases, principally pertaining to land, buildings and equipment, are as follows:

Year ending September 30,	
1998	$ 6,828
1999	5,404
2000	4,455
2001	4,012
2002	4,017
Thereafter	34,112
	$58,828

The above lease commitments include payments under leases for the corporate headquarters facilities and other properties from partnerships in which one of the Company's former shareholders is a partner. Annual minimum rental commitments on the headquarters facility of $2,817 are subject to an adjustment based upon changes in the Consumer Price Index. The leases on the other properties require annual lease payments of $470 subject to annual inflationary increases. All of the leases expire during the years 1998 through 2013.

Total rental expense was $8,189, $8,213, $1,995, and $8,126, for the years ended June 30, 1995 and 1996, the Transition Period, and the year ended September 30, 1997, respectively.

10. Postretirement Pension Benefits

The Company has various defined benefit pension plans covering substantially all of its domestic employees. Plans covering salaried employees provide pension benefits that are based on the employee's average compensation for the five years which yield the highest average during the 10 consecutive years prior to retirement. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service. The Company's policy is to fund pension costs at amounts within the acceptable ranges established by the Employee Retirement Income Security Act of 1974.

The Company also has nonqualified deferred compensation agreements with certain of its employees under which 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.

(In thousands, except per share amounts)

10. Postretirement Pension Benefits --Continued

Net periodic pension cost for the aforementioned plans is summarized as follows:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Service cost	$ 1,711	$ 1,501	$2,149	$1,705
Interest cost	3,390	3,513	944	3,834
Actual return on plan assets	(2,054)	(7,880)	(605)	(6,191)
Net amortization and deferral	(708)	4,994	(166)	2,763
Curtailment gain	--	--	--	(2,923)
Net periodic pension cost (benefit)	$ 2,339	$ 2,128	$2,322	$ (812)

The following tables set forth the plans' funded status:

	June 30, 1996 Assets exceed accumulated benefits	June 30, 1996 Accumulated benefits exceed assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 24,927	$ 19,138
Accumulated benefit obligation	25,576	19,932
Projected benefit obligation	$ 31,462	$ 19,932
Plan assets at fair value, primarily listed stocks, bonds and cash equivalents	32,297	9,349
Projected benefit obligation (in excess of) less than plan assets	835	(10,583)
Unrecognized net gain	(2,341)	(893)
Unrecognized net obligation (asset)	(211)	4,711
Additional minimum liability	--	(3,823)
Pension liability	$ (1,717)	$ (10,588)

	September 30, 1996 Assets exceed accumulated benefits	September 30, 1996 Accumulated benefits exceed assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 25,273	$ 19,495
Accumulated benefit obligation	25,930	20,305
Projected benefit obligation	$ 31,910	$ 20,305
Plan assets at fair value, primarily listed stocks, bonds and cash equivalents	32,341	9,364
Projected benefit obligation (in excess of) less than plan assets	431	(10,941)
Unrecognized net gain	(2,147)	(832)
Unrecognized net obligation (asset)	(208)	2,894
Additional minimum liability	--	(2,067)
Contribution	86	756
Pension liability	$ (1,838)	$ (10,190)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

10. Postretirement Pension Benefits --Continued

	September 30, 1997	
	Assets exceed accumulated benefits	Accumulated benefits exceed assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 42,696	$ 13,326
Accumulated benefit obligation	43,046	13,704
Projected benefit obligation	$ 43,046	$ 13,704
Plan assets at fair value, primarily listed stocks, bonds and cash equivalents	43,212	3,098
Projected benefit obligation (in excess of) less than plan assets	166	(10,606)
Unrecognized net loss (gain)	(1,194)	1
Unrecognized net asset	1,028	1,476
Additional minimum liability	--	(1,486)
Pension liability	$ --	$ (10,615)

Assumptions used in accounting for the aforementioned plans were:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Discount rate used for funded status calculation	8.0%	7.5%	7.5%	7.5%
Discount rate used for net periodic pension cost calculations	7.5	8.0	7.5	7.5
Rate of increase in compensation levels (salaried plan only)	5.5	5.0	5.0	5.0
Expected long-term rate of return on assets	9.0	9.0	9.0	9.0

During the year ended September 30, 1997, the Company merged two of its defined benefit plans and ceased future benefit accruals. The Company recognized a $2,923 curtailment gain, which is included in other special charges in the consolidated statement of operations. A discount rate of 6.5% was used in the accounting for the curtailed plans. The Company has recorded an additional minimum pension liability of $3,823, $2,067, and $1,486 at June 30, 1996, and September 30, 1996 and 1997, respectively, to recognize the underfunded position of certain of its benefits plans. An intangible asset of $3,582, $1,826, and $1,232 at June 30, 1996, and September 30, 1996 and 1997, respectively, equal to the unrecognized prior service cost of these plans, has also been recorded. The excess of the additional minimum liability over the unrecognized prior service cost of $241 at June 30 and September 30, 1996, and $249 at September 30, 1997, respectively, has been recorded as a reduction of shareholders' equity (deficit).

The Company sponsors a defined contribution pension plan for its domestic salaried employees which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually 1% of participants' compensation, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the years ended June 30, 1995 and 1996, the Transition Period, and September 30, 1997, were $1,273, $ 1,000, $181, and $914, respectively.

(In thousands, except per share amounts)

11. Other Postretirement Benefit Plan

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

The following sets forth the plan's funded status reconciled with amounts reported in the Company's consolidated balance sheets:

	June 30, 1996	September 30, 1996	September 30, 1997
Accumulated postretirement benefit obligation (APBO):			
Retirees	$ 723	$ 687	$ 722
Fully eligible active participants	805	820	813
Other active participants	896	970	869
Total APBO	2,424	2,477	2,404
Unrecognized net loss	(1,269)	(1,246)	(1,008)
Unrecognized transition obligation	(641)	(631)	(591)
Accrued postretirement benefit liability	$ 514	$ 600	$ 805

Net periodic postretirement benefit cost includes the following components:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Service cost	$110	$129	$58	$249
Interest	85	111	44	179
Net amortization and deferral	40	54	35	138
Net periodic postretirement benefit cost	$235	$294	$137	$566

For measurement purposes, a 9.5% annual rate of increase in the per capita costs of covered health care benefits was assumed for fiscal 1996 and 1997, gradually decreasing to 5.5%. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 1997, by $148 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended September 30, 1997, by $40. A discount rate of 7.5% was used to determine the accumulated postretirement benefit obligation.

(In thousands, except per share amounts)

12. Business Segment and International Operations

Information about the Company's operations in different geographic areas is summarized follows:

	Years ended June 30, 1995	Years ended June 30, 1996	Transition period ended September 30, 1996	Year ended September 30, 1997
Net sales to unaffiliated customers:				
United States	$ 337,888	$ 341,967	$ 82,329	$ 352,468
Foreign:				
Europe	60,696	64,432	15,304	62,546
Other	16,640	16,955	4,247	17,538
Total	$ 415,224	$ 423,354	$ 101,880	$ 432,552
Transfers between geographic areas:				
United States	$ 26,928	$ 27,097	$ 7,432	$ 28,403
Foreign:				
Europe	1,637	730	422	1,459
Other	49	--	--	--
Total	$ 28,614	$ 27,827	$ 7,854	$ 29,862
Net sales:				
United States	$ 364,816	$ 369,065	$ 89,760	$ 380,872
Foreign:				
Europe	62,333	65,161	15,727	64,004
Other	16,689	16,955	4,247	17,538
Eliminations	(28,614)	(27,827)	(7,854)	(29,862)
Total	$ 415,224	$ 423,354	$ 101,880	$ 432,552
Income (loss) from operations:				
United States	$ 24,335	$ 24,759	$ (20,983)	$ 30,379
Foreign:				
Europe	5,410	5,002	(2,539)	3,759
Other	1,784	516	(150)	387
Total	$ 31,529	$ 30,277	$ (23,672)	$ 34,525
Total assets:				
United States	$ 189,557	$ 192,441	$ 213,730	$ 208,971
Foreign:				
Europe	34,345	33,719	35,065	32,137
Other	16,093	17,532	18,782	17,946
Eliminations	(19,405)	(22,564)	(23,886)	(22,173)
Total	$ 220,590	$ 221,128	$ 243,691	$ 236,881

13. Commitments and Contingencies

The Company has entered into agreements to purchase certain equipment and to pay annual royalties. In a December 1991 agreement, the Company committed to pay $1,500 in January 1992 and annual royalties of $1,500 for the first five years, beginning in 1993, plus $500 for each year thereafter, as long as the related equipment patents are enforceable. In a March 1994 agreement, the Company committed to pay $500 in April 1994 and annual royalties

13. Commitments and Contingencies --Continued

of $500 for five years beginning in 1995. Additionally, the Company has committed to purchase tooling of $957 related to this equipment, $66 for other tooling, at an unspecified date in the future and purchase manganese ore amounting to $120 by March 1998.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. In addition, the Company, together with other parties, has been designated a potentially responsible party of various third-party sites on the United States EPA National Priorities List (Superfund). The Company provides for the estimated costs of investigation and remediation of these sites when such losses are probable and the amounts can be reasonably estimated. The actual cost incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of the amounts provided of $1,787, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity, or cash flow of the Company.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities are not likely to have a material adverse effect on the financial condition, liquidity or cash flow of the Company.

14. Related Party Transactions

The Company and THL Co. are parties to a Management Agreement pursuant to which the Company has engaged THL Co. to provide consulting and management advisory services for an initial period of five years through September 2001. In consideration of ongoing consulting and management advisory services, the Company will pay THL Co. an aggregate annual fee of $360 plus expenses. Under the Management Agreement and in connection with the closing of the Recapitalization, the Company paid THL Co. and an affiliate $3,250 during the Transition Period. The Company paid THL Co. aggregate fees of $386 for the year ended September 30, 1997.

The Company and a shareholder of the Company (the principal shareholder prior to the Recapitalization) are parties to agreements which include a consulting arrangement and noncompetition provisions. Terms of the agreements required the shareholder to provide consulting services for an annual fee of $200 plus expenses. The term of these agreements runs concurrent with the Management Agreement, subject to certain conditions as defined in the agreements. The Consulting Agreement was terminated August 1, 1997. The Company paid the shareholder $175 for the year ended September 1997.

The Company has notes receivable from officers in the amount of $500 and $1,261 at September 30, 1996 and 1997, respectively, generally payable in five years, which bear interest at 7% to 8%. Since the officers utilized the proceeds of the notes to purchase common stock of the Company, directly or through the exercise of stock options, the notes have been recorded as a reduction of shareholders' equity (deficit). The Company has short-term notes receivable from employees of $397 at September 30, 1997 which were used to purchase common stock of the Company, through the exercise of stock options, and are also classified as a reduction of shareholders' equity (deficit).

15. Other Special Charges

During the year ended September 30, 1997, the Company recorded special charges as follows: (i) $3,900 of charges related to the exit of certain manufacturing operations at the Company's Newton Aycliffe, United Kingdom and Kinston, North Carolina facilities which include severance, outplacement service, other employee benefits and asset write-downs and (ii) $2,000 of charges for organization restructuring in the United States relating to severance, outplacement service, and other employee benefits. These charges are partially offset by a $2,900 gain related to the curtailment of the Company's defined benefit pension plan covering all domestic non-union employees. The Company paid $4,000 of these costs in fiscal 1997 and $1,900 is expected to be paid thereafter.

(In thousands, except per share amounts)

15. Other Special Charges--Continued

During the Transition Period, the Company recorded special charges as follows: (i) $2,700 of charges related to the exit of certain manufacturing operations, (ii) $1,700 of charges to increase net deferred compensation plan obligations to reflect curtailment of such plans; (iii) $1,500 of charges reflecting the present value of lease payments for land which management has determined will not be used for any future productive purpose; (iv) $6,900 in costs and asset write-downs principally related to changes in product pricing strategies adopted by management subsequent to the Recapitalization; and (v) $3,300 of employee termination benefits and other charges. Payment for these costs was or is expected to be as follows: $7,700 was paid prior to September 30, 1996; $5,600 was paid in fiscal 1997; and $2,800 is expected to be paid thereafter.

16. Quarterly Results (unaudited)

	Quarter Ended			
	December 30, 1995	March 30, 1996	June 29, 1996	September 30, 1996
Net sales	$140,707	$80,563	$94,731	$101,880
Gross profit	63,219	34,672	39,495	42,638
Income (loss) before extraordinary item	6,059	310	4,361	(19,274)
Net income (loss)	6,059	310	4,361	(20,921)
Net income (loss) per share	0.12	0.01	0.09	(0.46)

	Quarter Ended			
	December 28, 1996	March 29, 1997	June 29, 1997	September 30, 1997
Net sales	$141,922	$83,633	$95,466	$111,531
Gross profit	62,903	36,510	43,249	55,321
Net income (loss)	2,380	(1,720)	2,652	2,874
Net income (loss) per share	0.11	(0.08)	0.12	0.13

17. Consolidated Financial Statements

The following condensed consolidating financial data illustrates the composition of the consolidated financial statements. Investments in subsidiaries are accounted for by the Company on an unconsolidated basis (the Company and the DISC) and the Guarantor Subsidiary using the equity method for purposes of the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company's and Guarantor Subsidiary's investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the Guarantor Subsidiary are not presented because management has determined that such financial statements would not be material to investors.

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 1997

	Parent	Guarantor subisidiary
ASSETS		
Current assets:		
Cash and cash equivalents	$ 633	$ 46
Receivables:		
Trade accounts receivable, net	61,400	--
Other	8,500	702
Inventories	45,003	--
Deferred income taxes	8,664	342
Prepaid expenses and other	5,101	--
Total current assets	129,301	1,090
Property, plant and equipment, net	60,860	--
Deferred charges and other	8,411	--
Debt issuance costs	9,277	--
Investment in subsidiaries	16,111	15,627
Total assets	$ 223,960	$16,717
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	$ 22,000	$ --
Accounts payable	50,797	150
Accrued liabilities:		
Wages and benefits	7,766	--
Accrued interest	5,594	--
Recapitalization and other special charges	4,235	--
Other	16,182	226
Total current liabilities	106,574	376
Long-term debt, net of current maturities	183,441	--
Employee benefit obligations, net of current portion	11,291	--
Deferred income taxes	554	--
Other	956	230
Total liabilities	302,816	606
Shareholders' equity (deficit):		
Common stock	500	--
Additional paid-in capital	15,974	3,525
Foreign currency translation adjustment	2,270	2,270
Notes receivable from officers/shareholders	(1,658)	--
Retained earnings	33,060	10,316
	50,146	16,111
Less stock held in trust for deferred compensation	(962)	--
Less treasury stock	(128,040)	--
Total shareholders' equity (deficit)	(78,856)	16,111
Total liabilities and shareholders' equity (deficit)	$ 223,960	$16,717

	Nonguarantor subsidiaries	Eliminations	Consolidated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 454	$ --	$ 1,133
Receivables:			
Trade accounts receivable, net	15,190	--	76,590
Other	2,659	(8,782)	3,079
Inventories	13,722	(174)	58,551
Deferred income taxes	93	--	9,099
Prepaid expenses and other	827	--	5,928

Total current assets	32,945	(8,956)	154,380
Property, plant and equipment, net	4,651	--	65,511
Deferred charges and other	612	(1,310)	7,713
Debt issuance costs	--	--	9,277
Investment in subsidiaries	--	(31,738)	--
Total assets	$38,208	$ (42,004)	$ 236,881
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current maturities of long-term debt	$ 1,880	$ --	$ 23,880
Accounts payable	14,847	(8,535)	57,259
Accrued liabilities:			
Wages and benefits	1,577	--	9,343
Accrued interest	19	--	5,613
Recapitalization and other special charges	377	--	4,612
Other	3,448	--	19,856
Total current liabilities	22,148	(8,535)	120,563
Long-term debt, net of current maturities	--	--	183,441
Employee benefit obligations, net of current portion	--	--	11,291
Deferred income taxes	181	--	735
Other	260	--	1,446
Total liabilities	22,589	(8,535)	317,476
Shareholders' equity (deficit):			
Common stock	12,072	(12,072)	500
Additional paid-in capital	750	(4,275)	15,974
Foreign currency translation adjustment	2,270	(4,540)	2,270
Notes receivable from officers/shareholders	--	--	(1,658)
Retained earnings	527	(12,582)	31,321
	15,619	(33,469)	48,407
Less stock held in trust for deferred compensation	--	--	(962)
Less treasury stock	--	--	(128,040)
Total shareholders' equity (deficit)	15,619	(33,469)	(80,595)
Total liabilities and shareholders' equity (deficit)	$38,208	$ (42,004)	$ 236,881

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

YEAR ENDED SEPTEMBER 30, 1997

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Consolidated
Net sales	$380,872	$ --	$81,542	$ (29,862)	$432,552
Cost of goods sold	212,861	--	52,180	(30,472)	234,569
Gross profit	168,011	--	29,362	610	197,983
Operating expenses:					
Selling	104,685	--	17,370	--	122,055
General and administrative	26,039	(817)	5,655	1,328	32,205
Research and development	6,196	--	--	--	6,196
Other special charges	1,348	--	1,654	--	3,002
	138,268	(817)	24,679	1,328	163,458
Income from operations	29,743	817	4,683	(718)	34,525
Interest expense	24,118	--	424	--	24,542
Equity in income of subsidiary	(3,475)	(2,948)	--	6,423	--
Other (income) expense, net	(590)	6	962	--	378
Income before income taxes	9,690	3,759	3,297	(7,141)	9,605
Income tax expense	2,786	284	349	--	3,419
Net income	$ 6,904	$ 3,475	$ 2,948	$ (7,141)	$ 6,186

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 1997

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 34,436	$ (11)	$ 1,240	$--	$ 35,665
Cash flows from investing activities:					
Purchases of property, plant and equipment	(10,113)	--	(743)	--	(10,856)
Proceeds from sale of property, plant and equipment	52	--	--	--	52
Sale (purchase) of equipment and technology	(1,866)	--	1,866	--	--
Net cash provided (used) by investing activities	(11,927)	--	1,123	--	(10,804)
Cash flows from financing activities:					
Reduction of debt	(123,489)	--	(11,590)	--	(135,079)
Proceeds from debt financing	100,000	--	8,890	--	108,890
Cash overdrafts	164	--	--	--	164
Proceeds from direct financing lease	100	--	--	--	100
Issuance of stock	271	--	--	--	271
Acquisition of treasury stock	(3,343)	--	--	--	(3,343)
Exercise of stock options	1,438	--	--	--	1,438
Payments on capital lease obligations	--	--	(426)	--	(426)
Net cash provided (used) by financing activities	(24,859)	--	(3,126)	--	(27,985)
Effect of exchange rate changes on cash and cash equivalents	--	--	2	--	2
Net increase (decrease) in cash and cash equivalents	(2,350)	(11)	(761)	--	(3,122)
Cash and cash equivalents, beginning of period ...	2,983	57	1,215	--	4,255
Cash and cash equivalents, end of period	$ 633	$ 46	$ 454	$--	$ 1,133

RAYOVAC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING BALANCE SHEET
September 30, 1996

	Parent	Guarantor subsidiary
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,983	$ 57
Receivables:		
Trade accounts receivable, net	45,614	--
Other	15,128	162
Inventories	57,615	--
Deferred income taxes	7,888	1,026
Prepaid expenses and other	3,457	--
Total current assets	132,685	1,245
Property, plant and equipment, net	61,495	--
Deferred charges and other	6,815	--
Debt issuance costs	12,764	--
Investment in subsidiaries	12,056	12,098
Total assets	$ 225,815	$13,343
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current maturities of long-term debt	$ 4,500	$ --
Accounts payable	40,830	597
Accrued liabilities:		
Wages and benefits	4,759	--
Accrued interest	618	--
Recapitalization and other special charges	11,645	--
Other	10,043	484
Total current liabilities	72,395	1,081
Long-term debt, net of current maturities	223,990	--
Employee benefit obligations, net of current portion	12,138	--
Deferred income taxes	(64)	206
Other	2,061	--
Total liabilities	310,520	1,287
Shareholders' equity (deficit):		
Common stock	500	--
Additional paid-in capital	15,970	3,525
Foreign currency translation adjustment	1,689	1,689
Notes receivable from officers/shareholders	(500)	--
Retained earnings	26,158	6,842
	43,817	12,056
Less treasury stock, at cost	(128,522)	--
Total shareholders' equity (deficit)	(84,705)	12,056
Total liabilities and shareholders' equity (deficit)	$ 225,815	$13,343

	Nonguarantor subsidiaries	Eliminations	Combined consolidated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,215	$ --	$ 4,255
Receivables:			
Trade accounts receivable, net	16,706	--	62,320
Other	95	(11,229)	4,156
Inventories	13,303	(797)	70,121
Deferred income taxes	244	--	9,158
Prepaid expenses and other	1,407	--	4,864
Total current assets	32,970	(12,026)	154,874
Property, plant and equipment, net	7,145	--	68,640
Deferred charges and other	598	--	7,413
Debt issuance costs	--	--	12,764
Investment in subsidiaries	--	(24,154)	--

Total assets	$ 40,713	$ (36,180)	$ 243,691
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Current maturities of long-term debt	$ 4,318	--	$ 8,818
Accounts payable	16,505	(11,011)	46,921
Accrued liabilities:			
Wages and benefits	1,135	--	5,894
Accrued interest	13	--	631
Recapitalization and other special charges	3,297	--	14,942
Other	2,492	--	13,019
Total current liabilities	27,760	(11,011)	90,225
Long-term debt, net of current maturities	855	--	224,845
Employee benefit obligations, net of current portion	--	--	12,138
Deferred income taxes	--	--	142
Other	--	--	2,061
Total liabilities	28,615	(11,011)	329,411
Shareholders' equity (deficit):			
Common stock	12,072	(12,072)	500
Additional paid-in capital	750	(4,275)	15,970
Foreign currency translation adjustment	1,689	(3,378)	1,689
Notes receivable from officers/shareholders	--	--	(500)
Retained earnings	(2,413)	(5,444)	25,143
	12,098	(25,169)	42,802
Less treasury stock, at cost	--	--	(128,522)
Total shareholders' equity (deficit)	12,098	(25,169)	(85,720)
Total liabilities and shareholders' equity (deficit)	$ 40,713	$ (36,180)	$ 243,691

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Transition period ended September 30, 1996

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net sales	$ 89,760	--	$ 19,974	$ (7,854)	$ 101,880
Cost of goods sold	53,480	--	13,470	(7,708)	59,242
Gross profit	36,280	--	6,504	(146)	42,638
Operating expenses:					
Selling	23,539	--	4,257	--	27,796
General and administrative	6,508	2	2,109	9	8,628
Research and development	1,495	--	--	--	1,495
Recapitalization charges	12,326	--	--	--	12,326
Other special charges	12,768	-	3,297	--	16,065
	56,636	2	9,663	9	66,310
Loss from operations	(20,356)	(2)	(3,159)	(155)	(23,672)
Interest expense	4,320	--	110	--	4,430
Equity in loss of subsidiary	2,508	2,611	--	(5,119)	--
Other (income) expense, net	(170)	(162)	408	--	76
Loss before income taxes and extraordinary item	(27,014)	(2,451)	(3,677)	4,964	(28,178)
Income tax (benefit) expense	(7,895)	57	(1,066)	--	(8,904)
Loss before extraordinary item	(19,119)	(2,508)	(2,611)	4,964	(19,274)
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $777	(1,647)	--	--	--	(1,647)
Net loss	$ (20,766)	$ (2,508)	$ (2,611)	$ 4,964	$ (20,921)

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Transition period ended September 30, 1996

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net cash provided (used) by operating activities	$ (2,078)	$16	$ 932	$--	$ (1,130)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(912)	--	(336)	--	(1,248)
Proceeds from sale of property, plant and equipment	1,281	--	--	--	1,281
Net cash provided (used) by investing activities	369	--	(336)	--	33
Cash flows from financing activities:					
Reduction of debt	(104,138)	--	(2,952)	--	(107,090)
Proceeds from debt financing	256,500	--	2,989	--	259,489
Cash overdraft	(2,493)	--	--	--	(2,493)
Debt issuance costs	(14,373)	--	--	--	(14,373)
Extinguishment of debt	(2,424)	--	--	--	(2,424)
Distributions from DISC	(1,943)	--	--	--	(1,943)
Acquisition of treasury stock	(127,925)	--	--	--	(127,925)
Payments on capital lease obligation	--	--	(84)	--	(84)
Net cash provided (used) by financing activities	3,204	--	(47)	--	3,157
Effect of exchange rate changes on cash and cash equivalents	--	--	5	--	5
Net increase (decrease) in cash and cash equivalents	1,495	16	554	--	2,065
Cash and cash equivalents, beginning of period	1,488	41	661	--	2,190
Cash and cash equivalents, end of period	$ 2,983	$57	$ 1,215	--	$ 4,255

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING BALANCE SHEET
June 30, 1996

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,488	$ 41	$ 661	$ --	$ 2,190
Receivables:					
Trade accounts receivable, net	40,138	--	15,692	--	55,830
Other	11,434	318	780	(10,210)	2,322
Inventories	54,486	--	12,951	(496)	66,941
Deferred income taxes	5,439	179	243	--	5,861
Prepaid expenses and other	3,415	--	1,560	--	4,975
Total current assets	116,400	538	31,887	(10,706)	138,119
Property, plant and equipment, net	65,747	--	7,434	--	73,181
Deferred charges and other	9,047	--	608	--	9,655
Debt issuance costs	173	--	--	--	173
Investment in subsidiaries	14,524	14,670	--	(29,194)	--
Total assets	$205,891	$15,208	$39,929	$ (39,900)	$221,128
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Current maturities of long-term debt	$ 7,350	$ --	$ 4,281	$ --	$ 11,631
Accounts payable	32,906	492	15,145	(9,848)	38,695
Accrued liabilities:					
Wages and benefits	5,077	--	1,049	--	6,126
Accrued interest	1,850	--	40	--	1,890
Other	12,768	(14)	3,803	--	16,557
Total current liabilities	59,951	478	24,318	(9,848)	74,899
Long-term debt, net of current maturities	68,777	--	941	--	69,718
Employee benefit obligations, net of current portion	12,141	--	--	--	12,141
Deferred income taxes	2,378	206	--	--	2,584
Other	162	--	--	--	162
Total liabilities	143,409	684	25,259	(9,848)	159,504
Shareholders' equity (deficit):					
Common stock	500	--	12,072	(12,072)	500
Rayovac International Corporation common stock	5	--	--	--	5
Additional paid-in capital	12,000	3,525	750	(4,275)	12,000
Foreign currency translation adjustment	1,650	1,650	1,650	(3,300)	1,650
Retained earnings	48,860	9,349	198	(10,405)	48,002
	63,015	14,524	14,670	(30,052)	62,157
Less treasury stock, at cost	(533)	--	--	--	(533)
Total shareholders' equity (deficit)	62,482	14,524	14,670	(30,052)	61,624
Total liabilities and shareholders' equity (deficit)	$205,891	$15,208	$39,929	$ (39,900)	$221,128

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year ended June 30, 1996

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net sales	$369,065	$ --	$82,116	$ (27,827)	$423,354
Cost of goods sold	213,349	--	53,846	(27,852)	239,343
Gross profit	155,716	--	28,270	25	184,011
Operating expenses:					
Selling	99,486	--	17,039	--	116,525
General and administrative	25,967	12	5,775	13	31,767
Research and development	5,442	--	--	--	5,442
	130,895	12	22,814	13	153,734
Income (loss) from operations	24,821	(12)	5,456	12	30,277
Interest expense	7,731	--	704	--	8,435
Equity in income of subsidiary	(2,507)	(2,167)	--	4,674	--
Other (income) expense, net	(51)	(570)	1,173	--	552
Income before income taxes	19,648	2,725	3,579	(4,662)	21,290
Income tax expense	5,372	218	1,412	--	7,002
Net income	$14,276	$ 2,507	$ 2,167	$ (4,662)	$ 14,288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year ended June 30, 1996

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net cash provided (used) by operating activities	$ 14,449	$ (292)	$ 3,688	$	$ 17,845
Cash flows from investing activities:					
Purchases of property, plant and equipment	(6,558)	--	(88)	--	(6,646)
Proceeds from sale of property, plant and equipment	298	--	--		298
Net cash provided (used) by investing activities	(6,260)	--	(88)	--	(6,348)
Cash flows from financing activities:					
Reduction of debt	(97,627)	--	(6,899)	--	(104,526)
Proceeds from debt financing	93,600	--	2,652	--	96,252
Cash overdraft	2,339	--	--	--	2,339
Distributions from DISC	(5,187)	--	--	--	(5,187)
Intercompany dividends	--	130	(130)	--	--
Acquisition of treasury stock	(533)	--	--	--	(533)
Payments on capital lease obligation	--	--	(295)	--	(295)
Net cash provided (used) by financing activities	(7,408)	130	(4,672)	--	(11,950)
Effect of exchange rate changes on cash and cash equivalents	--	--	(2)	--	(2)
Net increase (decrease) in cash and cash equivalents	781	(162)	(1,074)	--	(455)
Cash and cash equivalents, beginning of period	707	203	1,735	--	2,645
Cash and cash equivalents, end of period	$ 1,488	$ 41	$ 661	$--	$ 2,190

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued
(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Year ended June 30, 1995

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net sales	$364,816	$ --	$79,022	$ (28,614)	$415,224
Cost of goods sold	214,119	--	51,781	(28,774)	237,126
Gross profit	150,697	--	27,241	160	178,098
Operating expenses:					
Selling	93,935	--	14,768	--	108,703
General and administrative	27,556	(651)	5,872	84	32,861
Research and development	5,005	--	--	--	5,005
	126,496	(651)	20,640	84	146,569
Income from operations	24,201	651	6,601	76	31,529
Interest expense	7,889	--	755	--	8,644
Equity in income of subsidiary	(5,520)	(4,928)	--	10,448	--
Other (income) expense, net	(116)	(319)	665	--	230
Income before income taxes	21,948	5,898	5,181	(10,372)	22,655
Income tax expense	5,616	378	253	--	6,247
Net income	$16,332	$ 5,520	$ 4,928	$ (10,372)	$ 16,408

(In thousands, except per share amounts)

17. Consolidated Financial Statements--Continued

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year ended June 30, 1995

	Parent	Guarantor subsidiary	Nonguarantor subsidiaries	Eliminations	Combined consolidated
Net cash provided (used) by operating activities	$ 32,394	$ (3,823)	$ 3,737	$ 3,211	$ 35,519
Cash flows from investing activities:					
Purchases of property, plant and equipment	(14,288)	--	(2,650)	--	(16,938)
Proceeds from sale of property, plant and equipment	139	--	--	--	139
Net cash (used) by investing activities	(14,149)	--	(2,650)	--	(16,799)
Cash flows from financing activities:					
Reduction of debt	(100,536)	--	(5,847)	--	(106,383)
Proceeds from debt financing	79,749	--	5,223	726	85,698
Cash overdraft	3,925	--	--	--	3,925
Distributions from DISC	(1,500)	--	--	--	(1,500)
Intercompany dividends	--	3,899	(3,899)	--	--
Net cash provided (used) by financing activities	(18,362)	3,899	(4,523)	726	(18,260)
Effect of exchange rate changes on cash and cash equivalents	--	--	3,592	(3,937)	(345)
Net increase (decrease) in cash and cash equivalents	(117)	76	156	--	115
Cash and cash equivalents, beginning of period	824	127	1,579	--	2,530
Cash and cash equivalents, end of period	$ 707	$ 203	$ 1,735	$ --	$ 2,645

[Inside Back Cover]

[Picture of Rayovac Store Display for Remote Keyless Entry System Batteries on Gray Background]

[Picture of Five Rayovac Photo/Electronic and Keyless Entry Battery Packs on White and Blue Background]

[Picture of a Rayovac Alkaline Computer Battery on Black Background]

[Picture of Rayovac Battery Products and Flashlights on Gray Background]

[Picture of Rayovac Loud'n Clear Premium Zinc Air Hearing Aid Battery Pack on Light Gray Background]

[Picture of Five Packs of Rayovac Pro Line Premium Zinc Air Hearing Aid Battery Packs on Gray Background]

TABLE OF CONTENTS

==

6,700,000 Shares

RAYOVAC(R)

Common Stock

P R O S P E C T U S

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Donaldson, Lufkin & Jenrette
Securities Corporation

Smith Barney Inc.

, 1997

==

[ALTERNATE PAGE]

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED OCTOBER 31, 1997

PROSPECTUS

[RED HERRING]
Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.
[/RED HERRING]

6,700,000 Shares

RAYOVAC(R)

Common Stock

All of the 6,700,000 shares of Common Stock offered hereby are being sold by Rayovac Corporation ("Rayovac" or the "Company"). Of the 6,700,000 shares of Common Stock offered hereby, 1,340,000 shares are being offered for sale initially outside the United States and Canada by the International Managers and 5,360,000 shares are being offered for sale initially in a concurrent offering in the United States and Canada by the U.S. Underwriters. The initial public offering price and the aggregate underwriting discount per share will be identical for both Offerings. See "Underwriting."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $13.00 and $15.00 per share. For a discussion relating to factors to be considered in determining the initial public offering price, see "Underwriting".

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "ROV," subject to official notice of issuance.

See "Risk Factors" beginning on page 10 for a discussion of certain factors that should be considered by prospective purchasers of the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discount (1)	Proceeds to Company (2)
Per Share	$	$	$
Total (3)	$	$	$

(1) The Company and the Over-Allotment Selling Shareholders have agreed to indemnify the several Underwriters against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by the Company estimated at $1,200,000.
(3) The Over-Allotment Selling Shareholders have granted the International Managers and the U.S. Underwriters options to purchase up to an additional 201,000 shares and 804,000 shares of Common Stock, respectively, in each case exercisable within 30 days after the date hereof, solely to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discount and Proceeds to the Over-Allotment Selling Shareholders will be $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to the approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about , 1997.

Merrill Lynch International

Bear, Stearns International Limited

Donaldson, Lufkin & Jenrette
Securities Corporation

Smith Barney Inc.

The date of this Prospectus is , 1997.

UNDERWRITING

Merrill Lynch International, Bear, Stearns International Limited, Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as lead managers (the "Lead Managers") for each of the International Managers named below (the "International Managers"). Subject to the terms and conditions set forth in an international purchase agreement (the "International Purchase Agreement") among the Company, the Over-Allotment Selling Shareholders and the International Managers and concurrently with the sale of 5,360,000 shares of Common Stock to the U.S. Underwriters (as defined below), the Company has agreed to sell to the International Managers, and each of the International Managers severally and not jointly has agreed to purchase from the Company, the number of shares of Common Stock set forth opposite its name below.

International Manager	Number of Shares
Merrill Lynch International	
Bear, Stearns International Limited	
Donaldson, Lufkin & Jenrette Securities Corporation	
Smith Barney Inc.	
Total	1,340,000

The Company has also entered into a U.S. purchase agreement (the "U.S. Purchase Agreement") with certain underwriters in the United States and Canada (the "U.S. Underwriters" and, together with the International Managers, the "Underwriters"), for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. are acting as representatives (the "U.S. Representatives"). Subject to the terms and conditions set forth in the U.S. Purchase Agreement, and concurrently with the sale of 1,340,000 shares of Common Stock to the International Managers pursuant to the International Purchase Agreement, the Company has agreed to sell to the U.S. Underwriters, and the U.S. Underwriters severally and not jointly have agreed to purchase from the Company, an aggregate of 5,360,000 shares of Common Stock. The initial public offering price per share of Common Stock and the underwriting discount per share of Common Stock are identical under the International Purchase Agreement and the U.S. Purchase Agreement.

In the International Purchase Agreement and the U.S. Purchase Agreement, the several International Managers and the several U.S. Underwriters, respectively, have agreed, subject to the terms and conditions set forth therein, to purchase all of the shares of Common Stock being sold pursuant to each such agreement if any of the shares of Common Stock being sold pursuant to such agreement are purchased. Under certain circumstances, under the International Purchase Agreement and the U.S. Purchase Agreement, the commitments of non-defaulting Underwriters may be increased. The closings with respect to the sale of shares of Common Stock to be purchased by the International Managers and the U.S. Underwriters are conditioned upon one another.

The Lead Managers have advised the Company that the International Managers propose initially to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of $ per share of Common Stock. The International Managers, may allow, and such dealers may reallow, a discount not in excess of $ per share of Common Stock on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Over-Allotment Selling Shareholders have granted options to the International Managers, exercisable within 30 days after the date of this Prospectus, to purchase up to 201,000 additional shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus, less the underwriting discount. The International Managers may exercise these options solely to cover over-allotments, if any, made on the sale of the Common Stock offered hereby. To the extent that the International Managers exercise these options, each International Manager will be obligated, subject to certain conditions, to purchase a number of additional shares of Common Stock proportionate to such International Manager's initial amount reflected in the foregoing table. The Over-Allotment Selling Shareholders also have granted options to the U.S. Underwriters, exercisable within 30 days after the date of this Prospectus, to purchase up to aggregate of 804,000 additional shares of Common Stock to cover over-allotments, if any, on terms similar to those granted to the International Managers.

At the request of the Company, the Underwriters have reserved up to 530,000 shares of Common Stock for sale at the initial public offering price set forth on the cover page of this Prospectus to certain employees of the Company and certain other persons. The number of shares of Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not orally confirmed for purchase within one day of the pricing of the Offerings will be offered by the Underwriters to the general public on the same terms as other shares offered hereby.

The Company, the Company's executive officers and directors, the Lee Group and certain other shareholders have agreed, subject to certain exceptions, not to directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for Common Stock, whether now owned or thereafter acquired by the person executing the agreement or with respect to which the person executing the agreement thereafter acquires the power of disposition, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of the Common Stock whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, without the prior written consent of Merrill Lynch on behalf of the Underwriters, for a period of 180 days after the date of this Prospectus. See "Shares Eligible for Future Sale."

The Lee Group, the beneficial owner of more than 10% of the Company's outstanding Common Stock, may be deemed to be an affiliate of Sutro & Co. Incorporated and Tucker Anthony Incorporated, members of the NASD which may participate in the U.S. Offering and the International Offering. Accordingly, the U.S. Offering and the International Offering will be conducted in accordance with NASD Conduct Rule 2720 which provides that the initial public offering price of the Common Stock may not be higher than the price recommended by a Qualified Independent Underwriter which has participated in the preparation of this Prospectus and performed its usual standard of due diligence with respect thereto. Smith Barney Inc. has agreed to act as the Qualified Independent Underwriter for the U.S. Offering and the International Offering, and the initial public offering price of the Common Stock will not be higher than the price recommended by Smith Barney Inc.

The International Managers and the U.S. Underwriters have entered into an intersyndicate agreement (the "Intersyndicate Agreement") that provides for the coordination of their activities. Pursuant to the Intersyndicate Agreement, the International Managers and the U.S. Underwriters are permitted to sell shares of Common Stock to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, and the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to U.S. persons or to Canadian persons or to persons they believe intend to resell to U.S. persons or Canadian persons, except in the case of transactions pursuant to the Intersyndicate Agreement.

Prior to the Offerings, there has been no public market for the shares of Common Stock of the Company. The initial public offering price will be determined through negotiations among the Company, the U.S. Representatives and the Lead Managers. The factors to be considered in determining the initial public offering price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the U.S. Representatives and Lead Managers believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which the Company competes, and an assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to the Company. There can be no assurance given that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the initial public offering price.

The Common Stock has been approved for listing on the New York Stock Exchange under the trading symbol "ROV," subject to official notice of issuance. In order to meet the requirements for listing of the Common Stock on the New York Stock Exchange, the U.S. Underwriters and International Managers have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

The International Managers and the U.S. Underwriters have informed the Company that they do not intend to confirm sales of the Common Stock offered hereby to any accounts over which they exercise discretionary authority.

The Company and the Over-Allotment Selling Shareholders have agreed to indemnify the International Managers and the U.S. Underwriters against certain liabilities, including liabilities under the Securities Act or to contribute to payments which the International Managers and U.S. Underwriters may be required to make in respect thereof.

Until the distribution of the Common Stock is completed, rules of the Securities and Exchange Commission (the "Commission") may limit the ability of the Underwriters and certain selling group members to bid for and purchase the Common Stock. As an exception to these rules, the U.S. Representatives are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offerings, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Representatives may reduce that short position by purchasing Common Stock in the open market. The U.S. Representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The U.S. Representatives may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Representatives purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offerings.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might have been in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of the Common Stock to the extent that it discourages resales of the Common Stock.

Neither the Company nor any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, neither the Company nor any of the Underwriters makes any representation that the U.S. Representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Each International Manager has agreed that (i) it has not offered or sold, and, for a period of six months from the Closing Date, will not offer or sell, to persons in the United Kingdom, other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied with and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares of Common Stock in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of shares of Common Stock to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995, or is a person to whom such document may otherwise lawfully be issued or passed on.

No action has been or will be taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of Common Stock, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or shares of Common Stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of Common Stock may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the shares of Common Stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the shares offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page hereof.

Donaldson, Lufkin & Jenrette Securities Corporation and its affiliate, DLJ Capital Funding, Inc., have provided from time to time, and may provide in the future, commercial and investment banking services to the Company and its affiliates, including in connection with the Credit Agreement between the Company, BA Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and its affiliate DLJ Capital Funding, Inc. as arrangers for a group of financial institutions and accredited investors which provided the Company with senior bank facilities in an aggregate amount of $170 million.

[ALTERNATE PAGE]

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company or the Underwriters. This Prospectus does not solicitation of an offer to buy the Common Stock in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date hereof.

In the Prospectus, references to "dollars" and "$" are to United States dollars.

TABLE OF CONTENTS

6,700,000 Shares

RAYOVAC(R)

Common Stock

PROSPECTUS

Merrill Lynch International

Bear, Stearns International Limited

Donaldson, Lufkin & Jenrette
Securities Corporation

Smith Barney Inc.

, 1997

[ALTERNATE PAGE]

SUBJECT TO COMPLETION PRELIMINARY PROSPECTUS DATED OCTOBER 31, 1997

PROSPECTUS

[RED HERRING]
Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.
[/RED HERRING]

270,000 Shares

RAYOVAC(R)

Common Stock

All of the 270,000 shares of Common Stock offered hereby are being offered directly by Rayovac Corporation ("Rayovac" or the "Company") to certain employee participants in the Company's Profit Sharing and Savings Plan (the "Direct Offering"). Concurrently with the Direct Offering, the Company is offering (the "Underwritten Offering") an aggregate of 6,700,000 shares of Common Stock to the public through a group of underwriters (the "Underwriters"). The Direct Offering is contingent upon the consummation of the Underwritten Offering. The Direct Offering and the Underwritten Offering are collectively referred to herein as the "Offerings."

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price to employees will be between $13.00 and $15.00 per share. See "Plan of Distribution" for information relating to the factors to be considered in determining the initial public offering price.

The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "ROV," subject to official notice of issuance.

See "Risk Factors" beginning on page 10 for a discussion of certain factors that should be considered by prospective purchasers of the Common Stock offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The shares of Common Stock are offered by the Company subject to approval of certain legal matters by counsel for the Company and certain other conditions, including consummation of the Underwritten Offering. It is expected that delivery of the shares of Common Stock will be made in New York, New York on or about   , 1997.

The date of this Prospectus is   , 1997.

[ALTERNATE PAGE]

The Offerings

Common Stock offered by the Company	6,970,000 shares (1)
Common Stock to be outstanding after the Offerings	27,551,431 shares (2)
Use of proceeds	The net proceeds to be received by the Company from the Offerings will be used to repay indebtedness incurred in connection with the recapitalization of the Company completed in September 1996. See "The Recapitalization" and "Use of Proceeds."
New York Stock Exchange symbol	"ROV"

- ----------------

(1) Includes up to 6,700,000 shares of Common Stock being concurrently offered to the general public by the Underwriters pursuant to a separate prospectus.

(2) Excludes 5,426,905 shares of Common Stock reserved for sale or issuance under the Company's employee benefit plans, of which options to purchase 2,318,127 shares have been granted and 3,108,778 shares remain available for issuance or sale. See "Management--Stock Option Plans."

The Company is concurrently offering up to 6,700,000 shares of Common Stock to the general public through the Underwriters pursuant to a separate prospectus in the Underwritten Offering. The Direct Offering and the Underwritten Offering are collectively referred to herein as the "Offerings."

PLAN OF DISTRIBUTION

The Company is offering directly to certain employee participants in the Company's Profit Sharing and Savings Plan up to an aggregate of 270,000 shares of Common Stock at the initial public offering price set forth on the cover page of this Prospectus. Since such shares are being sold directly by the Company and not through the Underwriters, no underwriting discount will be paid to the Underwriters with respect to such shares. The Direct Offering is contingent upon the consummation of the Underwritten Offering.

Prior to the Offerings, there has been no public market for the Common Stock of the Company. The initial public offering price for the Common Stock in the Underwritten Offering (the "IPO Price") will be determined by negotiation between the Company and the Representatives of the Underwriters. The initial public offering price for the Common Stock in the Direct Offering will be equal to the IPO Price. The factors to be considered in determining the IPO Price, in addition to prevailing market conditions, are price-earnings ratios of publicly traded companies that the Underwriters believe to be comparable to the Company, certain financial information of the Company, the history of, and the prospects for, the Company and the industry in which it competes, and an assessment of the Company's management, its past and present operations, the prospects for, and timing of, future revenues of the Company, the present state of the Company's development and the above factors in relation to market and various valuation measures of other companies engaged in activities similar to the Company. There can be no assurance that an active trading market will develop for the Common Stock or that the Common Stock will trade in the public market subsequent to the Offerings at or above the IPO Price.

At the request of the Company, the Underwriters have reserved for sale, at the IPO Price up to 530,000 shares of Common Stock to certain eligible employees and persons having relationships with the Company and its subsidiaries. The number of shares of Common Stock available to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares of Common Stock which are not orally confirmed for purchase within one day of the pricing of the Underwritten Offering will be offered by the Underwriters to the general public on the same terms as the other shares offered in the Underwritten Offering.

The Company, the Company's executive officers and directors, the Lee Group, and certain other shareholders have agreed, subject to certain exceptions, not to directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of Common Stock or securities convertible into or exchangeable or exercisable for shares of Common Stock, whether now owned or thereafter acquired by the person or entity executing the agreement or with respect to which the person or entity executing the agreement thereafter acquires the power of disposition, or file a registration statement under the Securities Act with respect to the foregoing or (ii) enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of the Common Stock whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise, without the prior written consent of the Representatives on behalf of the Underwriters for a period of 180 days after the date of this Prospectus. See "Shares Eligible for Future Sale."

LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by DeWitt Ross & Stevens s.c., Madison, Wisconsin. Certain other legal matters will be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, Boston, Massachusetts, special counsel to the Company.

EXPERTS

The financial statements and schedule of the Company and Subsidiaries as of September 30, 1997, and for the year then ended, have been included herein and elsewhere in the Registration Statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements and schedules of the Company and Subsidiaries as of June 30, 1996 and as of September 30, 1996 and for each of the years in the two-year period ended June 30, 1996, and the Transition Period ended September 30, 1996 included herein and elsewhere in the Registration Statement have been included herein and in the Registration Statement in reliance upon the reports of Coopers & Lybrand L.L.P., independent certified public accountants, appearing elsewhere herein, given upon the authority of said firm as experts in accounting and auditing.

The Company believes, and it has been advised by Coopers & Lybrand L.L.P. that it concurs in such belief, that, during the period of its engagement, the Company and Coopers & Lybrand L.L.P. did not have any disagreement on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Coopers & Lybrand L.L.P., would have caused it to make reference in connection with its report on the Company's financial statements to the subject matter of the disagreement.

The report of Coopers & Lybrand L.L.P. on the Company's consolidated financial statements as of June 30, 1995 and 1996 and as of September 30, 1996 and for each of the years in the three-year period ended June 30, 1996, and the Transition Period ended September 30, 1996, did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. During that period there were no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K promulgated under the Securities Act.

In June 1997, KPMG Peat Marwick LLP replaced Coopers & Lybrand L.L.P. as the Company's independent accountants. The decision to engage KPMG Peat Marwick LLP was made with the approval of the Company's Audit Committee.

AVAILABLE INFORMATION

The Company is subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files periodic reports and other information with the Commission. The Company has filed with the Commission the Registration Statement under the Securities Act with respect to the shares of Common Stock being offered in the Offerings. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description thereof. Such reports, the Registration Statement and other exhibits and other information omitted from this Prospectus may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and will also be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048 and at Northwestern Atrium Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Additionally, the Commission maintains a World Wide Web site at (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission through the Electronic Data Gathering, Analysis and Retrieval System.

The Company intends to furnish its shareholders with annual reports containing audited financial statements of the Company and quarterly reports containing unaudited financial information for the Company for the first three fiscal quarters of each fiscal year.

[ALTERNATE PAGE]

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to buy the Common Stock in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date hereof.

TABLE OF CONTENTS

270,000 Shares

RAYOVAC(R)

Common Stock

P R O S P E C T U S

, 1997

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Set forth below is an estimate (except for the Commission Registration Fee, National Association of Securities Dealers, Inc. Filing Fee and New York Stock Exchange Listing Fee) of the fees and expenses all of which are payable by the Company, other than any underwriting discounts and commissions, in connection with the registration and sale of the securities being registered:

Commission Registration Fee	36,250
National Association of Securities Dealers, Inc. Filing Fee	12,000
New York Stock Exchange Listing Fee	116,100
Transfer Agent and Registrar Fees and Expenses	5,000
Blue Sky Fees and Expenses	20,000
Legal Fees and Expenses	485,000
Accounting Fees and Expenses	205,000
Printing, Engraving and Mailing Expenses	265,000
Miscellaneous	55,650
Total	$1,200,000

Item 14. Indemnification of Directors and Officers.

Pursuant to the Wisconsin Business Corporation Law (the "WBCL") and the Registrant's By-Laws, directors and officers of the Registrant are entitled to mandatory indemnification from the Registrant against certain liabilities and expenses (i) to the extent such directors or officers are successful in the defense of a proceeding and (ii) in proceedings in which the director or officer is not successful in the defense thereof, unless (in the latter case only) it is determined that the director or officer breached or failed to perform his duties to the Registrant and such breach or failure constituted (a) a willful failure to deal fairly with the Registrant or its shareholders in connection with a matter in which the director or officer had a material conflict of interest; (b) a violation of the criminal law unless the director or officer had reasonable cause to believe that his or her conduct was lawful or had no reasonable cause to believe that his or her conduct was unlawful; (c) a transaction from which the director or officer derived an improper personal profit; or (d) willful misconduct. The WBCL also provides that, subject to certain limitations, the mandatory indemnification provisions do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under the Registrant's articles of incorporation, by-laws, a written agreement or a resolution of the Board of Directors or shareholders. Further, the WBCL specifically states that it is the public policy of Wisconsin to require or permit indemnification in connection with a proceeding involving securities regulation, as described therein, to the extent required or permitted as described above. Additionally, under the WBCL, directors of the Registrant are not subject to personal liability to the Registrant, its shareholders or any person asserting rights on behalf thereof for certain breaches of or failures to perform any duty resulting solely from their status as directors, except in circumstances paralleling those in subparagraphs (a) through (d) outlined above.

Expenses for the defense of any action for which indemnification may be available may be advanced by the Registrant under certain circumstances.

The general effect of the foregoing provisions may be to reduce the circumstances which an officer or director may be required to bear the economic burden of the foregoing liabilities and expense.

The Registrant has purchased directors' and officers' liability insurance which would indemnify the directors and officers of the Registrant against damages arising out of certain kinds of claims which might be made against them based on their negligent acts or omissions while acting in their capacity as such.

Section 6 of the Purchase Agreement between the Company and the U.S. Underwriters and Section 6 of the Purchase Agreement between the Company and the International Managers provide for indemnification by the

Company of the U.S. Underwriters and the International Managers and each person, if any, who controls any U.S. Underwriter or International Manager, against certain liabilities under the Securities Act of 1933, as amended (the "Securities Act"). The Purchase Agreements also provide that the U.S. Underwriters and the International Managers shall similarly indemnify the Company, its directors, officers, and controlling persons, as set forth therein.

Item 15. Recent Sales of Unregistered Securities

The following information is furnished with regard to all securities sold by the Company within the past three years which were not registered under the Securities Act.

1. As of September 12, 1996, in connection with the recapitalization of the Company (the "Recapitalization"), the Company issued and sold 350,000 shares of Common Stock to Marvin G. Siegert upon exercise of stock options held by Mr. Siegert at an exercise price of $1.15 per share. Such shares received upon the option exercises by Mr. Siegert were sold in connection with the Recapitalization.

2. Credit Agreement Financing

As of September 12, 1996, in connection with the Recapitalization, the Company entered into a Credit Agreement, a copy of which is filed herewith as Exhibit 4.3, with BA Securities, Inc. and Donaldson, Lufkin & Jenrette Securities Corporation, as arrangers for a group of financial institutions and other accredited investors, pursuant to which, among other things, the Company issued notes representing aggregate loans to the Company of $170.0 million. These securities were not registered under the Securities Act in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering.

3. Bridge Financing

As of September 12, 1996, in connection with the Recapitalization, the Company entered into a Securities Purchase Agreement with RC Funding, Inc. and Bank of America National Trust and Savings Association (the "Bridge Lenders"), pursuant to which, among other things, the Company issued and sold to the Bridge Lenders $100 million aggregate principal amount of its Senior Subordinated Increasing Rate Notes (the "Bridge Notes"). The Bridge Notes were not registered under the Securities Act in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering.

4. 10-1/4% Senior Subordinated Notes

On October 22, 1996, the Company issued and sold $100.0 million aggregate principal amount of its 10-1/4% Senior Subordinated Notes due 2006 (the "Old Notes"). The Old Notes were not registered under the Securities Act in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering. The Old Notes were initially sold to Donaldson, Lufkin & Jenrette Securities Corporation and BA Securities, Inc., as initial purchasers, and have been subsequently offered and sold in the United States only (a) to "Qualified Institutional Buyers" (as defined in Rule 144A under the Securities Act) and (b) to a limited number of other institutional "Accredited Investors" (as defined in Rule 501A(1),(2),(3) or (7) under the Securities Act) in reliance on Rule 144A under the Securities Act. The aggregate discounts, commissions and offering expenses for the issuance of the Notes were approximately $3.0 million.

5. On March 17, 1997, the Company issued and sold from treasury at a price of $4.39 per share 34,169, 36,447 and 27,335 shares of Common Stock to Messrs. Hussey, Shanesy and Tomlin, respectively, and 6,000 and 7,000 shares of Common Stock to Stephen L. Tuscic and Richard Thornley, respectively. These securities were not registered under the Securities Act in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits:

Exhibit Number	Description
1.1*	Form of Purchase Agreement by and among the Company and U.S. Underwriters.
1.2*	Form of Purchase Agreement by and among the Company and the International Managers.
3.1**	Restated Articles of Incorporation of the Company.

Exhibit Number	Description
3.2	Form of Amended and Restated Articles of Incorporation (to become effective prior to the closing of the Offerings).
3.3**	Restated By-Laws of the Company.
3.4	Form of Amended and Restated By-laws (to become effective prior to the closing of the Offerings).
4.1**	Indenture, dated as of October 22, 1996, by and among the Company, ROV Holding, Inc. and Marine Midland Bank, as trustee, relating to the Company's 101/4% Senior Subordinated Notes due 2006.
4.2**	Specimen of the Notes (included as an exhibit to Exhibit 4.1).
4.3**	Credit Agreement, dated as of September 12, 1996 by and among the Company, the lenders party thereto, Bank of America National Trust and Savings Association ("BofA") and DLJ Capital Funding, Inc. (the "Credit Agreement").
4.4**	Amendment No. 1 to the Credit Agreement dated as of October 23, 1996.
4.5**	The Security Agreement dated as of September 12, 1996 by and among the Company, ROV Holding, Inc. and BofA.
4.6**	The Company Pledge Agreement dated as of September 12, 1996 by and between the Company and BofA.
4.7***	Shareholders Agreement dated as of September 12, 1996 by and among the Company and the shareholders of the Company referred to therein.
4.8***	Amendment to Rayovac Shareholders Agreement dated August 1, 1997 by and among the Company and the shareholders of the Company referred to therein.
4.9	Specimen certificate representing the Common Stock.
5.1	Opinion re: legality.
10.1**	Management Agreement, dated as of September 12, 1996, by and between the Company and Thomas H. Lee Company.
10.2**	Confidentiality, Non-Competition and No-Hire Agreement dated as of September 12, 1996 by and between the Company and Thomas F. Pyle.
10.3**	Employment Agreement, dated as of September 12, 1996, by and between the Company and David A. Jones, including the Full Recourse Promissory Note, dated September 12, 1996 by David A. Jones in favor of the Company.
10.4**	Severance Agreement by and between Company and Trygve Lonnebotn.
10.5**	Severance Agreement by and between Company and Kent J. Hussey.
10.6**	Severance Agreement by and between Company and Roger F. Warren.
10.7***	Severance Agreement by and between Company and Stephen P. Shanesy.
10.8***	Severance Agreement by and between Company and Merrell M. Tomlin.
10.9**	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993 and December 31, 1995.
10.10**	Building Lease between the Company and SPG Partners, dated May 14, 1985, as amended June 24, 1986 and June 10, 1987.
10.11***	Rayovac Corporation 1996 Stock Option Plan.
10.12***	Rayovac Corporation 1997 Stock Option Plan.
10.13	1997 Rayovac Incentive Plan.
10.14	Rayovac Profit Sharing and Savings Plan.
16+	Letter re: change in certifying accountant.

Exhibit Number	Description
21**	Subsidiaries of the Company.
23.1	Consent of DeWitt Ross & Stevens s.c. (included in Exhibit 5.1).
23.2	Consent of KPMG Peat Marwick LLP.
23.3	Consent of Coopers & Lybrand L.L.P.
24	Power of Attorney (set forth on the signature page of this Registration Statement).
27	Financial Data Schedule.

- ----------------
* To be filed by Amendment

** Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-17895) filed with the Commission.

*** Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997 filed with the Commission on August 13, 1997.

+ Incorporated by reference to the Company's Current Report on Form 8-K/A filed with the Commission on June 20, 1997.

(b) Financial Statement Schedules:

All other schedules for which provision is made by the applicable accounting regulation of the Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Item 17. Undertakings

The Registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to its Restated Articles of Incorporation, By-laws, by agreement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance on Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or Rule 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Madison, Wisconsin on October 31, 1997.

RAYOVAC CORPORATION

By: /s/ David A. Jones

Name: David A. Jones

Title: Chairman of the Board, Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David A. Jones, Kent J. Hussey and James A. Broderick and each of them, as such person's true and lawful attorney-in-fact and agent with full power of substitution and revocation for such person and in such person's name, place and stead, in any and all capacities, to execute any and all amendments to this Registration Statement and any subsequent Registration Statement for the same offering which may be filed under Rule 462(b), and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on October 31, 1997.

Signature	Title
/s/ David A. Jones David A. Jones	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)
/s/ Kent J. Hussey Kent J. Hussey	Executive Vice President of Finance and Administration, Chief Financial Officer, and Director (Principal Financial Officer)
/s/ Roger F. Warren Roger F. Warren	President/International and Contract Micropower and Director
/s/ Trygve Lonnebotn Trygve Lonnebotn	Executive Vice President of Operations and Director
/s/ Scott A. Schoen Scott A. Schoen	Director
/s/ Thomas R. Shepherd Thomas R. Shepherd	Director
/s/ Warren C. Smith, Jr. Warren C. Smith, Jr.	Director

Independent Auditors' Report

The Board of Directors
Rayovac Corporation:

Under date of October 28, 1997, we reported on the consolidated balance sheets of Rayovac Corporation and subsidiaries as of September 30, 1997, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the year then ended, which is included in the prospectus. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule in the registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Milwaukee, Wisconsin
October 28, 1997

RAYOVAC CORPORATION AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
For the Transition Period ended September 30, 1996
and the years ended June 30, 1994, 1995 and 1996
(In thousands)

Column A	Column B	Column C	Column D	Column E
Descriptions	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
September 30, 1997:				
Allowance for doubtful accounts	$722	$617	$118	$1,221
Transition Period Ended September 30, 1996:				
Allowance for doubtful accounts	$786	$147	$211	$ 722
June 30, 1996:				
Allowance for doubtful accounts	$702	$545	$461	$ 786
June 30, 1995:				
Allowance for doubtful accounts	$831	$714	$843	$ 702

FORM OF AMENDED AND
RESTATED ARTICLES OF INCORPORATION
OF
RAYOVAC CORPORATION

The following Restated Articles of Incorporation ("Restated Articles") of Rayovac Corporation, a Wisconsin corporation (the "Corporation"), were duly adopted in accordance with and pursuant to Sections 180.1003 and 180.1007 of the Wisconsin Business Corporation Law (the "WBCL") , Chapter 180 of the Wisconsin Statutes ("Chapter 180"), and amend, supersede and restate the Corporation's existing Restated Articles of Incorporation.

ARTICLE I

The name of the Corporation is RAYOVAC CORPORATION.

ARTICLE II

The period of existence of the Corporation shall be perpetual.

ARTICLE III

The purpose or purposes for which the Corporation is organized is to carry on and engage in any lawful activity within the purposes for which corporations may be organized under Chapter 180.

ARTICLE IV

The aggregate number of shares of capital stock which the Corporation shall have the authority to issue is (i) one hundred and fifty million (150,000,000) shares of common stock, each having a par value of one penny ($.01) ("Common Stock"), and (ii) five million (5,000,000) shares of preferred stock, each having a par value of one penny ($.01) ("Preferred Stock").

ARTICLE V

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the Preferred Stock in one or more classes or series, and to fix for each such class or series such voting powers, full or limited, or no voting powers, and such distinctive designations, preferences, and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series and as may be permitted by the WBCL, including, without limitation, the authority to provide that any such class or series may be (a) subject to redemption at such time or times and at such price or prices; (b) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (c) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (d) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions.

ARTICLE VI

No holder of any class of stock of the Corporation shall, because of such holder's ownership of said stock, have any pre-emptive or other right to purchase, or subscribe for, or take any part of any class of stock, or any part of any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase any class of stock of the Corporation.

ARTICLE VII

(a) The number of directors constituting the Board of Directors of the Corporation shall be such number (one or more) as is fixed from time to time by the By-laws of the Corporation.

(b) The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The initial division of the Board of Directors into classes shall be made by the decision of the affirmative vote of a majority of the entire Board of Directors. Each director shall serve for a term ending on the date of the third annual meeting of shareholders following the annual meeting at which such director was elected and until his successor is duly elected and duly qualified; provided, however, that each initial director of the first class shall hold office until the date of the annual meeting of shareholders held in 1999 and until his successor is duly elected and duly qualified, each initial director of the second class shall hold office until the date of the annual meeting of shareholders held in 2000 and until his successor is duly elected and duly qualified, and each initial director of the third class shall hold office until the date of the annual meeting of shareholders held in 2001 and until his successor is duly elected and duly qualified. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be duly elected and shall duly qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Any director may be removed from office as a director, but only for cause, by the affirmative vote of holders of at least two-thirds (66 2/3%) of the voting power of shares entitled to vote at an election of directors.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the instrument creating such class or series of Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Article SEVENTH unless expressly provided by such terms.

(c) The presence of a majority of the total number of directors shall constitute a quorum for the transaction of business and, except as otherwise provided herein or in the By-laws of the Corporation, the vote of a majority of such quorum shall be required in order for the Board of Directors to act.

ARTICLE VIII

Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of shareholders of the Corporation. The shareholders shall not have the power to consent in writing to the taking of any action.

ARTICLE IX

Unless otherwise required by law, special meetings of shareholders, for any purpose or purposes, may be called only by (i) the Chairman of the Board of Directors, if there be one, (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of a majority of the Board of Directors. The shareholders shall not have the power to call a special meeting of shareholders of the Corporation.

ARTICLE X

The address of the registered office of the Corporation is 601 Rayovac Drive, P.O. Box 4960, Madison, Wisconsin 53711-0960, in Dane County and the name of the Corporation's registered agent at such address is David A. Jones.

ARTICLE XI

These Restated Articles of Incorporation may be amended pursuant to the By-laws of the Corporation and in the manner authorized by law at the time of amendment.

ARTICLE XII

If any of the Corporation's shareholders enter into one or more agreements with the Corporation that impose limitations on the transfer of shares of the Corporation's Common Stock or that otherwise provide for the purchase and sale of outstanding shares upon the happening of certain events and contingencies, each such agreement shall be binding on the parties to the agreement in all respects, and any attempted transfer of shares in violation of the agreement's terms and provisions shall be void and ineffective in all respects. If any such agreement so provides, all persons who subsequently acquire shares shall be bound by the agreement's terms and provisions as if they were signatories to the agreement.

FORM OF AMENDED AND
RESTATED BY-LAWS
OF
RAYOVAC CORPORATION
(hereinafter called the "Corporation")

ARTICLE I. OFFICES

1.1 Principal and Business Offices. The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

1.2 Registered Office. The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the Corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

2.1 Annual Meeting. The annual meeting of shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meeting the shareholders shall elect directors, and transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each shareholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

2.2 Special Meeting. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or the Articles of Incorpora-

tion, may be called only by (i) the Chairman of the Board of Directors, if there be one, (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of a majority of the Board of Directors. Shareholders shall not be entitled to call a Special Meeting of the shareholders, nor to require the Board of Directors to call such a special meeting. Special meetings of the shareholders may be held on any date, at any time and at any place within or without the State of Wisconsin as shall be determined by the Board of Directors. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote at such meeting.

2.3 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the State of Wisconsin, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the Corporation in the State of Wisconsin or such other suitable place in the county of such principal office as may be designated by the person calling such meeting, but any meeting may be adjourned to reconvene at any place designated by the holders of a majority of the votes represented thereat.

2.4 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the close of business on the date on which notice of the meeting is mailed or on the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

2.5 Voting Records. The officer or agent having charge of the stock transfer books for shares of the Corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, and indicating the address of each shareholder, the number of shares of each class of capital stock of the Corporation entitled to vote registered in the name of such shareholder and the total number of votes to which each shareholder is entitled. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for any purpose germane to the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such record or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

2.6 Quorum. Except as otherwise provided in the Articles of Incorporation, a quorum shall exist at a meeting of shareholders if shares of the Corporation holding a majority of the votes entitled to be cast at such meeting are represented in person or by proxy at such meeting of shareholders, but in no event shall a quorum consist of less than one-third of the shares entitled to vote at the meeting. If a quorum is present, the affirmative vote of the holders of a majority of the votes represented at the meeting in person or by proxy voting together as a single class shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation. If a quorum shall fail to attend any meeting, the presiding officer at the meeting may adjourn the meeting to another place, date or time. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

2.7 Conduct of Meeting. The Chairman of the Board, and in his absence, the President, and in their absence, any person chosen by the shareholders present shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary of the Corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

2.8 Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. Unless otherwise provided in the proxy, a proxy may be revoked at any time before it is voted, either by written notice filed with the Secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy shall not of itself constitute a revocation. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

2.9 Voting of Shares. Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders, except to the extent that voting rights of the shares of any class or classes are enlarged, limited or denied by the Articles of Incorporation.

2.10 Voting of Shares by Certain Holders.

(a) Other Corporations. Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. A proxy executed by any principal officer of such other corporation or assistant thereto shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary of this Corporation, of the designation of some other person by the board of directors or the bylaws of such other corporation.

(b) Legal Representatives and Fiduciaries. Shares held by any administrator, executor, guardian, conservator, trustee in bankruptcy, receiver, or assignee for creditors may be voted by him, either in person or by proxy, without a transfer of such shares into his name provided that there is filed with the Secretary before or at the time of meeting proper evidence of his incumbency and the number of shares held. Shares standing in the name of a fiduciary may be voted by him, either in person or by proxy. A proxy executed by a fiduciary, shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary of this Corporation, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

(c) Pledgees. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(d) Treasury Stock and Subsidiaries. Neither treasury shares, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held by this Corporation, shall be voted at any meeting or counted in determining the total number of votes represented at such a meeting, but shares of its own issue held by this Corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of votes represented at such a meeting.

(e) Minors. Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the Corporation has received written notice or has actual knowledge that such shareholder is a minor.

(f) Incompetents and Spendthrifts. Shares held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the Corporation has actual knowledge that such shareholder has been adjudicated an incompetent or spendthrift or actual knowledge of filing of judicial proceedings for appointment of a guardian.

(g) Joint Tenants. Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his legal representative is present and claims the right to participate in the voting of such shares or prior to the vote files with the Secretary of the Corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be voted or (ii) all such other individuals are deceased and the Secretary of the Corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

2.11 Waiver of Notice by Shareholders. Whenever any notice whatsoever is required to be given to any shareholder of the Corporation under the Articles of Incorporation or By-Laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of the meeting, by the shareholder entitled to such notice, shall be deemed equivalent to the giving of such notice; provided that such waiver in respect to any matter of which notice is required under any provision of the Wisconsin Business Corporation Law, shall contain the same information as would have been required to be included in such notice, except the time and place of meeting.

2.12 No Action by Consent of Shareholders in Lieu of Meeting. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly constituted annual or special meeting of such shareholders and may not be effected by any consent in writing by such shareholders.

2.13 Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election as directors of the Corporation may be made at a meeting of shareholders only (i) by or at the direction of the Board of Directors, (ii) by any nominating committee or person appointed by the Board of Directors or (iii) by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.13. Such nominations, other than those made by or at the direction of the Board of Directors or by any nominating committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 50 days nor more than 75 days prior to the meeting at which directors will be elected; provided, however, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, business address and residence of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as now or hereafter amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The presiding officer at the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and such nomination shall be disregarded.

2.14 Other Business. To be properly brought before a meeting of shareholders, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth with respect to each matter the shareholder proposes to bring before the meeting, (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder and others known by such shareholder to support the proposal of such business and (iv) any material interest of such shareholder and other supporters referred to in the preceding clause (iii) in such proposed business.

Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at any meeting except in accordance with the procedures set forth in this Section 2.14, provided, however, that nothing in this Section 2.14 shall be deemed to preclude discussion by any shareholder of any business properly brought before any meeting.

The presiding officer at the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the provisions of this Section 2.14, and if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

ARTICLE III. BOARD OF DIRECTORS

3.1 General Powers and Number. The business and affairs of the Corporation shall be managed by its Board of Directors. The number of directors of the Corporation shall be nine (9).

3.2 Tenure and Qualifications. Each director shall serve for a term ending on the date of the third annual meeting of shareholders following the annual meeting at which such director was elected and until his successor is duly elected and duly qualified, or until his prior death, resignation or removal from office. A director may be removed from office as a director, but only for cause, by the affirmative vote of holders of at least two-thirds (66 2/3%) of the voting power of shares entitled to vote at an election of directors. A director may resign at any time by filing his written resignation with the Secretary of the Corporation. Directors need not be residents of the State of Wisconsin or shareholders of the Corporation. A director, other than the Chairman of the Board, who is an officer of the Corporation and who shall retire or otherwise terminate employment as such officer shall automatically be retired as a director of the Corporation and thereafter shall not be eligible for re-election as a director.

3.3 Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Wisconsin. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors and, unless required by resolution of the Board of Directors, without notice. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Vice Chairman, if there be one, or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

3.4 Quorum. Except as otherwise provided by law or by the Articles of Incorporation or these By-Laws, a majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

3.5 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the Articles of Incorporation or these By-Laws.

3.6 Conduct of Meetings. The Chairman of the Board, and in his absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other persons present to act as secretary of the meeting.

3.7 Vacancies. Except as otherwise provided in the Articles of Incorporation, any vacancy occurring in the Board of Directors, including a vacancy created by an increase in the number of directors, shall be filled until the next succeeding annual election by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of Directors; provided, that in case of a vacancy created by the removal of a director by vote of the shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof in accordance with the Articles of Incorporation.

3.8 Compensation. The Board of Directors, by affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the Corporation.

3.9 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

3.10 Committees. The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors then in office may designate one or more committees, each committee to consist of three or more directors elected by the Board of Directors, which, to the extent provided in said resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the Corporation, except action in respect to dividends to shareholders, election of the principal officers or the filling of vacancies in the Board of Directors or committees created pursuant to this section. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board or upon request by the chairman of such meeting. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

3.11 Unanimous Consent Without Meeting. Any action required or permitted by the Articles of Incorporation or By-Laws or any provision of law to be taken by the Board of Directors at a meeting or by resolution may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors then in office.

3.12 Telephonic Meetings. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.14 shall constitute presence in person at such meeting.

ARTICLE IV. OFFICERS

4.1 Number. The principal officers of the Corporation shall be a Chairman of the Board, a President, a number of Vice Presidents as shall be determined by the Board of Directors from time to time, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may from time to time elect or appoint such officers and assistant officers as may be deemed necessary. Any number of offices may be held by the same person.

4.2 Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall be duly elected or until his prior death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Failure to elect officers shall not dissolve or otherwise affect the Corporation.

4.3 Removal. Any officer or agent may be removed by the Board of Directors at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

4.4 Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term.

4.5 Chairman of the Board. The Chairman of the Board shall be elected or appointed by, and from the membership of the Board of Directors. He shall, when present, preside at all meetings of the shareholders and of the Board of Directors. He shall perform such other duties and functions as shall be assigned to him from time to time by the Board of Directors or in these By-Laws. Except where by law the signature of the President of the Corporation is required, the Chairman of the Board shall possess the same power and authority to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and except as otherwise provided by law or by the Board of Directors, he may authorize the President or any Vice President or other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead. During the absence or disability of the President, or while that office is vacant, the Chairman of the Board shall exercise all of the powers and discharge all of the duties of the President.

4.6 President. The President shall be the chief executive officer and chief operations officer of the Corporation and, subject to the control of the Board of Directors, shall in general determine the direction and goals of the Corporation and supervise and control all of the business, operations and affairs of the Corporation. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Corporation as he may deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He shall have authority, co-equal with the Chairman of the Board, to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or by the Board of Directors, he may authorize any Vice President or any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall perform all duties incident to the office of chief executive officer, chief operating officer and President and such other duties as may be prescribed by the Board of Directors from time to time.

4.7 Vice Presidents. In the absence of the Chairman of the Board and the President or in the event of their deaths, inability or refusal to act, or in the event for any reason it shall be impracticable for the Chairman of the Board or President to act personally, the Vice President (or in the event thereby more than one Vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the Chairman of the Board and/or President (as the case may be), and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board or President (as the case may be). Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, President or Board of Directors. The execution of any instrument of the Corporation by any Vice President shall be conclusive evidence, as to third parties, of his authority to act in the stead of the Chairman of the Board and/or the President.

4.8 Secretary. The Secretary shall: (a) keep the minutes of the meeting of the shareholders and the Board of Directors in one or more books provided for that purpose; (b) attest instruments to be filed with the Secretary of State; (c) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (d) be custodian of the corporate records; (e) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholders; (f) sign with the Chairman of the Board or the President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the office of the Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the President or by the Board of Directors.

4.9 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts from moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Corporation; and (c) in general perform all of the duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the Vice Chairman of the Board or the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.10 Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The Assistant Secretaries may sign with the Chairman of the Board or the President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman of the Board, the President or by the Board of Directors.

4.11 Other Assistants; Acting Officers; Other Officers. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be an assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

4.12 Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE V. CONTRACTS; SPECIAL CORPORATE ACTS

5.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Corporation shall be executed in the name of the Corporation by the Chairman of the Board or the President or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer of officers.

5.2 Voting of Securities Owned by this Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 Certificates for Shares. Certificates representing shares of the Corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.6.

6.2 Facsimile Signatures and Seal. The signature of the Chairman of the Board and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the Corporation itself or an employee of the Corporation. The Corporation shall have a corporate seal.

6.3 Signature by Former Officers. In case any officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.

6.4 Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer, the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the Corporation had no duty to inquire into adverse claims or has discharged any such duty. The Corporation may require reasonable assurance that said endorsements are genuine and effective and in compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

6.5 Lost, Destroyed or Stolen Certificates. Where the owner claims that his certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser, and (b) files with the Corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

6.6 Consideration for Shares. The shares of the Corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be paid for shares may be paid in whole or in part, in money, in other property, tangible or intangible, or in labor or services actually performed for the Corporation. When payment of the consideration for which shares are to be issued shall have been received by the Corporation, such shares shall be deemed to be fully paid and nonassessable by the Corporation. No certificate shall be issued for any share until such share is fully paid.

6.7 Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VII. AMENDMENTS

7.1 By Shareholders. Except as otherwise provided in the Articles of Incorporation, these By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the shareholders by affirmative vote of not less than a majority of the votes represented in person or by proxy entitled to be cast therefor at any annual or special meeting of the shareholders at which a quorum is in attendance.

7.2 By Directors. Except as otherwise provided in the Articles of Incorporation, these By-Laws may also be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; but no By-Law adopted by the shareholders shall be amended or repealed by the Board of Directors if the By-Law so adopted so provides.

7.3 Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the By-Laws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the By-Laws so that the By-Laws would be consistent with such action, shall be given the same effect as though the By-Laws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

ARTICLE VIII. INDEMNIFICATION

8.1 Certain Definitions. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in this Section 8.1 shall have the meaning set forth in Section 180.042 of the Statute. The following capitalized terms (including any plural forms thereof) used in this Article VIII shall be defined as follows:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

(b) "Authority" shall mean the entity selected by the Director or Officer to determine his or her right to indemnification pursuant to Section 8.4.

(c) "Board" shall mean the entire then elected and serving board of directors of the Corporation, including all members thereof who are Parties to the subject Proceeding or any related Proceeding.

(d) "Breach of Duty" shall mean the Director or Officer breached or failed to perform his or her duties to the Corporation and his or her breach of or failure to perform those duties is determined, in accordance with Section 8.4, to constitute misconduct under Section 180.044(2)(a) 1, 2, 3 or 4 of the Statute.

(e) "Corporation" as used herein and as defined in the Statute and incorporated by reference into the definitions of certain other capitalized terms used herein, shall mean this Corporation, including, without limitation, any successor corporation or entity to this Corporation by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of this Corporation.

(f) "Director or Officer" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, it shall be conclusively presumed that any Director or Officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the Corporation.

(g) "Disinterested Quorum" shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.

(h) "Party" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Party" shall also include any Director or Officer who is or was a witness in a Proceeding at a time when he or she has not otherwise been formally named a Party thereto.

(i) "Proceeding" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Proceeding" shall also include all Proceedings (i) brought under (in whole or in part) the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) any appeal from a Proceeding; and (iv) any Proceeding in which the Director or Officer is a plaintiff or petitioner because he or she is a Director or Officer; provided, however, that such Proceeding is authorized by a majority vote of a Disinterested Quorum.

(j) "Statute" shall mean Sections 180.042 through 180.059, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, as the same shall then be in effect, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

8.2 Mandatory Indemnification. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

8.3 Procedural Requirements.

(a) A Director or Officer who seeks indemnification under Section 8.2 shall make a written request therefor to the Corporation. Subject to Section 8.3(b), within sixty days of the Corporation's receipt of such request, the Corporation shall pay or reimburse the Director or Officer for the entire amount of Liabilities incurred by the Director or Officer in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Section 8.5).

(b) No indemnification shall be required to be paid by the Corporation pursuant to Section 8.2 if, within such sixty-day period, (i) a Disinterested Quorum, by a majority vote thereof, determines that the Director or Officer requesting indemnification engaged in misconduct constituting a Breach of Duty or (ii) a Disinterested Quorum cannot be obtained.

(c) In either case of nonpayment pursuant to Section 8.3(b), the Board shall immediately authorize by resolution that an Authority, as provided in Section 8.4, determine whether the Director's or Officer's conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.

(d) (i) If the Board does not authorize an Authority to determine the Director's or Officer's right to indemnification hereunder within such sixty-day period and/or (ii) if indemnification of the requested amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Director or Officer immediately.

8.4 Determination of Indemnification.

(a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 8.3, then the Director or Officer requesting indemnification shall have the absolute discretionary authority to select one of the following as such Authority:

(i) An independent legal counsel; provided, that such counsel shall be mutually selected by such Director or Officer and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board;

(ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Madison, Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators, and (B) in all other respects, such panel shall be governed by the American Arbitration Association's then existing Commercial Arbitration Rules; or

(iii) A court pursuant to and in accordance with Section 180.051 of the Statute.

(b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make its determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.

(d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 8.5), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Section 8.4 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

8.5 Mandatory Allowance of Expenses.

(a) The Corporation shall pay or reimburse, within ten days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred; provided, the following conditions are satisfied:

(i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 8.5 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 8.4.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.5, such Director or Officer shall not be required to pay interest on such amounts.

8.6 Indemnification and Allowance of Expenses of Certain Others.

(a) The Corporation shall indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party thereto because he or she is or was a director or officer of the Affiliate.

(b) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

8.7 Insurance. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an employee or authorized agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article VIII.

8.8 Notice to the Corporation. A Director or Officer shall promptly notify the Corporation in writing when he or she has actual knowledge of a Proceeding which may result in a claim of indemnification against Liabilities or allowance of Expenses hereunder, but the failure to do so shall not relieve the Corporation of any liability to the Director or Officer hereunder unless the Corporation shall have been irreparably prejudiced by such failure (as determined by an Authority selected pursuant to Section 8.4(a)).

8.9 Severability. If any provision of this Article VIII shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VIII contravene public policy, this Article VIII shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

8.10 Nonexclusivity of Article VIII. The rights of a Director or Officer (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or advancement of Expenses which the Director or Officer (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or advance Expenses to a Director or Officer under the Statute.

8.11 Contractual Nature of Article VIII; Repeal or Limitation of Rights. This Article VIII shall be deemed to be a contract between the Corporation and each Director and Officer and any repeal or other limitation of this Article VIII or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right to indemnification against Liabilities or allowance of Expenses for Proceedings commenced after such repeal or limitation to enforce this Article VIII with regard to acts, omissions or events arising prior to such repeal or limitation.

[Horizontally Set Certificate]

[RAYOVAC Logo] (R)

NUMBER

RV

RAYOVAC CORPORATION
INCORPORATED UNDER THE LAWS OF THE STATE OF WISCONSIN

COMMON STOCK — CUSIP 755081 10 6
PAR VALUE $.01 — SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFICATE IS TRANSFERABLE IN MILWAUKEE, WISCONSIN OR IN NEW YORK, NEW YORK

....

THIS CERTIFIES THAT

IS THE OWNER OF

....

FULLY-PAID SHARES OF THE COMMON STOCK OF

Rayovac Corporation transferable on the books of the corporation in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are issued and shall be subject to all the provisions of the Articles of Incorporation of the corporation (a copy of which is on file with the Transfer Agent), to all of which the holder of this certificate assents by acceptance hereof. This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS, the corporate seal of the Corporation and the signatures of its duly authorized officers.

Dated:

RAYOVAC CORPORATION
CORPORATE
SEAL
WISCONSIN
1988

/s/ James A. Broderick
SECRETARY

/s/ David A. Jones
CHAIRMAN, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

[Set on Side]

COUNTERSIGNED AND REGISTERED:
FIRSTAR TRUST COMPANY
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE

RAYOVAC CORPORATION

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ....Custodian.........................
(Cust) (Minor)
under Uniform Gifts to Minors
Act...
(State)

UNIF TRF MIN ACT - ....Custodian (until age....)
(Cust)
.........................under Uniform Transfers
(Minor)
to Minors Act..
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, ____________________ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

- --------------------------------

- --------------------------------

- ---
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

- ---

- ---

- ---Shares
of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

- -- Attorney
to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated

X____

X____

NOTICE: THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

Signature(s) Guaranteed

By____

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

[DeWitt Ross & Stevens s.c. Letterhead]

Capitol Square Office
Two East Mifflin Street
Suite 600
Madison, WI 53703-2865
Fax: 608-252-9243
Tel: 608-255-8891

West Office
Firstar Financial Centre
8000 Excelsior Drive, Suite 401
Madison, WI 53717-1914
Fax: 608-831-2106
Tel: 608-831-2100

Please respond to: Capital Square Office

October 31, 1997

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711-2497

RE: Rayovac Corporation -- Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as special counsel to Rayovac Corporation (the "Company") in connection with (i) the public offering by the Company of up to 6,700,000 shares (the "Firm Shares") and up to 1,005,000 shares which are being sold subject to over-allotment options granted by the Over-Allotment Selling Shareholders (as that term is defined in the Registration Statement referenced below) to the Underwriters (as defined below), of the Company's Common Stock, par value $.01 per share (the "Common Stock"), the Firm Shares, together with the shares subject to such over-allotment options being referred to as the "Shares;" and (ii) the concurrent direct offering of up to 270,000 shares of Common Stock (the "Direct Shares") to employee participants in its Profit Sharing and Savings Plan, as described in the Registration Statement (as defined below).

The Company and the Over-Allotment Selling Shareholders are offering the Shares for sale in concurrent offerings in the United States and Canada (the "U.S. Offering") through an underwriting syndicate (the "U.S. Underwriters") represented by Merrill Lynch & Co.; Bear, Stearns & Co. Inc.; Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. pursuant to the U.S. Purchase Agreement (the "U.S. Purchase Agreement"), and outside the United States and Canada (the "International Offering," and together with the U.S. Offering, the "Offerings") through an underwriting syndicate (the "International Managers," and together with the U.S. Underwriters, the "Underwriters") represented by Merrill Lynch International; Bear, Stearns International Limited; Donaldson, Lufkin & Jenrette Securities Corporation and Smith Barney Inc. pursuant to the International Purchase Agreement (the "International Purchase Agreement," and together with the U.S. Purchase Agreement, the "Purchase Agreements").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act of 1933, as amended (the "Securities Act").

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement on Form S-1 (File No. 333-35181) as filed with the Securities and Exchange Commission (the "Commission") on September 8, 1997 under the Securities Act, and Amendment No. 1 thereto, filed with the Commission on October 31, 1997 (which Registration Statement, as so amended, being hereinafter referred to as the "Registration Statement"); (ii) a specimen certificate representing the Common Stock; (iii) the Amended and Restated Articles of Incorporation and the Amended and Restated By-Laws of the Company, to be effective prior to the offering of the Shares, filed as exhibits to the Registration Statement; (iv) the Purchase Agreements in the form as of the date hereof; and (v) certain resolutions of the Board of Directors of the Company relating to the issuance and sale of the Shares, the Direct Shares and related matters. We have also examined such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such copies. As to any facts material to the opinions expressed herein which we have not independently established or verified, we have relied upon statements and representations of officers and other representatives of the Company and others.

We are admitted to the practice of law in the State of Wisconsin, and the opinion expressed herein is limited to the federal laws of the United States of America and the laws of the State of Wisconsin.

Based upon and subject to the foregoing, we are of the opinion that the Shares and the Direct Shares have been duly authorized for issuance and sale and that, when the Shares are issued and sold by the Company in accordance with the Purchase Agreements and the Direct Shares are issued and sold in accordance with the procedures set forth in the Registration Statement, the Shares and the Direct Shares will be validly issued, fully paid and nonassessable, except to the extent that such Shares and Direct Shares are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement and to the reference to our name under the caption "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

This opinion is furnished by us, as special counsel to the Company, in connection with the filing of the Registration Statement and, except as provided in the immediately preceding paragraph, is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any other person without our prior express written permission.

Sincerely,

/s/ DeWitt Ross & Stevens s.c.

THE 1997 RAYOVAC INCENTIVE PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the Plan is to support the Company's ongoing efforts to develop and retain leaders of exceptional talent and to provide the Company with the ability to provide incentives more directly linked to the profitability of the Company's businesses and to increases in shareholder value.

For purposes of the Plan, the following terms are defined as set forth below:

a. "Annual Incentive Award" means an Incentive Award made pursuant to Section 5(a)(v) with a Performance Cycle of one year or less.

b. "Awards" mean grants under this Plan of Incentive Awards, Stock Options, Stock Appreciation Rights, Restricted Stock or Other Stock-Based Awards.

c. "Board" means the Board of Directors of the Company.

d. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

e. "Commission" means the Securities and Exchange Commission or any successor agency.

f. "Committee" means the Compensation Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.

g. "Common Stock" or "Stock" means the Common Stock of the Company.

h. "Company" means Rayovac Corporation, a corporation organized under the laws of the State of Wisconsin, or any successor thereto.

i. "Economic Value Added(TM)" means net after-tax operating profit less the cost of capital.

j. "Exercise Period" means the 60-day period from and after a Change in Control.

k. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

l. "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange--Composite Transactions or, if no such sale of Common Stock is reported on such date, the fair market value of the Stock as determined by the Committee in good faith.

m. "Incentive Award" means any Award that is either an Annual Incentive Award or a Long-Term Incentive Award.

n. "Incentive Stock Option" means any Stock Option that complies with Section 422 of the Code.

o. "Long-Term Incentive Award" means an Incentive Award made pursuant to Section 5(a)(v) with a Performance Cycle of more than one year.

p. "Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

q. "Other Stock-Based Award" means an Award made pursuant to Section 5(a)(iv).

r. "Performance Cycle" means the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate or unit thereof or any individual is measured for the purpose of determining the extent to which an Award subject to Performance Goals has been earned.

s. "Performance Goals" mean the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Cycle with respect to any performance-based Awards contingently awarded under the Plan. The Performance Goals for Awards that are intended to constitute "performance-based" compensation within the meaning of Section 162(m) of the Code shall be based on one or more of the following criteria: earnings per share, total shareholder return, operating income, net income, cash flow, return on equity, return on capital, earnings before interest, taxes, depreciation and amortization ("EBITDA"), and Economic Value Added(TM).

t. "Plan" means this 1997 Rayovac Incentive Plan, as amended from time to time.

u. "Restricted Period" means the period during which an Award may not be sold, assigned, transferred, pledged or otherwise encumbered.

v. "Restricted Stock" means an Award of shares of Common Stock pursuant to Section 5(a)(iii).

w. "Spread Value" means, with respect to a share of Common Stock subject to an Award, an amount equal to the excess of the Fair Market Value, on the date such value is determined, over the Award's exercise or grant price, if any.

x. "Stock Appreciation Right" or "SAR" means a right granted pursuant to Section 5(a)(ii).

y. "Stock Option" means an option granted pursuant to Section 5(a)(i).

In addition, the terms "Business Combination," "Change in Control," "Change in Control Price," "Incumbent Board," "Outstanding Company Common Stock," "Outstanding Company Voting Securities" and "Person" have the meanings set forth in Section 6.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which the Company, a subsidiary or an affiliate may operate to assure the viability of the benefits of Awards made to individuals employed in such countries and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee shall have the authority to determine those individuals eligible to receive Awards and the amount, type and terms of each Award and to establish and administer any Performance Goals applicable to such Awards, but, at the discretion of the Board, such determinations may be made subject to ratification by the Board.

The Committee may delegate its authority and power under the Plan to one or more officers of the Company, subject to guidelines prescribed by the Committee and approved by the Board, with respect to participants who are not subject to Section 16 of the Exchange Act.

Any determination made by the Committee or pursuant to delegated authority in accordance with the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate, and all decisions made by the Committee or any appropriately designated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants, but subject to ratification by the Board if the Board so provides.

SECTION 3. ELIGIBILITY.

All employees of the Company, its subsidiaries and affiliates, as well as non-employee members of the Board of Directors of the Company, its subsidiaries or affiliates are eligible to be granted Awards under the Plan.

SECTION 4. COMMON STOCK SUBJECT TO PLAN.

The total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 3,000,000 shares, all of which may be issued pursuant to the exercise of Stock Options awarded under the Plan. If any Award is exercised, cashed out or terminates or expires without a payment being made to the participant in the form of Common Stock, the shares subject to such Award, if any, shall again be available for distribution in connection with Awards under the Plan. Any shares of Common Stock that are used by a participant as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award shall be available for distribution in connection with Awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, split-up or other change in corporate structure affecting the Common Stock after adoption of the Plan by the Board, the Board is authorized to make substitutions or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, in the number, kind and price of shares subject to outstanding Awards and in the Award limits set forth in Section 5; provided, however, that any such substitutions or adjustments shall be, to the extent deemed appropriate by the Board, consistent with the treatment of shares of Common Stock not subject to the Plan, and that the number of shares subject to any Award shall always be a whole number.

SECTION 5. AWARDS.

(a) General. The types of Awards that may be granted under the Plan are set forth below. Awards may be granted singly, in combination or in tandem with other Awards.

(i) STOCK OPTIONS. A Stock Option represents the right to purchase a share of Stock at a predetermined grant price. Stock Options granted under this Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options, as specified in the Award agreement. The term of each Stock Option shall be set forth in the Award agreement, but no Incentive Stock Option shall be exercisable more than ten years after the grant date. The grant price per share of Common Stock purchasable under an Incentive Stock Option shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept (including a copy of instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the purchase price). As determined by the Committee, payment in full or in part may also be made in the form of Common Stock already owned by the optionee valued at the Fair Market Value on the date the Stock Option is exercised; provided, however, that such Common Stock shall not have been acquired within the preceding six months upon the exercise of a Stock Option or stock unit or similar Award granted under the Plan or any other plan maintained at any time by the Company or any subsidiary.

(ii) STOCK APPRECIATION RIGHTS. An SAR represents the right to receive a payment, in cash, shares of Common Stock or both (as determined by the Committee), equal to the Spread Value on the date the SAR is exercised. The grant price of an SAR shall be set forth in the applicable Award agreement. Subject to the terms of the applicable Award agreement, an SAR shall be exercisable, in whole or in part, by giving written notice of exercise to the Company.

(iii) RESTRICTED STOCK. Shares of Restricted Stock are shares of Common Stock that are awarded to a participant and that during the Restricted Period may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award agreement. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in this subsection (iii) and in the applicable Award agreement, a participant shall have all the rights of a holder of Common Stock, including the rights to receive dividends and to vote during the Restricted Period. Dividends with respect to Restricted Stock that are payable in Common Stock shall be paid in the form of Restricted Stock.

(iv) OTHER STOCK-BASED AWARDS. Other Stock-Based Awards are Awards, other than Stock Options, SARs or Restricted Stock, that are denominated in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock. The purchase, exercise, exchange or conversion of Other Stock-Based Awards granted under this subsection (iv) shall be on such terms and conditions and by such methods as shall be specified by the Committee.

(v) INCENTIVE AWARDS. Incentive Awards are performance-based Awards that are expressed in U.S. currency. Incentive Awards shall either be Annual Incentive Awards or Long-Term Incentive Awards.

(b) Maximum Awards. The total number of shares of Restricted Stock and other shares of Common Stock subject to or underlying Stock Options, SARs and Other Stock-Based Awards awarded to any participant during the term of this Plan shall not exceed 25% of the shares of Common Stock originally reserved for distribution pursuant to the Plan. An Annual Incentive Award paid to a participant with respect to any Performance Cycle shall not exceed $1,000,000. A Long-Term Incentive Award paid to a participant with respect to any Performance Cycle shall not exceed $1,000,000 times the number of years in the Performance Cycle. An amount not in excess of 25% of the shares of Common Stock originally reserved for distribution pursuant to the Plan may be issued pursuant to Restricted Stock Awards and Other Stock-Based Awards, except that Other Stock-Based Awards with values based on Spread Values shall not be included in this limitation.

(c) Performance-Based Awards. Any Awards granted pursuant to the Plan may be in the form of performance-based Awards through the application of Performance Goals and Performance Cycles.

SECTION. 6. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

(i) All Stock Options and Stock Appreciation Rights outstanding as of the date such Change in Control occurs shall become fully vested and exercisable.

(ii) The restrictions and other conditions applicable to any Restricted Stock or Other Stock-Based Awards, including vesting requirements, shall lapse, and such Awards shall become free of all restrictions and fully vested.

(iii) The value of all outstanding Stock Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards shall, unless otherwise determined by the Committee at or after grant, be cashed out on the basis of the "Change in Control Price," as defined in Section 6(c), as of the date such Change in Control occurs or such other date as the Committee may determine prior to the Change in Control.

(iv) Any Incentive Awards relating to Performance Cycles prior to the Performance Cycle in which the Change in Control occurs that have been earned but not paid shall become immediately payable in cash. In addition, each participant who has been awarded an Incentive Award shall be deemed to have earned a pro rata Incentive Award equal to the product of (y) such participant's maximum award opportunity for such Performance Cycle, and (z) a fraction, the numerator of which is the number of full or partial months that have elapsed since the beginning of such Performance Cycle to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Performance Cycle.

(b) Definition of Change in Control. A "Change in Control" means the happening subsequent to completion of the initial public offering of shares of Stock of the Company of any of the following events:

(i) The acquisition, other than in a transaction approved by the Incumbent Board, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of Common Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6(b); or

(ii) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the stockholders of the Company of a reorganization, merger, share exchange or consolidation (a "Business Combination"), unless, in each case following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such Person owned 25% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, following such sale or other disposition, (1) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) less than 25% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 25% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition and (3) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.

(c) Change in Control Price. "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange-Composite Transactions or paid or offered in any bona fide transaction related to a potential or actual change in control of the Company at any time during the preceding 60-day period as determined by the Committee, except that, in the case of Incentive Stock Options, unless the Committee otherwise provides, such price shall be based only on transactions reported for the date on which such Incentive Stock Options are cashed out.

(d) Notwithstanding any other provision of this Plan, upon a Change in Control, unless the Committee shall determine otherwise at grant, or after grant but before the Change in Control, an Award recipient shall have the right, by giving notice to the Company within the

Exercise Period, to elect to surrender all or part of the Stock Option, SAR or Other Stock-Based Award to the Company and to receive in cash, within 30 days of such notice, an amount equal to the amount by which the "Change in Control Price" on the date of such notice shall exceed the exercise or grant price under such Award, multiplied by the number of shares of Stock as to which the right granted under this Section 6 shall have been exercised.

(e) Notwithstanding the foregoing, if any right granted pursuant to this Section 6 would make a Change in Control transaction ineligible for pooling of interests accounting under generally accepted accounting principles that but for this Section 6 would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute the cash payable pursuant to this Section 6 with Common Stock with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

SECTION 7. PLAN AMENDMENT AND TERMINATION.

The Board may amend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval if such approval is required under applicable law, or if such amendment would increase the total number of shares of Common Stock that may be distributed under the Plan.

Except as set forth in any Award agreement, no amendment or termination of the Plan may materially and adversely affect any outstanding Award under the Plan without the Award recipient's consent.

SECTION 8. PAYMENTS AND PAYMENT DEFERRALS.

Payment of Awards may be in the form of cash, Stock, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Stock equivalents.

SECTION 9. DIVIDENDS AND DIVIDEND EQUIVALENTS.

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a participant's Plan account. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares of Common Stock or Common Stock equivalents.

SECTION 10. TRANSFERABILITY.

Except to the extent permitted by the Award agreement, either initially or by subsequent amendment, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of the recipient only by him.

SECTION 11. AWARD AGREEMENTS.

Each Award under the Plan shall be evidenced by a written agreement (which need not be signed by the recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each Award. Such terms may include, but are not limited to, the term of the Award, vesting and forfeiture provisions, and the provisions applicable in the event the recipient's employment terminates. The Committee may amend an Award agreement, provided that no such amendment may materially and adversely affect an Award without the Award recipient's consent.

SECTION 12. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 13. GENERAL PROVISIONS.

(a) The Committee may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Company, a subsidiary or an affiliate from adopting other or additional compensation arrangements for its employees or directors.

(c) The adoption of the Plan shall not confer upon any employee any right to continued employment nor shall it interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any Award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Common Stock, including Common Stock that is part of, or is received upon exercise or conversion of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company, its subsidiaries and its affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Common Stock.

(e) On receipt of written notice of exercise, the Committee may elect to cash out all or a portion of the shares of Common Stock for which a Stock Option is being exercised by paying the optionee an amount, in cash or Common Stock, equal to the Spread Value of such shares on the date such notice of exercise is received.

(f) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin.

(g) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be enforced and construed as if such provision had not been included.

(h) The Plan shall be effective on September 5, 1997. Except as otherwise provided by the Board, no Awards shall be granted after August 31, 2007, but any Awards granted theretofore may extend beyond that date.

RAYOVAC PROFIT SHARING AND SAVINGS PLAN

Restated Effective as of August 1, 1997

Plan Year Ends December 31

RAYOVAC PROFIT SHARING AND SAVINGS PLAN

TABLE OF CONTENTS

RAYOVAC PROFIT SHARING AND SAVINGS PLAN

Article I. The Plan

1.1 Establishment and Amendment of the Plan. Rayovac Corporation (the "Company") maintains this profit sharing plan for the benefit of its Eligible Employees. The Plan was established effective as of July 1, 1983 and was last restated effective as of July 1, 1987. The Plan is hereby further amended and restated as set forth herein effective as of August 1, 1997.

1.2 Applicability of the Plan. The provisions of the Plan as set forth herein are applicable only to persons who are Eligible Employees on or after August 1, 1997, except as specifically provided herein or as otherwise required by law. Except as provided, any person who was covered under the Plan as in effect on July 31, 1997, whose service terminated prior to August 1, 1997 and who was entitled to benefits under the provisions of the Plan as in effect on July 31, 1997, shall continue to be entitled to the same amount of benefits without change under the Plan.

1.3 Purpose of the Plan. The purposes of the Plan are to enable Participants to save on a tax-deferred basis for their retirement and to share in the profitable operations of the Company. The Plan is intended to qualify as a profit sharing plan under the Code and shall be interpreted so as to comply with the applicable requirements thereof, where such requirements are not clearly contrary to its express terms.

Article II. Definitions

2.1 Definitions. Whenever used in the Plan, the following terms shall have the respective meanings set forth below unless otherwise expressly provided herein, and when the defined meaning is intended the term is capitalized.

(a) "Account" means the separate account maintained for each Participant which represents his total proportionate interest in the Trust Fund as of any Valuation Date and which consists of the sum of the following subaccounts:

(1) "After-Tax Contributions Account" means that portion of such Participant's Account which evidences the value of any after-tax contributions made by him to the Plan, or any predecessor plan, including any gains or losses of the Trust Fund attributable thereto;

(2) "Before-Tax Employee Contributions Account" means that portion of such Participant's Account which evidences the value of the Before-Tax Employee Contributions made on his behalf by the Company, including any gains and losses of the Trust Fund attributable thereto;

(3) "Employer Contributions Account" means that portion of such Participant's Account which evidences the value of the Employer Contributions made on his behalf by the Company, including any gains and losses of the Trust Fund attributable thereto; and

(4) "Rollover Contributions Account" means that portion of such Participant's Account which evidences the value of the rollover contributions made by him to the Plan, including any gains or losses of the Trust Fund attributable thereto.

(b) "Act" means the Employee Retirement Income Security Act of 1974, as amended.

(c) "Affiliate" means--

(1) any corporation which together with the Company is a member of a "controlled group" of corporations;

(2) any organization which together with the Company is under "common control"; or

(3) any organization which together with the Company is an "affiliated service group";

as those terms are used in sections 414(b), 414(c), and 414(m) of the Code.

(d) "Before-Tax Employee Contributions" means the contributions made by the Company on behalf of a Participant pursuant to the Participant's election to reduce Compensation as described in section 4.3.

(e) "Beneficiary" means the person described in section 13.1.

(f) "Board" means the Board of Directors of the Company.

(g) "Code" means the Internal Revenue Code of 1986, as amended.

(h) "Company" means Rayovac Corporation, a Wisconsin corporation.

(i) "Compensation" means as follows:

(1) for purposes of determining the amount of a Participant's Before-Tax Employee Contributions pursuant to section 4.3, his base salary (including any paid leave), bonuses, commissions and overtime and shift differential pay;

(2) for purposes of determining the amount of Employer Contributions to be allocated on behalf of a salaried Participant pursuant to sections 4.1 and 4.2, his base salary (including any paid leave); and

(3) for purposes of determining the amount of Employer Contributions to be allocated on behalf of an hourly

Participant pursuant to sections 4.1 and 4.2, his base pay (including any paid leave) for up to 40 hours per week; and

(4) for all other purposes of the Plan (except as expressly provided otherwise herein), wages within the meaning of Code section 3401(a) and all other payments of compensation to an Eligible Employee by an Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Eligible Employee a written statement under Code sections 6041(d), 6051(a)(3) and 6052.

The annual Compensation of each Participant taken into account under the Plan for any year shall not exceed the amount permitted pursuant to Code section 401(a)(17), as adjusted for cost-of-living increases at such time and in such manner as may be determined by the Secretary of the Treasury. For purposes of calculating this maximum in any Plan Year beginning prior to January 1, 1997, for any 5% owner or highly compensated individual who is in the group of 10 employees paid the greatest Compensation during the year, pursuant to Code section 414(q)(6), the Compensation of a spouse or a lineal descendant under age 19 before the end of the Plan Year shall be treated as if paid to the employee.

(j) "Eligible Employee" means any person who is employed by the Company or an Affiliate in a position that is included within a participating group of employees as identified in Appendix A of the Plan. Each participating group of Eligible Employees shall be eligible to participate in the Plan as of the applicable effective date identified in Appendix A.

(k) "Employer Contributions" means the contributions made by the Company on behalf of a Participant as described in section 4.1.

(l) "Employment Commencement Date" means the first day on which an Eligible Employee first performs an Hour of Service for the Company or an Affiliate.

(m) "Excess Deferrals" means the amount of a Participant's Before-Tax Employee Contributions plus amounts deferred pursuant to plans or arrangements described under Code section 401(k), 408(k), 408(p) or 403(b) that exceed the limits described under Code section 402(g).

(n) "Investment Fund" means a subsection of the Trust Fund which may be designated by the Trustees from time to time.

(o) "Participant" means any Eligible Employee who has met, and continues to meet, the eligibility requirements of the Plan as set forth in section 3.1. Where appropriate, this term also includes any former Eligible Employee, Beneficiary, estate or alternate payee with an Account balance.

(p) "Plan" means this Rayovac Profit Sharing and Savings Plan.

(q) "Plan Administrator" means the entity which has been designated as the "plan administrator" as provided in section 10.1.

(r) "Plan Year" means the 12-consecutive-month period ending each December 31.

(s) "Qualifying Employer Securities" means common stock of the Company within the meaning of the Employee Retirement Income Security Act of 1974, as amended, section 407.

(t) "Trust Agreement" means any agreement establishing a trust, which forms part of the Plan, to receive, hold, invest and dispose of the Trust Fund.

(u) "Trustee" means the corporation, or individual or individuals, or combination thereof, acting as trustees under the Trust Agreement at any time of reference.

(v) "Trust Fund" means the assets of every kind and description held under the Trust Agreement.

(w) "Valuation Date," means the last day of the Plan Year and each business day of a Plan Year.

2.2 Gender and Number. Unless the context clearly requires otherwise, the masculine pronoun whenever used shall include the feminine and neuter pronoun, and the singular shall include the plural.

Article III. Participation and Service

3.1 Participation.

(a) Each Eligible Employee who was eligible to participate in the Plan as of July 31, 1997 shall remain eligible to participate in the Plan.

(b) Each Eligible Employee (i) whose Employment Commencement Date was on or after January 1, 1997 and prior to August 1, 1997, or (ii) who becomes an Eligible Employee effective as of August 1, 1997, shall participate in the Plan as of August 1, 1997.

(c) Each employee who becomes an Eligible Employee on or after August 1, 1997 shall participate in the Plan as of the January 1 next following his Employment Commencement Date.

(d) Each Eligible Employee who is eligible to participate in the Plan in accordance with this section 3.1 may make an election to have Before-Tax Employee Contributions made on his behalf in accordance with section 4.3. Such election may be made upon first becoming eligible to participate in the Plan or as of the first day of any subsequent month.

3.2 Duration of Participation. A Participant shall continue to be a Participant until he terminates his employment with the Company or an Affiliate or, if earlier, the date he no longer is an Eligible Employee; thereafter, he shall be a Participant for as long as he has an Account balance.

3.3 Reemployment. If a Participant terminates employment with the Company or an Affiliate and subsequently resumes such employment, the rehired employee shall resume participation in the Plan as the first day of the month following his date of rehire; provided he is reemployed as an Eligible Employee.

3.4 Leased Employees. A person who is a "leased employee" within the meaning of Code sections 414(n) and (o) shall not be eligible to participate in the Plan, but in the event such a person was participating or subsequently becomes eligible to participate herein, credit shall be given for the person's service as a leased employee toward completion of the Plan's eligibility and vesting requirements, including any service for an Affiliate.

Article IV. Contributions

4.1 Employer Contributions. A "qualifying Participant" is a Participant who is in active employment status, as determined by the Plan Administrator, on the date the contribution is made.

(a) Fixed Contributions.

(1) Salaried Employees. For each pay period during a Plan Year, the Company shall make a contribution to the Plan on behalf of each qualifying Participant who is a salaried employee. A Participant's age, for purposes of this contribution, shall be determined as of each January 1. The portion of this contribution which will be allocated to the Account of each such qualifying Participant shall equal the following:

(A) If the Participant has not yet attained age 35, the contribution allocated shall equal 2% of his Compensation for such pay period.

(B) If the Participant is age 35 through age 44, the contribution allocated shall equal 3% of his Compensation for such pay period.

(C) If the Participant is age 45 through age 49, the contribution allocated shall equal 4% of his Compensation for such pay period.

(D) If the Participant is age 50 or older, the contribution allocated shall equal 5% of his Compensation for such pay period.

(2) Hourly Employees. For each pay period during a Plan Year, the Company shall make a contribution to the Plan on behalf of each qualifying Participant who is an hourly employee. The portion of this contribution which will be allocated to the Account of each such qualifying Participant shall equal 2% of the Participant's Compensation for the pay period for which the contribution is made.

(b) Discretionary Contributions. For any pay period during a Plan Year, the Company may make discretionary Employer Contributions on behalf of each Participant who is a qualifying Participant during the pay period for which the contribution is made. Any such Employer Contributions under the Plan are completely and totally within the Company's discretion. The portion of such Employer Contribution, if any, allocated to the Account of a qualifying Participant shall be a percentage of a Participant's Compensation during the pay period for which the contribution is made.

(c) Profit Sharing Bonus Contributions. In addition to the contributions specified in (a) above, the Company may make profit sharing bonus contributions as the Company, in its discretion, may determine. Such profit sharing bonus contributions, if any, shall be allocated to the Account of a qualifying Participant and shall be in an amount equal to a fixed percent of the Participant's Compensation for 12-month period which ends on the last day of the calendar quarter prior to the date the contribution is made.

(d) Any contributions by the Company pursuant to this section 4.1 shall be Employer Contributions and shall be paid to the Trustee not later than the time prescribed by law for the Company to obtain a federal income tax deduction for the Plan Year for which such Employer Contributions are made.

4.2 Allocation of Employer Contributions. Employer Contributions shall be allocated to a Participant's Employer Contributions Account as of the date determined by the Plan Administrator, which date shall be no later than as of the last day of the Plan Year for which the Employer Contribution is made.

4.3 Before-Tax Employee Contributions. For each pay period, the Company shall contribute to the Plan on behalf of the Participants an amount equal to the Participants' Before-Tax Employee Contributions. Each Participant may elect, on a form provided by the Plan Administrator, to reduce his Compensation by a whole percentage of not less than 1% and not more than 15%, and to have the amount by which his Compensation is reduced contributed on his behalf by the Company as a Before-Tax Employee Contribution to the Plan. Such election may be effective as of the first day of the payroll period concurrent with or subsequent to the Participant first becoming eligible to participate, or as of the first day of any subsequent month upon prior written notice to the Plan Administrator. Such

Participant may elect on a form provided by the Plan Administrator to increase, decrease, suspend or reinstate (within the percentage limits stated above) his Compensation reductions effective as of the first day of any subsequent month upon prior written notice to the Plan Administrator. Such elections shall be effective only with respect to Compensation not yet earned as of the effective dates of such elections. The Plan Administrator may adopt rules concerning the administration of this section. The Before-Tax Employee Contributions made on behalf of each Participant shall be paid by the Company to the Trustee on the earliest date on which these amounts can be reasonably segregated from the Company's general assets following the end of a pay period and allocated to the Participant's Before-Tax Employee Contributions Account.

4.4 Limitations on Contributions.

(a) In no event shall the Company make Before-Tax Employee Contributions for any calendar year, with respect to any Participant, in excess of the limit of Code section 402(g) (as adjusted by the Secretary of the Treasury to reflect increases in the cost of living).

(b) In the event that in any calendar year a Participant makes Excess Deferrals to the Plan, such Participant may request (no later than a date established by the Plan Administrator) for the Plan to return such Excess Deferrals to the Participant. Such request shall be made on a form provided by the Plan Administrator which specifies the Participant's Excess Deferrals for the calendar year. Such request shall be accompanied by the Participant's written statement that if such Excess Deferrals are not distributed, his Before-Tax Employee Contributions, when added to amounts deferred under other plans or arrangements described under Code section 401(k), 408(k), 408(p) or 403(b), will exceed the limit for such Participant under Code section 402(g). A distribution of Excess Deferrals, plus earnings, shall be made no later than April 15 of the calendar year following the calendar year in which such Excess Deferrals were made.

4.5 Limitations on Annual Additions.

(a) Notwithstanding any provision of the Plan to the contrary, annual additions to the Account of any Participant for a Plan Year shall not exceed the lesser of:

(1) $30,000 as adjusted pursuant to Code sections 415(c)(1)(A) and (d)(1); or

(2) 25% of the Participant's total compensation (as defined in Code section 415(c)) for the limitation year.

The term "annual additions" as used in this subsection shall mean the total amount of Employer Contributions and Before-Tax Employee Contributions for the limitation year allocated to the Account of the Participant.

(b) The Plan is subject to the limitations on benefits and contributions imposed by Code section 415 which are incorporated herein by this reference. The limitation year shall be the Plan Year. In the event that there are multiple plans, if a Participant also participates in another qualified defined contribution plan maintained by the Company, then the sum of his annual additions (as defined in Code section 415(c)) under this Plan and under such other plan shall not exceed the limitations described in subsection (a) of this section. Effective for Plan Years prior to January 1, 2000, if a Participant also participates in a defined benefit pension plan maintained by the Company, the sum of (1) and (2) below shall not exceed one (1.0):

(1) the sum of the projected annual benefits of the Participant under all qualified defined benefit plans of the Company determined as of any December 31, divided by the lesser of (i) the product of 1.4 times the maximum benefit allowable under Code section 415(b)(1)(B) for such year, or (ii) the product of 1.25 times the dollar limitation in effect for such year under Code section 415(b)(1)(A), plus

(2) the sum of all annual additions to the Participant's Account under this Plan and his accounts under all other defined contribution plans maintained by the Company, as of such December 31, divided by the sum of the lesser of the following amounts for such year and each prior year of service with the Company: (i) the product of 1.4 times the maximum annual

additions allowable for such year under Code section 415(c)(1)(B), as applicable, or (ii) the product of 1.25 times the dollar limitation in effect for such year under Code section 415(c)(1)(A).

(c) In the event that in any Plan Year either of the limitations set forth in subsection (a) and (b) of this section would otherwise be violated in the case of a Participant after all adjustments in accrued benefits provided for in any defined benefit pension plan of the Company, then, in the following order, to the extent necessary to satisfy such limitation:

(1) Any Before-Tax Employee Contributions by the Participant for the Plan Year in excess of such limitation shall be returned to the Participant (together with any income allocable thereto for the Plan Year to which such excess is attributable).

(2) Any Employer Contributions for the Plan Year on behalf of the Participant in excess of such limitation shall be allocated to other eligible Participants' Accounts in the manner set forth in section 4.1.

If any allocation pursuant to paragraph (2) above would otherwise cause any limitation under this section 4.5 to be violated with respect to any other Participant, then such amount as may be necessary to satisfy such limitation shall be allocated to other eligible Participants' Accounts in the manner set forth in section 4.1. If any such allocation is not possible as a result of the application of this section, then the otherwise allocable amount shall be credited to a suspense account and the amounts therein shall be allocable to all eligible Participants' Accounts, subject to the following conditions:

(i) amounts in the suspense account shall be allocated to the Participants' Accounts at such time, including termination of the Plan, as the foregoing limitations permit,

(ii) except as provided in this paragraph (2), no investment gains or losses shall be allocated to the suspense account,

(iii) no further Employer Contributions shall be permitted on behalf of the Participants until the foregoing limitations permit their allocation to the Participants' Accounts, and

(iv) upon termination of the Plan, any unallocated amounts in the suspense account shall revert to the Company.

4.6 Rollover Contributions. The Board, in writing and on a nondiscriminatory basis, may designate employees of the Company or an Affiliate, who participated in another retirement plan and trust qualified pursuant to Code sections 401(a) and 501(a) (a "qualified plan"), as eligible to deposit in the Trust Fund any portion of an eligible rollover distribution paid from another qualified plan in a direct rollover pursuant to Code section 401(a)(31). Before accepting a direct rollover, the Plan Administrator may require such documentation and information as it deems necessary to reasonably conclude that the distributing plan is qualified under Code section 401(a). If an employee who deposited a direct rollover does not otherwise become a Participant, that employee shall constitute a Participant only in relation to the amount deposited as a direct rollover and earnings on such amount. Any contributions made pursuant to this section 4.6 shall be allocated to a Participant's Rollover Contributions Account.

4.7 Maximum Deferral Percentage.

(a) Notwithstanding any provision of the Plan to the contrary, in no event may the Before-Tax Employee Contributions made on behalf of all eligible Participants who are highly compensated individuals with respect to any Plan Year result in a deferral percentage for such group of Participants which exceeds the greater of (1) or (2) below:

(1) an amount equal to 125% of the deferral percentage for all eligible Participants other than eligible Participants who are highly compensated individuals; or

(2) an amount that does not exceed 200% of the deferral percentage for all eligible Participants other than eligible Participants who are highly compensated

individuals, provided that the deferral percentage of eligible Participants who are highly compensated individuals does not exceed the deferral percentage of eligible Participants other than eligible Participants who are highly compensated individuals by more than (i) 2 percentage points or (ii) such lesser amount as the Secretary of the Treasury shall prescribe to prevent the multiple use of this alternative limitation with respect to any eligible Participant who is a highly compensated individual.

(b) For purposes of the maximum deferral percentage described in section 4.7(a), the following terms shall have the following meanings:

(1) "Eligible Participant" means an Employee who is eligible to participate in the Plan pursuant to section 3.1 hereof, whether or not he actually elects to have Before-Tax Employee Contributions made on his behalf.

(2) Effective as of January 1, 1997, "highly compensated individual" shall be determined pursuant to Code section 414(q) and shall include any employee who:

(i) during the current or immediately preceding Plan Year is or was at any time a 5% owner of the Company or an Affiliate; or

(ii) for the preceding Plan Year, receives or received Compensation from the Company or an Affiliate in excess of $80,000 (or such higher amount established by Code section 414(q)).

(3) "Deferral percentage" with respect to any specified group of eligible Participants for a Plan Year shall mean the average of the ratios (calculated separately for each eligible Participant in the group) of:

(i) the amount of the Before-Tax Employee Contributions allocated to the Account of each eligible Participant for such Plan Year, to

(ii) the eligible Participant' s deferral percentage compensation for such Plan Year.

"Deferral percentage compensation," for purposes of this subsection 4.7(b)(3), has the same meaning as Compensation has under section 2.1(i)(4).

4.8 Prospective Reduction of Before-Tax Employee Contributions.

(a) If it is determined by the Plan Administrator at any time that the maximum deferral percentage described in section 4.7 could be exceeded with respect to any Plan Year, then the Plan Administrator, in its discretion, may prospectively reduce the amount of the Before-Tax Employee Contributions allowed to be made on behalf of the eligible Participants who are highly compensated individuals. In such event, the highly compensated individuals with respect to whom such reduction shall be made and the amount of such reduction shall be determined by reducing the maximum allowable Before-Tax Employee Contributions with respect to eligible Participants who are highly compensated individuals to such percentage (or a smaller percentage, in the discretion of the Plan Administrator) which will, when applied to all eligible Participants who are highly compensated individuals, result in the maximum deferral percentage limitation not being exceeded and reducing Before-Tax Employee Contributions in the case of each highly compensated individual with respect to whom such reduced maximum percentage is exceeded. Once a reduction has been made hereunder, it shall remain in effect for the remainder of the Plan Year, unless the Plan Administrator determines that it is no longer necessary in order for the maximum deferral percentage limitation to be met.

(b) If it is determined by the Plan Administrator at any time that the 15% of aggregate Compensation limitation described in section 4.11 could be exceeded with respect to any Plan Year, then the Plan Administrator in its discretion may prospectively reduce the amount of Before-Tax Employee Contributions allowed to be made on behalf of eligible Participants. In such event, the extent of such reduction shall be determined by reducing the amount of Before-Tax Employee Contributions on behalf of each eligible Participant on a pro rata basis, such that the sum of Before-Tax Employee Contributions and Employer Contributions for all eligible Participants does not exceed the 15% of aggregate Compensation limitation described in section 4.11. Once a reduction has been made hereunder, it shall remain in effect for the remainder of the Plan Year, unless the Plan Administrator determines that it is no longer necessary in order for such limitation to be met.

4.9 Reduction After Before-Tax Employee Contributions Have Been Made. In the event that, notwithstanding section 4.8(a), it is determined by the Plan Administrator that the maximum deferral percentage described in section 4.7 has been exceeded with respect to any Plan Year, then the amount of Before-Tax Employee Contributions that have been made on behalf of the eligible Participants who are highly compensated individuals shall be reduced in a manner similar to that described in section 4.8(a), and the excess, to the extent permitted under rules prescribed by the Secretary of the Treasury and determined by the Plan Administrator (together with the income allocable thereto for the Plan Year to which such excess is attributable), shall be distributed to the affected highly compensated individuals.

4.10 Nondiscrimination Limitations. The limitations on contributions prescribed in this Article IV are intended to conform with Code section 401(k), which is hereby incorporated herein by reference. In the event that the Plan Administrator determines that, in accordance with the Code and rules prescribed by the Secretary of the Treasury, the limitations of section 401(k) (including, but not limited to, any definitions related thereto) may be applied in a manner different from that prescribed in this Article IV, the Plan Administrator, in its discretion, may make appropriate adjustments.

4.11 15% Limitation. Notwithstanding anything in this Article IV to the contrary, in no event shall the sum of Before-Tax Employee and Employer Contributions by the Company exceed 15% of the aggregate Compensation of all of the employees eligible to participate in this Plan. For purposes of this section 4.11, Compensation shall be reduced by any elective contributions made by the Company on behalf of an Employee that are not includible in gross income under Code section 125 or 401(k).

Article V. Vesting in Accounts

5.1 After-Tax, Before-Tax Employee, Employer and Rollover Contributions Accounts. A Participant shall at all times be fully vested and have a nonforfeitable interest in his After-Tax, Before-Tax Employee, Employer and Rollover Contributions Accounts.

Article VI. Distributions and Withdrawals

6.1 Distribution Upon Termination. Upon a Participant' s termination of employment with the Company for any reason other than death, he shall be entitled to receive a distribution of the entire amount credited to his Account.

6.2 Distribution Upon Participant's Death. Upon the death of a Participant, his Beneficiary shall be entitled to receive a distribution of the entire amount credited to the deceased Participant's Account.

6.3 Commencement of Distributions.

(a) Subject to the provisions of this section and section 6.7, distributions pursuant to section 6.1 shall be made or commence to the Participant as soon as practicable following his termination of employment; provided, however, that if his Account balance exceeds $3,500 ($5,000 effective January 1, 1998), then such distribution shall not be made or commence to the Participant without his consent at any time before April 1 of the calendar year immediately following the later of the calendar year in which the Participant attains age 70-1/2 or retires.

(b) Unless a Participant elects otherwise, distribution of a Participant's Account will begin not later than the 60th day after the later of the close of the Plan Year in which--

(1) he attains age 65; or

(2) his termination of employment occurs.

(c) Distributions pursuant to section 6.2 shall be made or commence to the Beneficiary as provided in section 6.7.

(d) Account balances distributable hereunder shall continue to accrue earnings and losses under section 8.4 pending their distribution.

(e) Participant consent shall not be valid unless the Plan Administrator provides the Participant with notice of his right to defer distribution no less than 30 days and no more than 90 days before the date of distribution. Distribution, however, may commence less than 30 days after such notice is provided if (1) the notice clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider whether or not to elect a distribution and (2) the Participant, after receiving such notice, affirmatively elects a distribution.

6.4 Method of Distribution.

(a) Form of Benefits. Distribution of a Participant's Account balance, if it exceeds $3,500 ($5,000 effective January 1, 1998), prior to the commencement of distributions or at the time of any prior distribution, shall occur in a single lump sum.

(b) Mandatory Payments. The Plan Administrator shall direct distribution in a single lump sum of any Participant's Account that does not exceed $3,500 ($5,000 effective January 1, 1998), prior to the commencement of distributions or at the time of any prior distribution if such Participant fails to direct a rollover within 30 days of being notified of his right to a direct rollover.

(c) Plan Administration Fees. The Plan Administrator may charge the Participant's Account any and all fees incurred by the Trust Fund with respect to distribution of the Account.

6.5 In-Service Withdrawals.

(a) A Participant may withdraw any or all of his Account balance attributable to after-tax contributions plus earnings thereon as of any Valuation Date upon prior written notice to the Plan Administrator.

(b) On or after attaining age 59-1/2, a Participant may withdraw all or any portion of his Account upon prior notice to the Plan Administrator. A Participant shall be entitled to only one election pursuant to this section 6.5(b) in each Plan Year.

(c) If a Participant terminates employment and elects to defer distribution of his Account, such Participant may make a one-time election to withdraw a portion of his Account. Any subsequent withdrawal must be for the full remaining balance of the Participant's Account.

6.6 Hardship Withdrawals. Subject to the approval of the Plan Administrator, a Participant may withdraw all or any portion of his Before-Tax Employee Contributions Account attributable to elective contributions, and any earnings credited to such Account prior to January 1, 1989, if the withdrawal results from a "financial hardship." A withdrawal will be deemed to result from a financial hardship if the distribution:

(a) Is for the purpose of:

(1) The payment of medical expenses described in Code section 213(d) incurred by the Participant, his spouse or dependents or necessary for these persons to obtain medical care described in Code section 213(d);

(2) Costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant;

(3) The payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his spouse or dependents;

(4) The need to prevent the eviction from, or mortgage foreclosure of, the Participant's principal residence; or

(5) Any other purpose specified by the Internal Revenue Service as a deemed immediate and heavy financial need; and

(b) Satisfies all the following:

(1) The distribution does not exceed the amount of the financial need, including any amount necessary to pay taxes or penalties reasonably anticipated to result from the distribution;

(2) The financial need cannot be satisfied from other resources that are readily available to the employee; and

(3) The Plan Administrator reasonably relies upon the employee's representation that the need cannot be relieved:

(A) Through reimbursement or compensation by insurance or otherwise;

(B) By reasonable liquidation of the assets of the employee and his spouse and minor children, if any, that are reasonably available to him to the extent such liquidation would not in itself cause an immediate and heavy financial need;

(C) By cessation of Before-Tax Employee Contributions to the Plan; or

(D) By other distributions or nontaxable loans from plans maintained by the Company or by any other employer, or by borrowing from commercial sources on reasonably commercial terms.

6.7 Required Distributions. Notwithstanding any of the preceding provisions of this Article--

(a) In no event may the distribution of a Participant's Account balance commence later than the April 1 of the calendar year following the year in which the Participant (1) attains age 70-1/2 or (2) retires.

(b) To comply with subsection (a), a Participant's Account balance must be distributed, beginning not later than his required beginning date, over the life of the Participant or over the lives of the Participant and his Beneficiary, or over a period not extending beyond the life expectancy of the Participant or the life expectancy of the Participant and his Beneficiary. For benefits payable over the life expectancy of the Participant, or the Participant and his Beneficiary, life expectancies shall not be recalculated annually.

(c) If the distribution of a Participant's Account balance has begun (on or after his required beginning date) in accordance with subsection (a) and the Participant dies before his entire interest has been distributed to him, the remaining portion of the Participant's Account balance will be distributed at least as rapidly as under the method of distribution being used under subsection (b) as of the date of his death.

(d) If a Participant dies prior to the commencement of the distribution of his Account balance (on or after his required beginning date), the balance will be distributed in a lump sum as soon as practicable (but in no event more than five years) after the death of such Participant except as permitted under subsections (e) and (f).

(e) If--

(1) any portion of the Participant's Account balance is payable to a Beneficiary,

(2) such portion will be distributed over the life of such Beneficiary or over a period not extending beyond the life expectancy of the Beneficiary, and

(3) such distribution begins not later than one year after the date of the Participant's death, or such later date as the Secretary of the Treasury may by regulations prescribe,

the portion referred to in subsection (e)(1) shall be treated as distributed within the time required under subsection (d). For purposes of this paragraph (e), life expectancies shall not be recalculated annually.

(f) If the designated Beneficiary referred to in subsection (e)(l) is the surviving spouse of the Participant, the date on which distributions are required to begin under subsection (e)(3) shall not be earlier than the date on which the Participant would have attained age 70-1/2.

(g) A Participant's Account balance will be distributed in accordance with Code section 401(a)(9) and the regulations issued by the Secretary of the Treasury thereunder, including section 1.401(a)(9)-2, which are incorporated herein by reference. In addition, the provisions of this section 6.7 shall apply, notwithstanding any other Plan provision to the contrary; provided, however, that Code section 401(a)(9) and the regulations thereunder override any Plan provisions inconsistent with such Code section and regulations. The exceptions to subsection (d) described in subsections (e) and (f) shall be applied to a Beneficiary, unless the Participant or Beneficiary elects to have subsection (d) apply.

6.8 Withholding Taxes. The Company may withhold from a Participant's compensation and there may be withheld from any distribution under the Plan any taxes required to be withheld with respect to contributions or benefits under the Plan and such sum may be reasonably necessary to cover any taxes for which they may be liable and which may be assessed with respect to contributions or benefits under this Plan.

6.9 Rollover Distributions.

(a) Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section 6.9, a distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(b) For purposes of this section 6.9, an eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(c) For purposes of this section 6.9, an eligible retirement plan is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), or a qualified trust described in Code section 401(a) that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(d) Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p), are distributees with regard to the interest of the spouse or former spouse.

(e) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(f) If a distribution is one to which Code sections 401(a)(11) and 417 do not apply, such distribution may commence less than 30 days after the notice required under section 1.411(a)-11(c) of the Income Tax Regulations is given, provided that:

    (1) the Plan Administrator clearly informs the Participant that the Participant has a right to a period of at least 30 days after receiving the notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option), and

    (2) the Participant, after receiving the notice, affirmatively elects a distribution.

Article VII. Investment Elections

7.1 Investment of Contributions. Each Participant may elect to invest his Account among the available Investment Funds in increments of any whole percent. Subject to Participant direction, the Trustee may invest up to 100% of Plan assets in Qualifying Employer Securities.

7.2 Investment Elections. Elections shall be made and verified in a manner prescribed by the Plan Administrator. Once filed, a Participant's verified election will remain in effect until amended or discontinued pursuant to this paragraph. If a Participant fails to direct the investment of all or any portion of his Account, such amount shall be invested in the fund(s) uniformly designated by the Plan Administrator on behalf of the Participant.

7.3 Liability for Investment Elections. If the Trustee acts at the direction of a Participant, the Company, its board of directors, officers and employees, the Plan Administrator and the Trustee shall not be liable or responsible for any loss resulting to the Trust Fund or to any Account or for any breach of fiduciary responsibility by reasons of any act done pursuant to the direction of the Participant.

Article VIII. Accounts and Records of the Plan

8.1 Accounts and Records. The Accounts and records of the Plan shall be maintained by the Plan Administrator and shall accurately disclose the status of the Accounts of each Participant or his Beneficiary in the Plan. Each Participant shall be advised from time to time, at least quarterly, as to the status of his Account.

8.2 Trust Fund. Each Participant shall have an undivided proportionate interest in the Trust Fund which shall be measured by the proportion that the market value of his Account bears to the total market value of all Accounts as of the date that such interest is being determined.

8.3 Allocation of Income to Accounts. The Plan Administrator shall value a Participant's Account as of each Valuation Date in accordance with the income accounting applicable to each Investment Fund in which the assets of the Account are invested and adjust the Account to reflect applicable expenses and all other transactions since the preceding Valuation Date.

8.4 Valuation of Qualifying Employer Securities. For purposes of this Article 8, the value of Qualifying Employer Securities held by the Plan shall be the closing price of such Qualifying Employer Securities as reported on the New York Stock Exchange as of the applicable Valuation Date or the last day Qualifying Employer Securities were traded if no Qualifying Employer Securities were traded on the Valuation Date.

Article IX. Financing

9.1 Financing. The Company shall enter into the Trust Agreement in order to implement and pay out the provisions of the Plan and to finance the benefits under the Plan. In such event, all rights which may accrue to any person under the Plan shall be subject to all the terms and provisions of the Trust Agreement. The Company and the Trustee may modify the Trust Agreement in accordance with the terms of that Agreement from time to time to accomplish the purposes of the Plan.

9.2 Contributions. The Company shall make such contributions to the Trust Fund as are required by the provisions of the Plan, subject to its right to amend, modify or terminate the Plan.

9.3 Nonreversion. The Company shall not have any right, title or interest in the contributions made to the Trust Fund, and no part of the Trust Fund shall revert to the Company, except that:

(a) if a contribution is made to the Trust Fund by the Company by a mistake of fact, then such contribution may be returned to the Company within one year after the payment of the contribution; or

(b) if any part or all of a contribution is disallowed as a deduction under Code section 404, then to the extent such contribution is disallowed as a deduction it may be returned to the Company within one year after the disallowance.

9.4 Rights in the Trust Fund. Persons eligible for benefits under the Plan are entitled to look only to the Trust Fund for the payment of such benefits and have no claim against the Company, the Plan Administrator or any other person. No person has any right or interest in the Trust Fund except as expressly provided in the Plan.

Article X. Administration

10.1 Plan Administrator and Fiduciary. The Company shall be the Plan Administrator within the meaning of section 3(16)(A) of the Act, a fiduciary with respect to the Plan within the meaning of sections 3(21)(A)(i) and (iii) of the Act, and the named fiduciary under section 402 of the Act. The Company may appoint a separate Plan Administrator. Any person, including an employee of the Company, shall be eligible to serve as Plan Administrator. Two or more persons may form a committee to serve as Plan Administrator. Persons serving as Plan Administrator may resign by written notice to the Company, and the Company may appoint or remove such persons. A Plan Administrator consisting of more than one person shall act by a majority of its members at the time in office, either by vote at a meeting or in writing without a meeting. A Plan Administrator consisting of more than one person may authorize any one or more of its members to execute any document or documents on behalf of the Plan Administrator, in which event the Plan Administrator shall notify the Trustee of the member or members so designated. The Trustee shall accept and rely upon any document executed by such member or members as representing action by the Plan Administrator until the Plan Administrator shall file with the Trustee a written revocation of such designation. No person serving as Plan Administrator shall vote or decide upon any matter relating solely to himself or solely to any of his rights or benefits pursuant to the Plan.

10.2 Expenses. All expenses incurred in the administration of the Plan shall be paid from the Trust Fund to the extent not paid by the Company. Such expenses shall include any expenses incident to the administration of the Plan, including, but not limited to, fees of accountants, counsel and other specialists.

10.3 Administration. The Company shall be responsible for the administration of the Plan. The Company shall have all such powers as may be necessary to carry out the provisions hereof and may, from time to time, establish rules for the administration of the Plan and the transaction of the Plan's business. In making any such determination or rule, the Company shall pursue uniform policies as from time to time established by the Company and shall not discriminate in favor of or against any Participant. The Company shall have the exclusive right to make any finding of fact necessary or appropriate for any purpose under the Plan including, but not limited to, the determination of the eligibility for and the amount of any benefit payable under the Plan. The Company shall have the exclusive right to interpret the terms and provisions of the Plan and to determine any and all questions arising under the Plan or in connection with the administration thereof, including, without limitation, the right to remedy or resolve possible ambiguities, inconsistencies or omissions, by general rule or particular decision. The Company shall make, or cause to be made, all reports or other filings necessary to meet the reporting and disclosure requirements of the Act which are the responsibility of "plan administrators" under the Act. To the extent permitted by law, all findings of fact, determinations, interpretations and decisions of the Company shall be conclusive and binding upon all parties unless arbitrary and capricious.

10.4 No Enlargement of Employee Rights. Nothing contained in the Plan shall be deemed to give any employee the right to be retained in the service of the Company or to interfere with the right of the Company to discharge, discipline or retire any employee at any time.

10.5 Appeals from Denial of Claims. If any claim for benefits under the Plan is wholly or partially denied, the claimant shall be given notice in writing of such denial, within a reasonable period of time after receipt of the claim by the Plan (not to exceed 90 days after receipt of the claim or, if special circumstances require an extension of time, written notice of the extension shall be furnished to the claimant and an additional 90 days will be considered reasonable) by registered or certified mail, which notice shall be written in a manner calculated to be understood by the claimant, setting forth the following information:

(a) the specific reasons for such denial;

(b) specific reference to pertinent Plan provisions on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's claim review procedure.

The claimant also shall be advised that he or his duly authorized representative may request a review by the Plan Administrator of the decision denying the claim by filing with the Plan Administrator, within 60 days after such notice has been received by the claimant, a written request for such review, and that he may review pertinent documents, and submit issues and comments in writing within the same 60-day period. If such request is so filed, such review shall be made by the Plan Administrator within 60 days after receipt of such request, unless special circumstances require an extension of time for processing, in which case the claimant shall be so notified and a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. The claimant shall be given written notice of the decision resulting from such review, which notice shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

10.6 Notice of Address and Missing Persons. Each person entitled to benefits under the Plan must file with the Plan Administrator, in writing, his post office address and each change of post office address. Any communication, statement or notice addressed to such a person at his latest reported post office address will be binding upon him for all purposes of the Plan, and neither the Company nor the Trustee shall be obliged to search for or ascertain his whereabouts. In the event that such person cannot be located, the Plan Administrator may direct that such benefit and all further benefits with respect to such person shall be discontinued, all liability for the payment thereof shall terminate and the balance of such Participant's Account shall be deemed a forfeiture; provided, however, that in the event of the subsequent reappearance of the Participant or Beneficiary prior to termination of the Plan, the benefits which were due and payable and which such person missed shall be paid in a single sum, and any future benefits due such person shall be reinstated in full.

10.7 Data and Information for Benefits. All persons claiming benefits under the Plan must furnish to the Plan Administrator or its designated agent such documents, evidence or information as the Plan Administrator or its designated agent consider necessary or desirable for the purpose of administering the Plan, and such person must furnish such information promptly and sign such documents as the Plan Administrator or its designated agent may require before any benefits become payable under the Plan.

10.8 Indemnity for Liability. The Company shall indemnify any individual who is directed by the Company to carry out responsibilities and duties imposed by the Plan against any and all claims, losses, damages and expenses, including counsel fees, approved by the Company, and any liability, including any amounts paid in settlement with the Company's approval, arising from the individual's action or failure to act, in connection with such person's responsibilities and duties under the Plant except when the same is judicially determined to be attributable to the gross negligence or willful misconduct of such person. Indemnification shall not be deemed the exclusive remedy of any person entitled to indemnification pursuant to this section. The indemnification provided hereunder shall continue as to a person who has ceased acting as a director, officer, agent or employee of the Plan Administrator or Company, and such person's rights shall inure to the benefit of his heirs and representatives.

10.9 Effect of a Mistake. In the event of a mistake or misstatement as to the eligibility, participation or service of any Participant, or the amount of payments made or to be made to a Participant or Beneficiary, the Plan Administrator shall, if possible, cause to be withheld or accelerated or otherwise make adjustment for such amounts of payments as will in its sole judgment result in the Participant or Beneficiary receiving the proper amount of payments under the Plan.

Article XI. Amendment and Termination

11.1 Amendment and Termination.

(a) The Company does hereby expressly and specifically reserve the sole and exclusive right at any time by action of the Board to amend, modify or terminate the Plan.

(b) While the Company contemplates carrying out the provisions of the Plan indefinitely with respect to the employees, the Company shall not be under any obligation or liability whatsoever to maintain the Plan for any minimum or other period of time.

(c) Upon the termination of the Plan, the Company shall give written notice thereof to the Plan Administrator and the Trustee.

(d) Except as provided by law, upon any termination of the Plan, the Company shall not thereafter be under any obligation, liability or responsibility whatsoever to make any contribution or payment to the Trust Fund, the Plan, any Participant, any Beneficiary, or any other person, trust or fund whatsoever, for any purpose whatsoever under or in connection with the Plan.

11.2 Limitations on Amendments. The provisions of this Article are subject to and limited by the following restrictions:

(a) No amendment shall operate either directly or indirectly to give the Company any interest whatsoever in any funds or property held by the Trustee under the terms hereof, or to permit the corpus or income of the Trust to be used for or diverted to purposes other than the exclusive benefit of Participants or their Beneficiaries or to pay expenses incurred by the Plan Administrator in the proper administration of the Plan.

(b) No such amendment shall operate either directly or indirectly to deprive any Participant of his vested and nonforfeitable interest as of the time of such amendment or eliminate an optional form of distribution for a previously accrued benefit.

Article XII. Top-Heavy Provisions

12.1 Application of Top-Heavy Provisions.

(a) Single Plan Determination. Except as provided in subsection (b)(2), if as of a Determination Date, the sum of the amount of the Section 416 Accounts of Key Employees and the Beneficiaries of deceased Key Employees exceeds 60% of the amount of the Section 416 Accounts of all Employees and Beneficiaries (excluding former Key Employees), the Plan is top-heavy and the provisions of this Article shall become applicable.

(b) Aggregation Group Determination.

(1) If as of a Determination Date the Plan is part of an Aggregation Group which is top-heavy, the provisions of this Article shall become applicable. Top-heaviness for the purpose of this subsection shall be determined with respect to the Aggregation Group in the same manner as described in subsection (a) above.

(2) If this Plan is top-heavy under subsection (a), but the Aggregation Group is not top-heavy, the Plan shall not be top-heavy and this Article shall not be applicable.

(c) Plan Administrator. The Plan Administrator shall have responsibility to make all calculations to determine whether this Plan is top-heavy.

12.2 Definitions.

(a) "Aggregation Group" means this Plan and all other plans maintained by the Company and the Affiliates which cover a Key Employee and any other plan which enables a plan covering a Key Employee to meet the requirements of Code section 401(a)(4) or section 410. In addition, at the election of the Plan Administrator, the Aggregation Group may be expanded to include any other qualified plan maintained by an Affiliate if such expanded Aggregation Group meets the requirements of Code sections 401(a)(4) and 410.

(b) "Determination Date" means the last day of the Plan Year immediately preceding the Plan Year for which top-heaviness is to be determined or, in the case of the first Plan Year of a new plan, the last day of such Plan Year.

(c) "Key Employee" means a Participant who for the Plan Year containing the Determination Date or any of the four preceding Plan Years is

(1) an officer of the Company or an Affiliate who has annual Wages greater than 150% of the amount in effect under Code section 415(c)(1)(A) for such Plan Year; provided, however, that no more than the lesser of--

(A) 50 employees, or

(B) the greater of (i) 3 employees or (ii) 10% of all employees,

shall be treated as officers, and such officers shall be those with the highest annual Wages in the 5-year period;

(2) one of the ten employees having annual Wages from the Company and all Affiliates for such Plan Year greater than the dollar limit specified in Code section 415(c)(1)(A) and owning both more than a one-half of one percent interest and the largest interests in the Company or an Affiliate;

(3) a 5% owner of the Company or an Affiliate; or

(4) a 1% owner of the Company or an Affiliate having annual Wages of more than $150,000. Ownership shall be determined in accordance with Code section 416(i)(1)(B) and (C). For purposes of paragraph (2), if two employees have the same ownership interest in the Company or an Affiliate, the employee having the greater annual Wages from the Company and all Affiliates shall be treated as having a larger interest.

(d) "Section 416 Account" means--

(1) the amount credited as of a Determination Date to a Participant's or Beneficiary's account, under the Plan and under any other qualified defined contribution plan which is part of an Aggregation Group (including amounts to be credited as of the Determination Date but which have not yet been contributed);

(2) the present value of the accrued benefit credited to a Participant or Beneficiary under a qualified defined benefit plan which is part of an Aggregation Group; and

(3) the amount of distributions to the Participant or Beneficiary during the five-year period ending on the Determination Date other than a distribution which is a tax-free rollover contribution (or similar transfer) that is not initiated by the Participant or that is contributed to a plan which is maintained by the Company or an Affiliate;

reduced by

(4) the amount of rollover contributions (or similar transfers) and earnings thereon credited as of a Determination Date under the Plan or a plan forming part of an Aggregation Group which is attributable to a rollover contribution (or similar transfer) accepted after December 31, 1983, initiated by the Participant and derived from a plan not maintained by the Company or an Affiliate.

The Account of a Participant who was a Key Employee and who subsequently meets none of the conditions of subsection (c) for the Plan Year containing the Determination Date is not a Section 416 Account and shall be excluded from all computations under this Article. Furthermore, if a Participant has not performed services for the Company or an Affiliate during the five-year period ending on the Determination Date, any account of such Participant (and any accrued benefit for such Participant) shall not be taken into account in computing top-heaviness under this Article.

(e) "Wages" means the Participant's wages, salaries and other amounts received for personal services rendered in the course of employment with the Company and any Affiliates, including those items described in Treasury Regulation section 1.415-2(d)(1).

12.3 Minimum Contribution.

(a) General. If this Plan is determined to be top-heavy under the provisions of section 12.1 with respect to a Plan Year, the sum of Company contributions (including contributions under a salary reduction agreement) and forfeitures under all qualified defined contribution plans allocated to the accounts of each Participant in the Aggregation Group who is not a Key Employee and is an Employee on the last day of the Plan Year shall not be less than 3% of such Participant's Wages. This section 12.3 shall not be applicable with respect to a Participant who is also covered under a defined benefit plan maintained by the Company or an Affiliate which provides the benefit specified by Code section 416(c)(1).

(b) Exception. The contribution rate specified in subsection (a) shall not exceed the percentage at which Company contributions and forfeitures are allocated under the plans of the Aggregation Group to the account of the Key Employee for whom such percentage is the highest for the Plan Year. For the purpose of this subsection (b), the percentage for each Key Employee shall be determined by dividing the Company contributions and forfeitures for the Key Employee by the amount of his total Wages for the year not in excess of the amount permitted pursuant to Code section 401(a)(17), as adjusted for cost-of-living increases at such time and in such manner as may be determined by the Secretary of the Treasury.

12.4 Limit on Annual Additions: Combined Plan Limit.

(a) General. The provisions of this section 12.4 shall apply only to Plan Years beginning prior to January 1, 2000. If this Plan is determined to be top-heavy under section 12.1, section 4.5(b) of the Plan shall be applied by substituting 1.0 for 1.25 in applying the provisions of Code section 415(e)(2) and (e)(3).

(b) Exception. Subsection (a) shall not be applicable if--

(1) section 12.3 is applied by substituting "4%" for "3%," and

(2) this Plan would not be top-heavy if "90" is substituted for "60%" in section 12.1.

(c) Transitional Rule. If, but for this subsection (c), subsection (a) would begin to apply with respect to the Plan, the application of subsection (a) shall be suspended with respect to a Participant so long as there are--

(1) no Company contributions, forfeitures or voluntary nondeductible contributions allocated to such Participant, and

(2) no accruals under a qualified defined benefit plan for such Participant.

12.5 Collective Bargaining Agreements. The requirements of section 12.3 shall not apply with respect to any employee included in a unit of employees covered by a collective bargaining agreement between employee representatives and the Company or an Affiliate if retirement benefits were the subject of good faith bargaining between such employee representatives and the Company or the Affiliate, as the case may be.

Article XIII. Miscellaneous

13.1 **Beneficiary Designation.**

(a) Each unmarried Participant may designate, on a form provided for that purpose by the Plan Administrator, a Beneficiary or Beneficiaries to receive his interest in the Plan in the event of his death, but such designation shall not be effective for any purpose until it has been filed by him during his lifetime with the Plan Administrator. He may, from time to time during his lifetime, on a form approved by and filed with the Plan Administrator, change his Beneficiary or Beneficiaries.

(b) The Beneficiary of each Participant who is married shall be the surviving spouse of such Participant, unless such spouse consents in writing to the designation of another Beneficiary or Beneficiaries. Each married Participant may, from time to time, change his designation of Beneficiaries; provided, however, that the Participant may not change his Beneficiary without the written consent of his spouse.

(c) In the event that a Participant fails to designate a Beneficiary, or if for any reason such designation shall be legally ineffective, or if all designated Beneficiaries predecease him or die simultaneously with him, distribution shall be made to his estate. If any such Beneficiary shall die prior to receiving the distribution that would have been made to such Beneficiary had such Beneficiary's death not occurred, then, for the purposes of the Plan, the distribution that would have been received by such Beneficiary shall be made to such Beneficiary's estate.

(d) The written consent described in subsection (b) shall acknowledge the effect of such election and shall be witnessed by a Plan representative designated by the Plan Administrator or a notary public.

13.2 Incompetency. Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the Plan Administrator receives written notice, in a form and manner acceptable to it, that such person is incompetent or a minor, and that a guardian, conservator or other person legally vested with the care of his estate has been appointed. In the event that the Plan Administrator finds that any person to whom a benefit is payable under the Plan is unable to properly care for his affairs, or is a minor, then any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother or a sister, or to any person deemed by the Plan Administrator to have incurred expense for such person otherwise entitled to payment. In the event a guardian or conservator of the estate of any person receiving or claiming benefits under the Plan shall be appointed by a court of competent jurisdiction, payments shall be made to such guardian or conservator, provided that proper proof of appointment is furnished in a form and manner suitable to the Plan Administrator. To the extent permitted by law, any payment made under the provisions of this section 13.2 shall be a complete discharge of liability under the Plan.

13.3 Nonalienation. Except as provided in Code section 401(a)(13), neither benefits payable at any time under the Plan nor the corpus or income of the Trust Fund shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, garnishment or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefit, whether presently or thereafter payable, shall be void. No benefit nor the Trust Fund shall in any manner be liable for or subject to the debts or liabilities of any Participant or of any other person entitled to any benefit. The Plan Administrator shall recognize a qualified domestic relations order with respect to child support, alimony payments, or marital property rights, if the Plan Administrator determines that it meets the applicable requirements of Code section 414(p); if any such order so directs, a distribution of benefits may be to the alternative payee at a time not permitted for distributions to the Participant. The Plan Administrator shall establish procedures to determine whether domestic relations orders are "qualified domestic relations orders" and to administer distributions under such qualified domestic relations orders.

13.4 Applicable Law. The Plan and all rights hereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin to the extent such laws have not been preempted by applicable federal law.

13.5 Severability. If a provision of the Plan shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included in the Plan.

13.6 No Guarantee. Neither the Plan Administrator, the Company nor the Trustee in any way guarantees the Trust Fund from loss or depreciation nor the payment of any money which may be or become due to any person from the Trust Fund. Nothing herein contained shall be deemed to give any Participant or Beneficiary an interest in any specific part of the Trust Fund or any other interest except the right to receive benefits out of the Trust Fund in accordance with the provisions of the Plan and the Trust.

13.7 Merger, Consolidation or Transfer. In the case of any merger or consolidation of the Plan with, or in the case of any transfer of assets or liabilities of the Plan to or from, any other plan, each Participant shall receive a benefit immediately after the merger, consolidation or transfer (if the Plan had then terminated) which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

IN WITNESS WHEREOF, RAYOVAC CORPORATION has caused this instrument to be executed by its duly authorized officer as of the 23rd day of October 1997.

RAYOVAC CORPORATION

By Russell E. Lefevre

Vice President--Human Resources
Its -----------------------

APPENDIX A

PARTICIPATING GROUPS OF EMPLOYEES		GROUP EFFECTIVE DATE*
Salaried Employees		07/01/83
Appleton Plant:	Non-union hourly paid employees.	07/01/83
Sauk City Plant:	Non-union hourly paid employees	08/26/88
Portage, WI:	Non-union hourly paid employees.	08/01/97
Wonewoc, WI:	Non-union hourly paid employees.	08/01/97

Consent of KPMG Peat Marwick LLP

The Board of Directors
Rayovac Corporation:

We consent to the use of our reports included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Peat Marwick LLP

Milwaukee, Wisconsin
October 30, 1997

Consent of Independent Accountants

We consent to the inclusion in Amendment No. 1 to this registration statement on Form S-1, (File No. 333-35181) of our report dated November 22, 1996, on our audits of the consolidated financial statements of Rayovac Corporation as of September 30, 1996 and June 30, 1996, and for the period July 1, 1996 to September 30, 1996 and each of the two years in the period ended June 30, 1996. We also consent to the references to our firm under the caption "Experts".

/s/ Coopers & Lybrand L.L.P.

Milwaukee, Wisconsin
October 30, 1997

12-MOS
Sep-30-1997
Sep-30-1997
1,133
0
80,890
1,221
58,551
154,380
142,972
77,461
236,881
120,563
207,321
0
0
500
80,095
236,881
432,552
432,552
0
234,569
163,219
617
24,542
9,605
3,419
6,186
0
0
0
6,186
0.28
0.28