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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 28, 2008

OR

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

For the transition period from to

Commission File Number 001-13615

Spectrum Brands, Inc.
(Exact name of registrant as specified in its charter)

Wisconsin **(State or other jurisdiction of incorporation or organization)**	**22-2423556** **(I.R.S. Employer Identification Number)**
Six Concourse Parkway, Suite 3300, Atlanta, Georgia **(Address of principal executive offices)**	**30328** **(Zip Code)**

(770) 829-6200
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

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

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

SPECTRUM BRANDS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED December 28, 2008

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS, INC.

Condensed Consolidated Balance Sheets
December 28, 2008 and September 30, 2008
(Unaudited)
(Amounts in thousands, except per share figures)

	December 28, 2008	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 100,692	$ 104,773
Receivables:		
Trade accounts receivable, net of allowances of $16,690 and $18,102, respectively	305,574	353,949
Other	40,883	40,756
Inventories	407,617	383,260
Deferred income taxes	17,276	13,957
Assets held for sale	6,635	7,452
Prepaid expenses and other	40,695	49,450
Total current assets	919,372	953,597
Property, plant and equipment, net	203,479	234,805
Deferred charges and other	40,164	44,129
Goodwill	231,989	235,468
Intangible assets, net	723,536	742,809
Debt issuance costs	34,713	36,671
Total assets	$ 2,153,253	$ 2,247,479
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 54,583	$ 48,637
Accounts payable	259,509	278,126
Accrued liabilities:		
Wages and benefits	49,827	72,299
Income taxes payable	20,688	10,272
Restructuring and related charges	40,642	34,559
Accrued interest	45,605	50,514
Other	81,149	87,672
Total current liabilities	552,003	582,079
Long-term debt, net of current maturities	2,550,340	2,474,782
Employee benefit obligations, net of current portion	43,133	47,694
Deferred income taxes	128,265	114,674
Other	41,916	55,488
Total liabilities	3,315,657	3,274,717
Commitments and contingencies		
Shareholders' deficit:		
Common stock, $.01 par value, authorized 150,000 shares; issued 69,372 and 69,202 shares, respectively; outstanding 52,928 and 52,775 shares, respectively	691	692
Additional paid-in capital	674,351	674,370
Accumulated deficit	(1,807,587)	(1,694,915)
Accumulated other comprehensive income	47,027	69,445
	(1,085,518)	(950,408)
Less treasury stock, at cost, 16,443 and 16,427 shares, respectively	(76,886)	(76,830)
Total shareholders' deficit	(1,162,404)	(1,027,238)
Total liabilities and shareholders' deficit	$ 2,153,253	$ 2,247,479

See accompanying notes which are an integral part of these condensed consolidated financial statements (Unaudited).

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SPECTRUM BRANDS, INC.

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

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

See accompanying notes which are an integral part of these condensed consolidated financial statements (Unaudited).

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SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Cash Flows
For the three month periods ended December 28, 2008 and December 30, 2007
(Unaudited)
(Amounts in thousands)

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

See accompanying notes which are an integral part of these condensed consolidated financial statements (Unaudited).

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

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

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

Chapter 11 Filing

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(Amounts in thousands, except per share figures)

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

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

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

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

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

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

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

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

Derivatives

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

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

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

3 OTHER COMPREHENSIVE LOSS

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

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

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders' deficit. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three month periods ended December 28, 2008 and December 30, 2007 were primarily attributable to the impact of translation of the net assets of the Company's European operations, primarily denominated in Euros and Pounds Sterling.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

4 NET LOSS PER COMMON SHARE

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

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

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

5 INVENTORIES

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

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

6 GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Global Batteries & Personal Care	Home and Garden	Global Pet Supplies	Total
Goodwill:				
Balance as of September 30, 2008	$ 117,649	$ —	$117,819	$235,468
Effect of translation	(2,512)	—	(967)	(3,479)
Balance as of December 28, 2008	$ 115,137	$ —	$116,852	$231,989
Intangible Assets:				
Trade names Not Subject to Amortization				
Balance as of September 30, 2008	$ 286,260	$ 57,000	$218,345	$561,605
Reclassification(A)	—	(12,000)	—	(12,000)
Effect of translation	(1,827)	—	(2,351)	(4,178)
Balance as of December 28, 2008	$ 284,433	$ 45,000	$215,994	$545,427
Intangible Assets Subject to Amortization				
Balance as of September 30, 2008, net	$ 11,829	$ 58,357	$111,018	$181,204
Additions(A)	500	12,000	17	12,517
Amortization during period(A)	(263)	(10,366)	(3,200)	(13,829)
Effect of translation	(341)	—	(1,442)	(1,783)
Balance as of December 28, 2008, net	$ 11,725	$ 59,991	$106,393	$178,109
Total Intangible Assets, net	$ 296,158	$104,991	$322,387	$723,536

(Amounts in thousands, except per share figures)

(A) During the three month period ended December 28, 2008, the Company reclassified the Home and Garden Business growing products trade names not subject to amortization to intangible trade names subject to amortization as the trade names have been assigned a useful life through the term of the shutdown period, which the Company has substantially completed as of January 31, 2009. See Note 1, Description of Business, for further details on the committed shutdown of the growing products portion of the Home and Garden Business.

Intangible assets subject to amortization include proprietary technology, customer relationship intangibles and certain trade names. The carrying value of technology assets was $31,306, net of accumulated amortization of $15,596, at December 28, 2008 and $32,120, net of accumulated amortization of $14,660, at September 30, 2008. The carrying value of customer relationship intangibles was $141,831, net of accumulated amortization of $62,958, at December 28, 2008 and $147,264, net of accumulated amortization of $58,913, at September 30, 2008. The carrying value of trade name intangibles was $4,972, net of accumulated amortization of $17,983 at December 28, 2008 and $1,820, net of accumulated amortization of $9,135 at September 30, 2008. Of the intangible assets acquired in the United acquisition and the Company's acquisition of Jungle Laboratories Corporation ("Jungle Labs"), customer relationships and technology assets have been assigned a life of approximately 12 years and other intangibles have been assigned lives of 1 year to 4 years. Of the intangible assets acquired in the Company's acquisition of Tetra, customer relationships have been assigned an estimated useful life of approximately 12 years and technology assets have been assigned a 6 year life.

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

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

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

7 DEBT

Debt consists of the following:

	December 28, 2008		September 30, 2008	
	Amount	Rate(A)	Amount	Rate(A)
Senior Subordinated Notes, due February 1, 2015	$ 700,000	7.4%	$ 700,000	7.4%
Senior Subordinated Notes, due October 1, 2013	2,873	8.5%	2,873	8.5%
Senior Subordinated Notes, due October 2, 2013	347,012	12.5%	347,012	12.0%
Term Loan B, U.S. Dollar, expiring March 30, 2013	976,458	6.7%	976,458	6.8%
Term Loan, Euro, expiring March 30, 2013	358,461	7.6%	369,283	9.6%
Revolving Credit Facility, expiring September 28, 2011	167,000	3.8%	80,000	5.0%
Other notes and obligations	40,193	8.5%	34,210	9.7%
Capitalized lease obligations	12,926	4.9%	13,583	4.9%
	2,604,923		2,523,419	
Less current maturities	54,583		48,637	
Long-term debt	$2,550,340		$2,474,782	

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

Defaults on Current Indebtedness

The Bankruptcy Filing, as described above in Note 1, Description of Business, constitutes an event of default under the Company's senior secured term credit facility agreement. As a result of such default, the commitments under the senior secured term credit facility immediately terminated and all borrowings, with accrued interest thereon, and all other amounts owed by the Company, including all amounts under outstanding letters of credit, became immediately due and payable. As further described under "*ABL Facility and Debtor-In-Possession Financing*" below, the Company's senior secured asset-based loan facility credit agreement has been amended and excludes the filing of the Bankruptcy Cases as an event of default. In addition, the filing constituted an event of default under the respective indentures governing the Company's Variable Rate Toggle Senior Subordinated Notes due 2013 (the "Variable Rate Notes"), the Company's 7 $^{3}/_{8}$% Senior Subordinated Notes due 2015 (the "7 $^{3}/_{8}$ Notes") and the Company's 8 $^{1}/_{2}$% Senior Subordinated Notes due 2013 (the "8 $^{1}/_{2}$ Notes"). As a result of such default, the principal amount plus accrued and unpaid interest on the respective related notes is due and payable. As of February 1, 2009, the aggregate principal amounts outstanding under the senior secured term loan facility is approximately $1,304,557, and the aggregate principal amounts outstanding under the 7 $^{3}/_{8}$ Notes, the Variable Notes and the 8 $^{1}/_{2}$ Notes are approximately $700,000, $347,000 and $3,000, respectively.

Also on February 2, 2009, the Company failed to make a $25,800 interest payment due February 2, 2009 on the Company's 7 $^{3}/_{8}$ Notes.

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

Senior Term Credit Facility and ABL Facility

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

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

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

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

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

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

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

Debtor-In-Possession Financing

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

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

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

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

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

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

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

Senior Subordinated Notes

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

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

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

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

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

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

8 EMPLOYEE BENEFIT PLANS

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

9 INCOME TAXES

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

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

10 SEGMENT RESULTS

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

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

11 RESTRUCTURING AND RELATED CHARGES

The Company reports restructuring and related charges associated with manufacturing and related initiatives in Cost of goods sold. Restructuring and related charges reflected in Cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring or integration initiatives implemented.

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

2009 Restructuring Initiatives

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

Growing Products Exit Plan Summary

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

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	$ —	$ —	$ —
Provisions	5,569	11,013	16,582
Cash expenditures	(1,044)	—	(1,044)
Non-cash items	—	(7,785)	(7,785)
Accrual balance at December 28, 2008	$ 4,525	$ 3,228	$ 7,753
Expensed as incurred[(A)]	$ —	$43,434	$43,434

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

(Amounts in thousands, except per share figures)

2008 Restructuring Initiatives

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

Ningbo Exit Plan Summary

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

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

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

2007 Restructuring Initiatives

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

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

Latin American Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	$ 124	$ 777	$ 901
Cash expenditures	(373)	—	(373)
Non-cash items	—	(252)	(252)
Accrual balance at December 28, 2008	$ (249)	$ 525	$ 276
Expensed as incurred(A)	$ 86	$ —	$ 86

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

Global Realignment Initiatives Summary

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

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

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

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

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize the Company's manufacturing structure (the "European Initiatives"). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Company recorded no pretax restructuring and related charges during the three month period ended December 28, 2008, in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of $27,039 since the inception of the European Initiatives.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

European Initiatives Summary

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

2005 Restructuring Initiatives

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

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

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

2005 Restructuring Initiatives Summary

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

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

2005 Restructuring Initiatives Summary—Pursuant to Acquisitions[(A)]

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

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

12 COMMITMENTS AND CONTINGENCIES

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

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

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

13 NEW ACCOUNTING PRONOUNCEMENTS

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

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

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)—(Continued)
(Amounts in thousands, except per share figures)

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

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

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

14 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

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

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheet
December 28, 2008
(Unaudited)
(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 35,457	$ 3,805	$ 61,430	$ —	$ 100,692
Receivables, net	330,435	388,502	252,173	(624,653)	346,457
Inventories	75,566	163,537	173,796	(5,282)	407,617
Assets held for sale	—	316	6,319	—	6,635
Prepaid expenses and other	406	34,623	22,208	734	57,971
Total current assets	441,864	590,783	515,926	(629,201)	919,372
Property, plant and equipment, net	44,788	55,953	102,738	—	203,479
Goodwill	—	58,653	171,012	2,324	231,989
Intangible assets, net	213,984	293,274	216,465	(187)	723,536
Deferred charges and other	670,411	423,276	(820,431)	(233,092)	40,164
Debt issuance costs	34,713	—	—	—	34,713
Investments in subsidiaries	3,876,867	3,378,978	3,585,096	(10,840,941)	—
Total assets	$ 5,282,627	$ 4,800,917	$ 3,770,806	$ (11,701,097)	$ 2,153,253
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 131,486	$ 17	$ 41,111	$ (118,031)	$ 54,583
Accounts payable	558,396	350,740	140,707	(790,334)	259,509
Accrued liabilities	88,458	37,033	112,420	—	237,911
Total current liabilities	778,340	387,790	294,238	(908,365)	552,003
Long-term debt, net of current maturities	2,538,356	587,482	38,122	(613,620)	2,550,340
Employee benefit obligations, net of current portion	9,255	(1,330)	35,208	—	43,133
Deferred income taxes	184,092	(49,890)	(5,937)	—	128,265
Other	11,719	—	30,197	—	41,916
Total liabilities	3,521,762	924,052	391,828	(1,521,985)	3,315,657
Shareholders' equity:					
Common stock	691	451	539,155	(539,606)	691
Additional paid-in capital	674,233	2,134,693	3,482,620	(5,617,195)	674,351
Accumulated deficit	(1,678,047)	(436,560)	(711,449)	1,018,469	(1,807,587)
Accumulated other comprehensive income (loss)	2,840,874	2,178,282	68,652	(5,040,781)	47,027
	1,837,751	3,876,866	3,378,978	(10,179,113)	(1,085,518)
Less treasury stock, at cost	(76,886)	—	—	—	(76,886)
Total shareholders' equity	1,760,865	3,876,866	3,378,978	(10,179,113)	(1,162,404)
Total liabilities and shareholders' equity	$ 5,282,627	$ 4,800,917	$ 3,770,806	$ (11,701,097)	$ 2,153,253

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Balance Sheet
September 30, 2008
(Unaudited)
(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 9,786	$ 3,667	$ 91,320	$ —	$ 104,773
Receivables, net	262,056	443,551	209,654	(520,556)	394,705
Inventories	65,970	156,234	164,967	(3,911)	383,260
Deferred income taxes	(3,149)	11,969	4,404	733	13,957
Assets held for sale	—	316	7,136	—	7,452
Prepaid expenses and other	21,118	7,361	20,971	—	49,450
Total current assets	355,781	623,098	498,452	(523,734)	953,597
Property, plant and equipment, net	47,621	63,749	123,435	—	234,805
Long term intercompany receivables	675,951	—	(421,804)	(254,147)	—
Deferred charges and other	15,724	439,571	(411,166)	—	44,129
Goodwill	—	58,653	174,491	2,324	235,468
Intangible assets, net	213,523	305,547	223,926	(187)	742,809
Debt issuance costs	36,671	—	—	—	36,671
Investments in subsidiaries	3,908,119	3,357,348	3,549,876	(10,815,343)	—
Total assets	$ 5,253,390	$ 4,847,966	$ 3,737,210	$ (11,591,087)	$ 2,247,479
LIABILITIES AND SHAREHOLDERS’ EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 138,165	$ 12	$ 35,059	$ (124,599)	$ 48,637
Accounts payable	497,397	333,830	109,405	(662,506)	278,126
Accrued liabilities	106,422	32,991	115,903	—	255,316
Total current liabilities	741,984	366,833	260,367	(787,105)	582,079
Long-term debt, net of current maturities	2,462,070	602,379	50,984	(640,651)	2,474,782
Employee benefit obligations, net of current portion	10,191	(1,278)	38,781	—	47,694
Deferred income taxes	158,242	(28,087)	(15,481)	—	114,674
Other	10,277	—	45,211	—	55,488
Total liabilities	3,382,764	939,847	379,862	(1,427,756)	3,274,717
Shareholders’ equity:					
Common stock	692	451	537,926	(538,377)	692
Additional paid-in capital	674,252	2,134,693	3,547,564	(5,682,139)	674,370
(Accumulated deficit) Retained earnings	(1,654,508)	(489,611)	(818,795)	1,267,999	(1,694,915)
Accumulated other comprehensive income (loss)	2,927,020	2,262,586	90,653	(5,210,814)	69,445
	1,947,456	3,908,119	3,357,348	(10,163,331)	(950,408)
Less treasury stock, at cost	(76,830)	—	—	—	(76,830)
Total shareholders’ equity (deficit)	1,870,626	3,908,119	3,357,348	(10,163,331)	(1,027,238)
Total liabilities and shareholders’ equity (deficit)	$ 5,253,390	$ 4,847,966	$ 3,737,210	$ (11,591,087)	$ 2,247,479

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations
Three Month Period Ended December 28, 2008
(Unaudited)
(Amounts in thousands)

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

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations
Three Month Period Ended December 30, 2007
(Unaudited)
(Amounts in thousands)

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

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Cash Flows
Three Month Period Ended December 28, 2008
(Unaudited)
(Amounts in thousands)

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

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Cash Flows
Three Month Period Ended December 30, 2007
(Unaudited)
(Amounts in thousands)

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

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

Introduction

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

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

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

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

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

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

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

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

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

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

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

Chapter 11 Filing

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

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

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

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

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

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

Defaults on Current Indebtedness

The Bankruptcy Filing constituted an event of default under our senior secured term credit facility agreement. As a result of such default, the commitments under the related facility immediately terminated and all borrowings, with accrued interest thereon, and all other amounts owed by us, including all amounts under outstanding letters of credit, became immediately due and payable. As further described under "*Debtor-In-Possession Financing*" below, our senior secured asset-based loan facility credit agreement has been amended as of the date of the filing of the Bankruptcy Cases to exclude the filing of the Bankruptcy Cases as an event of default. In addition, the filing constituted an event of default under the respective indentures governing our Variable Rate Toggle Senior Subordinated Notes due 2013 (the "Variable Rate Notes"), our 7 3/8% Senior Subordinated Notes due 2015 (the "7 3/ 8 Notes") and our 8 1/2% Senior Subordinated Notes due 2013 (the "8 1/2 Notes"). As a result of such default, the principal amount plus accrued and unpaid interest on the respective related notes is due and payable. As of February 1, 2009, the aggregate principal amounts outstanding under the senior secured term loan facility is approximately $1,305 million, and the aggregate principal amounts outstanding under the 7 3/8 Notes, the Variable Notes and the 8 1/2 Notes are approximately $700 million, $347 million and $3 million, respectively.

Also, on February 2, 2009, we failed to make a $25.8 million interest payment due February 2, 2009 on our 7 3/8 Notes.

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

Results of Operations

Fiscal Quarter Ended December 28, 2008 Compared to Fiscal Quarter Ended December 30, 2007

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

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

Net Sales. Net sales for the Fiscal 2009 Quarter decreased to $564 million from $605 million in the Fiscal 2008 Quarter, a 7.6% decrease. The following table details the principal components of the change in net sales from the Fiscal 2008 Quarter to the Fisca1 2009 Quarter (in millions):

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

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

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

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

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

Operating Expense. Operating expenses for the Fiscal 2009 Quarter totaled $188 million versus $186 million for the Fiscal 2008 Quarter representing an increase of $2 million. The increase in operating expense is attributable to an increase in Restructuring and related charges of approximately $21 million, which rose to $26 million in the Fiscal 2009 Quarter from $5 million in the Fiscal 2008 Quarter. The restructuring and related charges incurred in the Fiscal 2009 Quarter were primarily attributable to our decision to exit the growing products portion of our Home and Garden Business segment. The restructuring and related charges incurred in the Fiscal 2008 Quarter were primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007. See "*Restructuring and Related Charges*" below, as well as Note 11, Restructuring and Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our restructuring and related charges. The increase in Restructuring and related charges was partially offset by decreased selling and marketing costs of $10 million and decreased distribution expenses of $6 million. Favorable foreign exchange translation impacted operating expenses by $8 million in the Fiscal 2009 Quarter compared to the Fiscal 2008 Quarter.

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

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

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

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

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

Global Batteries & Personal Care

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

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

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

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

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Global Pet Supplies

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

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

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

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

Home and Garden

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

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

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

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

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

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

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

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

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

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

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

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

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

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the "Global Realignment Initiatives"). We recorded approximately $7 million and $4 million of pretax restructuring and related charges during the Fiscal 2009 Quarter and the Fiscal 2008 Quarter, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2009, relate primarily to severance and are projected at approximately $95 million.

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

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

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

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

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

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. SFAS 109 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with SFAS 109, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, we determined that a full valuation allowance is required against our net deferred tax assets in the U.S. and China. During the Fiscal 2009 Quarter we increased our valuation allowance against net deferred tax assets by approximately $52 million. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, was approximately $549 million and $496 million at December 30, 2008 and September 30, 2008, respectively. Of this amount, approximately $523 million and $468 million relates to U.S. net deferred tax assets at December 28, 2008 and September 30, 2008, respectively and approximately $26 million and $28 million relates to foreign net deferred tax assets at December 30, 2008 and September 30, 2008, respectively.

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

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

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

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

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

Liquidity and Capital Resources

Operating Activities

For the Fiscal 2009 Quarter cash used by operating activities totaled $90 million as compared to a use of $91 million in the Fiscal 2008 Quarter. The $1 million decrease in cash used represented a $2 million decrease in cash used by operating activities of discontinued operations and an increase of $1 million of cash used by operating activities from continuing operations. The increase in cash used by operating activities from continuing operations was the result of a $34 million change in operating assets and liabilities of continuing operations. The change in assets and liabilities was driven by unfavorable foreign exchange translation coupled with incentive compensation payments of approximately $30 million which were earned in our fiscal year ended September 30, 2008 and paid in the Fiscal 2009 Quarter versus approximately $25 million of incentive compensation payments earned during the fiscal year ended September 30, 2007 and paid in the Fiscal 2008 Quarter. Offsetting the changes in operating assets and liabilities was a $33 million increase in income from continuing operations after adjusting for non-cash items. The $2 million decrease in cash used by operating activities from discontinued operations was due to the loss from discontinued operations associated with the Canadian division of the Home and Garden Business, which we sold on November 1, 2007.

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

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

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

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

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

Investing Activities

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

Debt Financing Activities

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

Senior Term Credit Facility and ABL Facility

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

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

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

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

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

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

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

Debtor-In-Possession Financing

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

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

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

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

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

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

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

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

Senior Subordinated Notes

At December 28, 2008, we had outstanding principal of $700 million under our 7 $^{3}/_{8}$ Notes, outstanding principal of approximately $3 million under our 8 $^{1}/_{2}$ Notes, and outstanding principal of approximately $347 million under our Variable Rate Notes (collectively, the “Senior Subordinated Notes”). The Variable Rate Toggle Senior Subordinated Notes due 2013 are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of December 28, 2008, the Variable Rate Notes bore interest at a rate of 12.50%.

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

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

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

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

Interest Payments and Fees

In addition to principal payments on our Senior Term Credit Facility and DIP Facility, we have annual interest payment obligations of approximately $45 million in the aggregate under our Variable Rate Notes, approximately $0.2 million in the aggregate under our 8 1/2% Notes and approximately $52 million in the aggregate under our 7 3/8% Notes. We also incur interest on our borrowings under the Senior Term Credit Facility and the DIP Facility, and such interest would increase borrowings under the DIP Facility if cash were not otherwise available for such payments. For the pendency of the Bankruptcy Cases, we anticipate that interest under the Senior Term Credit Facility will accrue at the base rate under the facility; however, we currently do not anticipate making any interest payments under the Senior Term Credit Facility during such period. In addition, under the Proposed Plan, we do not expect to pay interest on the Senior Subordinated Notes that accrues after the Bankruptcy Filing. Interest under the DIP Facility is payable in cash on various interest payment dates as provided in the DIP Credit Agreement. Based on amounts currently outstanding under the Senior Term Credit Facility and the DIP Facility, and using market interest rates and foreign exchange rates in effect as of December 28, 2008, we estimate annual interest payments of approximately $102 million in the aggregate under our Senior Term Credit Facility and DIP Facility would be required assuming each such debt instrument remained in effect in accordance with its terms, no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps.

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

Equity Financing Activities

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

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

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

Critical Accounting Policies and Critical Accounting Estimates

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

Recently Issued Accounting Standards

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

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

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

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Factors

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

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

Interest Rate Risk

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

Foreign Exchange Risk

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

Commodity Price Risk

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

Sensitivity Analysis

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

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

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

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

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

Item 4. Controls and Procedures

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

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 3, 2009, the Company and its United States subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Western District of Texas. The Bankruptcy Cases are being jointly administered by the Bankruptcy Court as Case Number 09-50456. The Company intends to continue to operate its business as debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As a result of the filings, attempts to collect, secure, or enforce remedies with respect to pre-petition claims against the Company are subject to the automatic stay provisions of section 362 of the Bankruptcy Code. The Bankruptcy Cases are discussed in greater detail in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Introduction” and Note 1, Description of Business, to our Condensed Consolidated Financial Statements (Unaudited).

Item 1A. Risk Factors

Forward-Looking Statements

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

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

- the impact of the Bankruptcy Cases;
- the impact of our substantial indebtedness on our business, financial condition and results of operations;
- the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;
- the impact of unusual expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers’ willingness to advance credit;
- interest rate and exchange rate fluctuations;
- the loss of, or a significant reduction in, sales to a significant retail customer or significant suppliers;
- competitive promotional activity or spending by competitors or price reductions by competitors;

- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;
- changes in consumer spending preferences and demand for our products;
- our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;
- our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of our products, including the potential for environmental liabilities, product liability claims, litigation and other claims;
- the impact of pending or threatened litigation;
- changes in accounting policies applicable to our business;
- government regulations;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity; and
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

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

RISK FACTORS

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

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

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

- our ability to continue as a going concern;
- our ability to operate within the restrictions and the liquidity limitations of the DIP Facility and any cash collateral order entered by the Bankruptcy Court in connection with the Bankruptcy Cases;
- our ability to obtain Bankruptcy Court approval with respect to motions filed in the Bankruptcy Cases from time to time;
- our ability to develop, prosecute, confirm and consummate a plan of reorganization with respect to the Chapter 11 proceedings;
- the ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for us to propose and confirm a plan of reorganization, to appoint a Chapter 11 trustee or to convert the Bankruptcy Cases to Chapter 7 cases;
- our ability to obtain and maintain normal payment and other terms with customers, vendors and service providers;
- our ability to maintain contracts that are critical to our operations;
- our ability to attract, motivate and retain key employees;
- our ability to attract and retain customers; and
- our ability to fund and execute our business plan.

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

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

As a result of the Bankruptcy Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating under the protection of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, we may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in our consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications reported in our consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

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

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

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

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

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

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

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

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

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

The Company may have insufficient liquidity.

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

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

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

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

If a plan is not confirmed by the Bankruptcy Court, it is unclear whether we would be able to reorganize our business and what, if any, distributions holders of claims against us, including holders of our Variable Rate Notes, 7 $^{3}/_{8}$ Notes or 8 $^{1}/_{2}$ Notes and other secured creditors, would ultimately receive with respect to their claims. If an alternative reorganization could not be agreed upon, it is possible that we would have to liquidate our assets, in which case it is likely that holders of claims would receive substantially less favorable treatment than they would receive if we were to emerge as a viable, reorganized entity. While we expect to emerge from Chapter 11 proceedings in the future, there can be no assurance as to whether we will successfully reorganize and emerge from Chapter 11 proceedings or, if we do successfully reorganize, as to when we would emerge from Chapter 11 proceedings.

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

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

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

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

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

- requiring us to dedicate a large portion of our cash flow to pay principal and interest on our indebtedness, which will reduce the availability of our cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restricting us from making strategic acquisitions, dispositions or exploiting business opportunities;
- placing us at a competitive disadvantage compared to our competitors that have less debt; and
- limiting our ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets.

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

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

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

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

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

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

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

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

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

We face risks related to the current economic crisis.

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

Risks of trading in an over the counter market.

Securities traded in the over-the-counter market generally have significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained. As a result, in the event of a delisting, holders of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all. Furthermore, because of the limited market and generally low volume of trading in our common stock that could occur, the share price of our common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the markets perception of our business, and announcements made by us, our competitors or parties with whom we have business relationships. Investors may also determine to exit our common stock as a result of the delisting of our common stock, which could depress the share price. With respect to the Company, in some cases, we may be subject to additional compliance requirements under applicable state laws in the issuance of our securities. The lack of liquidity in our common stock may also make it difficult for us to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future. In addition, we may experience other adverse effects, including, without limitation, the loss of confidence in us by current and prospective suppliers, customers, employees and others with whom we have or may seek to initiate business relationships.

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

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

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

- We compete against many well established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than we do.
- In some key product lines, our competitors may have lower production costs and higher profit margins than we do, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.
- Product improvements or effective advertising campaigns by competitors may weaken consumer demand for our products.
- Consumer purchasing behavior may shift to distribution channels where we do not have a strong presence.
- Consumer preferences may change to lower margin products or products other than those we market.

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

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

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

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

Weather conditions in North America have a significant impact on the timing and volume of sales of certain of our lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. In addition, an abnormally cold spring throughout North America could adversely affect insecticide sales and therefore have a material adverse effect on the Home and Garden Business. Any such effect on the Home and Garden Business could negatively impact our ability to sell, and the price we are able to obtain in a sale of the Home and Garden Business.

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

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

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

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

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

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

Our ability to deduct net operating loss carryforwards could be subject to a significant limitation if we were to undergo an “ownership change” for purposes of Section 382 of the Internal Revenue Code during or as a result of the Bankruptcy Cases. During the pendency of the bankruptcy proceedings, the Bankruptcy Court has entered an interim order that places limitations on trading in our common stock, including options to acquire common stock, as further specified in the order. However, we can provide no assurances that these limitations will prevent an "ownership change" or that our ability to utilize our net operating loss carryforwards may not be significantly limited as a result of our reorganization.

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

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

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

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

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

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

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

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

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

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

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

- Although contractually assured with our suppliers, we may be unable to procure appropriate RoHS compliant material in sufficient quantity and quality and/or be able to incorporate it into our product procurement processes without compromising quality and/or harming our cost structure.
- We may face excess and obsolete inventory risk related to non-compliant inventory that we may continue to hold in Fiscal 2009 for which there is reduced demand and we may need to write down the carrying value of such inventories.
- We may be unable to sell certain existing inventories of our batteries in Europe.

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

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

Sales of our battery and electric shaving and grooming and personal care products are seasonal. A large percentage of sales for these products generally occur during our first fiscal quarter that ends on or about December 31, due to the impact of the December holiday season. Sales of our lawn and garden and household insect control products that are offered through our Home and Garden Business are also seasonal. A large percentage of our sales of these products occur during the spring and summer, typically our second and third fiscal quarters. As a result of this seasonality, our inventory and working capital needs relating to these products fluctuate significantly during the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If we are unable to accurately forecast and prepare for customer orders or our working capital needs, or there is a general downturn in business or economic conditions during these periods, our business, financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

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

- our relationships with our suppliers;
- the terms and conditions upon which we purchase products from our suppliers;
- the financial condition of our suppliers;
- the ability to import outsourced products; or
- our suppliers' ability to manufacture and deliver outsourced products on a timely basis.

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

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

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

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

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

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

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

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

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

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

- discharges to the air, water and land;
- the handling and disposal of solid and hazardous substances and wastes; and
- remediation of contamination associated with release of hazardous substances at our facilities and at off-site disposal locations.

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

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

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

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

Certain of our products sold through and facilities operated under each of our business segments are regulated by the EPA, the FDA or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the United States, all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain or the cancellation of any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients, but we may not always be able to avoid or minimize these risks.

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

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

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

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

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

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

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

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

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

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

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

We face risks related to our derivative financial instruments.

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

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Item 2. Issuer Purchases of Equity Securities

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

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

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

Item 6. Exhibits

Please refer to the Exhibit Index.

SIGNATURES

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

Date: February 11, 2009

SPECTRUM BRANDS, INC.

By: /s/ ANTHONY L. GENITO

Anthony L. Genito
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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

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

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

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

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

* Filed herewith

RATIFICATION AND AMENDMENT AGREEMENT

This RATIFICATION AND AMENDMENT AGREEMENT (the "***Ratification Agreement***") dated as of February 5, 2009 is by and among Wachovia Bank, National Association ("***Wachovia***"), in its capacity as administrative agent (the "***Administrative Agent***") acting for and on behalf of the financial institutions from time to time party to the Existing Credit Agreement (as defined below) as lenders (collectively with Administrative Agent, the "***Lenders***"), Wachovia, in its capacity as collateral agent ("***Collateral Agent***"; together with the Administrative Agent, collectively, "***Agent***") acting for and on behalf of the Secured Parties (as defined in the Existing ABL Guarantee and Collateral Agreement (as defined below)), Wachovia, in its capacity as "Supplemental Loan Lender" (as hereinafter defined), Spectrum Brands, Inc., a Wisconsin corporation, as Debtor and Debtor-in-Possession ("***Borrower***"), ROV Holding, Inc., a Delaware corporation, as Debtor and Debtor-in Possession ("***ROV***"), ROVCAL Inc., a California corporation, as Debtor and Debtor-in Possession ("***Rovcal***"), United Industries Corporation, a Delaware corporation, as Debtor and Debtor-in Possession ("***United***"), Spectrum Neptune US Holdco Corporation, a Delaware corporation, as Debtor and Debtor-in Possession ("***Neptune***"), Schultz Company, a Missouri corporation, as Debtor and Debtor-in Possession ("***Schultz***"), United Pet Group, Inc., a Delaware corporation, as Debtor and Debtor-in Possession ("***United Pet***"), DB Online, LLC, a Hawaii limited liability company, as Debtor and Debtor-in Possession ("***DB Online***"), Southern California Foam, Inc., a California corporation, as Debtor and Debtor-in Possession ("***Foam***"), Aquaria, Inc., a California corporation, as Debtor and Debtor-in Possession ("***Aquaria***"), Aquarium Systems, Inc., a Delaware corporation, as Debtor and Debtor-in Possession ("***Aquarium***"), Perfecto Manufacturing, Inc., a Delaware corporation, as Debtor and Debtor-in Possession ("***Perfecto***"), Tetra Holding (US), Inc., a Delaware corporation, as Debtor and Debtor-in Possession ("***Tetra***"), and Spectrum Jungle Labs Corporation, a Texas corporation, as Debtor and Debtor-in Possession ("***Jungle***"; and together with ROV, Rovcal, United, Neptune, Schultz, United Pet, DB Online, Foam, Aquaria, Aquarium, Perfecto and Tetra, each individually, a "***Subsidiary Loan Party***" and collectively, the "***Subsidiary Loan Parties***").

<u>W I T N E S S E T H</u>:

WHEREAS, Borrower and each Subsidiary Loan Party (as hereinafter defined, collectively, the "***Debtors***") have commenced a case under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Western District of Texas, San Antonio Division, and Borrower and each Subsidiary Loan Party has retained possession of its assets and are authorized under the Bankruptcy Code to continue the operation of their businesses as a debtor-in-possession;

WHEREAS, prior to the commencement of the Chapter 11 Cases (as defined below), Agent and Lenders made loans and advances and provided other financial or credit accommodations to Borrower secured by substantially all assets and properties of Borrower and Subsidiary Loan Parties as set forth in the Existing Loan Documents (as defined below);

WHEREAS, the Bankruptcy Court (as defined below) has entered an Interim Financing Order (as defined below) pursuant to which Agent, Lenders and Supplemental Loan Lender (as defined below) may make post-petition loans and advances, and provide other financial accommodations, to Borrower secured by substantially all the assets and properties of Borrower and Subsidiary Loan Parties as set forth in the Interim Financing Order and the Loan Documents (as defined below);

WHEREAS, the Interim Financing Order provides that as a condition to the making of such post-petition loans, advances and other financial accommodations, Borrower and Subsidiary Loan Parties shall execute and deliver this Ratification Agreement;

WHEREAS, Borrower and Subsidiary Loan Parties desire to reaffirm their obligations to Agent and Lenders pursuant to the Existing Loan Documents and acknowledge their continuing liabilities to Agent and Lenders thereunder in order to induce Agent and Lenders to make such post-petition loans and advances, and provide such other financial accommodations, to Borrower; and

WHEREAS, Borrower and Subsidiary Loan Parties have requested that Agent, Lenders and Supplemental Loan Lender make post-petition loans and advances and provide other financial or credit accommodations to Borrower and make certain amendments to the Existing Credit Agreement and the Existing ABL Guarantee and Collateral Agreement (as defined below), and Agent, Lenders and Supplemental Loan Lender are willing to do so, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Agent, Lenders, Supplemental Loan Lender, Borrower and Subsidiary Loan Parties mutually covenant, warrant and agree as follows:

1. DEFINITIONS.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given to them below and the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement and the other Existing Loan Documents shall be deemed and are hereby amended to include, in addition and not in limitation, each of the following definitions:

(a) "***Bankruptcy Code***" means the United States Bankruptcy Code, being Title 11 of the United States Code as enacted in 1978, as the same has heretofore been or may hereafter be amended, recodified, modified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

(b) "***Bankruptcy Court***" means the United States Bankruptcy Court or the United States District Court for the Western District of Texas, San Antonio Division.

(c) "***Budget***" means the initial thirteen (13) week budget to be delivered to Agent and Lenders in accordance with Section 5.3(a) hereof, in form and substance satisfactory to Agent, setting forth the Projected Information for the periods covered thereby, which initial budget shall be updated on a cumulative, weekly roll forward basis, together with any subsequent or amended budget(s) thereto delivered to Agent and Lenders, in form and substance satisfactory to Agent, in accordance with the terms and conditions hereof.

(d) "***Chapter 11 Cases***" means the Chapter 11 cases of Borrower and Subsidiary Loan Parties which are being jointly administered under the Bankruptcy Code and are pending in the Bankruptcy Court.

(e) "***Debtors***" means, collectively, Borrower, as Debtor and Debtor-in-Possession in the Chapter 11 Cases, and each Subsidiary Loan Party, as Debtor and Debtor-in-Possession in the Chapter 11 Cases.

(f) "***DIP Fee Letter***" means the letter agreement, dated of even date herewith, between Borrower and Agent, setting forth certain fees payable by Borrower to Agent, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(g) "***Existing ABL Guarantee and Collateral Agreement***" means, the ABL Guarantee and Collateral Agreement, dated as of September 28, 2007, by and among Borrower, Subsidiary Loan Parties and the Collateral Agent, as in effect immediately prior to the Petition Date.

(h) "***Existing Credit Agreement***" means the Credit Agreement, dated as of September 28, 2007, by and among Borrower, Subsidiary Loan Parties, the Administrative Agent and Lenders, as in effect immediately prior to the Petition Date.

(i) "***Existing Loan Documents***" means the Loan Documents (as defined in the Existing Credit Agreement), as in effect immediately prior to the Petition Date.

(j) "***Financing Order***" means the Interim Financing Order, the Permanent Financing Order and such other orders relating thereto or authorizing the granting of credit by Agent, Lenders and Supplemental Loan Lender to Borrower pursuant to the Existing Credit Agreement, as amended by the Ratification Agreement and as ratified, assumed and adopted by Borrower and each Subsidiary Loan Party pursuant to the terms thereof, on an emergency, interim or permanent basis pursuant to Section 364 of the Bankruptcy Code as may be issued or entered by the Bankruptcy Court in the Chapter 11 Cases.

(k) "***Interim Financing Order***" has the meanings set forth in Section 11.8 hereof.

(l) "***Material Budget Deviation***" has the meanings set forth in Section 5.3(c) hereof.

(m) "***Permanent Financing Order***" has the meanings set forth in Section 11.9 hereof.

(n) "***Petition Date***" means the date of the commencement of the Chapter 11 Cases.

(o) "***Post-Petition Collateral***" means any and all of the following assets and property of each Debtor's estate, whether real, personal or mixed and wherever located, of any kind, nature or description, including any such property in which a lien is granted to the Collateral Agent and Secured Parties pursuant to the Loan Documents, the Financing Order or any other order entered or issued by the Bankruptcy Court:

(i) all of the Pre-Petition Collateral;

(ii) all Accounts (other than Accounts arising under contracts for the sale of Non-ABL Collateral) and related Records;

(iii) all Chattel Paper;

(iv) all Deposit Accounts and all cash, checks and other negotiable instruments, funds and other evidences of payment held therein (but not any identifiable Proceeds of Non-ABL Collateral);

(v) all Inventory;

(vi) solely to the extent evidencing, governing, securing or otherwise related to the items referred to in the preceding clauses (ii), (iii), (iv) and (v), all Documents, General Intangibles (other than Intellectual Property), Instruments, Investment Property and Letter of Credit Rights;

(vii) all books and records related to the foregoing;

(viii) subject to approval by the Bankruptcy Court pursuant to the Permanent Financing Order, all present and future claims, rights, interests, assets and properties recovered by or on behalf of Borrower and each Subsidiary Loan Party or any trustee of Borrower or any Subsidiary Loan Party (whether in the Chapter 11 Cases or any subsequent case to which any Chapter 11 Case is converted), including without, limitation, all such property recovered as a result of transfers or obligations avoided or actions maintained or taken pursuant to, inter alia, Sections 542, 545, 547, 548, 549, 550, 552 and 553 of the US Bankruptcy Code, subject to the terms of the applicable Financing Order); and

(ix) all Proceeds, including insurance Proceeds, of any and all of the foregoing and all collateral, security and guarantees given by any Person with respect to any of the foregoing.

Notwithstanding clause (ix) above, "***Post-Petition Collateral***" shall not include any assets referred to in clauses (a) through (j) and (l) of the definition of "***Non-ABL Collateral***" (as defined in the Existing ABL Guarantee and Collateral Agreement) that are not included in clause (vi) above. All capitalized terms used in this definition and not defined elsewhere in the Existing Credit Agreement have the meanings assigned to them in the New York UCC.

(p) "***Post-Petition Obligations***" means all Obligations (as defined in the Existing ABL Guarantee and Collateral Agreement) arising on and after the Petition Date and whether arising on or after the conversion or dismissal of the Chapter 11 Cases, or before, during and after the confirmation of any plan of reorganization in the Chapter 11 Cases, and whether arising under or related to this Ratification Agreement, the Credit Agreement, the ABL Guarantee and Collateral Agreement, the other Loan Documents, a Financing Order, by operation of law or otherwise, and whether incurred by Borrower or such Subsidiary Loan Party as principal, surety, endorser, Subsidiary Loan Party or otherwise and including, without limitation, all principal, interest, financing charges, letter of credit fees, unused line fees, servicing fees, debtor-in-possession facility fees, other fees, commissions, costs, expenses and attorneys', accountants' and consultants' fees and expenses incurred in connection with any of the foregoing.

(q) "***Pre-Petition Collateral***" means, collectively, (i) all "***ABL Collateral***" as such term is defined in the Existing ABL Guarantee and Collateral Agreement as of the Petition Date, and (ii) all other security for the Pre-Petition Obligations as provided in the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement and the other Existing Loan Documents as of the Petition Date.

(r) "***Pre-Petition Obligations***" means all Obligations (as defined in the Existing ABL Guarantee and Collateral Agreement) arising at any time before the Petition Date.

(s) "***Projected Information***" has the meaning specified in Section 5.3 of the Ratification Agreement.

(t) "***Purchase Price***" means the amount required for the payment in full of all Obligations outstanding on the Purchase Date (including, without limitation, all principal, interest, fees and expenses (including reasonable attorneys' fees and legal expenses), but not including Obligations for which cash collateral (or a letter of credit) is to be provided as set forth in Section 12.7(c)(i) hereof or other contingent Obligations).

(u) "***Ratification Agreement***" means this Ratification and Amendment Agreement by and among Borrower, Subsidiary Loan Parties, the Administrative Agent, the Collateral Agent, Lenders and Supplemental Loan Lender, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(v) “***Stated Expiry Date***” means February 5, 2010.

(w) “***Supplemental Loan***” has the meaning specified in Section 9.1 of the Ratification Agreement.

(x) “***Supplemental Loan Junior Participation Agreement***” means that certain agreement among Supplemental Loan Participants and Supplemental Loan Lender, which shall be in form and substance reasonably satisfactory to Supplemental Loan Lender and Supplemental Loan Participant, pursuant to which Supplemental Loan Participant has purchased, or will purchase, a 100% junior participation in the Supplemental Loan.

(y) “***Supplemental Loan Lender***” means Wachovia Bank, National Association, as a Lender in its individual capacity. For the purposes of this definition, “Supplemental Loan Lender” shall not include any Lender other than Wachovia Bank, National Association.

(z) “***Supplemental Loan Participants***” means those banks or other financial institutions that purchase in aggregate 100% junior participation in the Supplemental Loan pursuant to the terms of the Supplemental Loan Junior Participation Agreement.

1.2 Amendments to Definitions.

(a) ABL Guarantee and Collateral Agreement. All references to the term “***ABL Guarantee and Collateral Agreement***” in (i) the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents and (ii) this Ratification Agreement, shall each be deemed, and each such reference is hereby amended, to mean the Existing ABL Guarantee and Collateral Agreement, as amended by this Ratification Agreement and as ratified, assumed and adopted by Borrower and each Subsidiary Loan Party pursuant to the terms hereof and the Financing Order, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(b) Collateral. All references to the term “***ABL Collateral***” in the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents, or any other term referring to the security for the Pre-Petition Obligations, shall be deemed, and each such reference is hereby amended to mean, collectively, the Pre-Petition Collateral and the Post-Petition Collateral.

(c) Credit Agreement. All references to the term “***Credit Agreement***” in (i) the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents and (ii) this Ratification Agreement, shall each be deemed, and each such reference is hereby amended, to mean the Existing Credit Agreement, as amended by this Ratification Agreement and as ratified, assumed and adopted by Borrower and each Subsidiary Loan Party pursuant to the terms hereof and the Financing Order, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(d) Debtors. All references to the terms “***Borrower***”, “***Loan Parties***” or “***Subsidiary Loan Parties***” in the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents shall be deemed, and each such reference is hereby amended, to mean and include Borrower and each Subsidiary Loan Party, each as Debtor and Debtor-in-Possession, and their successors and assigns (including any trustee or other fiduciary hereafter appointed as its legal representative or with respect to the property of the estate of such corporation or limited liability company whether under Chapter 11 of the Bankruptcy Code or any subsequent Chapter 7 case and its successor upon conclusion of the Chapter 11 Case of such corporation).

(e) Loan Documents. All references to the term “***Loan Documents***” in (i) the Existing Credit Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents and (ii) this Ratification Agreement, shall each be deemed, and each such reference is hereby amended, to include, in addition and not in limitation, this Ratification Agreement and all of the Existing Loan Documents, as ratified, assumed and adopted by Borrower and each Subsidiary Loan Party pursuant to the terms hereof, as amended and supplemented hereby, and the Financing Order, as each of the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(f) Material Adverse Effect. All references to the term “***Material Adverse Effect,***” “***material adverse effect***” or “***material adverse change***” in the Existing Credit Agreement, this Ratification Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents shall be deemed, and each such reference is hereby amended, to add at the end thereof: “provided, that, neither the events leading up to nor the commencement of the Chapter 11 Cases shall constitute a Material Adverse Effect”.

(g) Obligations. All references to the term “***Obligations***” in the Existing Credit Agreement, this Ratification Agreement, the Existing ABL Guarantee and Collateral Agreement or the other Existing Loan Documents shall be deemed, and each such reference is hereby amended, to mean both the Pre-Petition Obligations and the Post-Petition Obligations.

1.3 Interpretation.

(a) For purposes of this Ratification Agreement, unless otherwise defined or amended herein, including, but not limited to, those terms used or defined in the recitals hereto, all terms used herein shall have the respective meanings assigned to such terms in the Existing Credit Agreement or the Existing ABL Guarantee and Collateral Agreement.

(b) All references to the term “***Agent,***” “***Administrative Agent,***” “***Collateral Agent,***” “***Lenders,***” “***Borrower,***” “***Debtors***”, “***Loan Parties***”, “***Subsidiary Loan Parties***”, “***Secured Parties***” or any other person pursuant to the definitions in the recitals hereto or otherwise shall include its respective successors and assigns.

(c) All references to any term in the singular shall include the plural and all references to any term in the plural shall include the singular unless the context of such usage requires otherwise.

(d) All terms not specifically defined herein which are defined in the Uniform Commercial Code, as in effect in the State of New York as of the date hereof, shall have the meaning set forth therein; except, that, the term “***Lien***” or “***lien***” shall have the meaning set forth in § 101(37) of the Bankruptcy Code.

2. ACKNOWLEDGMENT.

2.1 Pre-Petition Obligations. Borrower and each Subsidiary Loan Party hereby acknowledge, confirm and agree that, as of the close of business on February 2, 2009, Borrower is indebted to Agent and Lenders in respect of all Pre-Petition Obligations in the aggregate principal amount of not less than $168,763,550.82, consisting of (a) Revolving Loans made pursuant to the Existing Loan Documents in the aggregate principal amount of not less than $165,763,550.82, together with interest accrued and accruing thereon, and (b) Letters of Credit in the amount of not less than $3,000,000, together with interest accrued and accruing thereon, and all costs, expenses and fees (including attorneys’ fees and legal expenses) and (c) other Obligations now or hereafter owed by Borrower to Agent and Lenders, all of which are unconditionally owing by Borrower to Agent and Lenders, without offset, defense or counterclaim of any kind, nature and description whatsoever.

2.2 Acknowledgment of Obligations. Borrower and each Subsidiary Loan Party hereby acknowledge, confirm and agree that:

(a) all obligations of Borrower and each Subsidiary Loan Party under the ABL Guarantee and Collateral Agreement and the other Loan Documents are unconditionally owing by Borrower and each Subsidiary Loan Party to Agent and Lenders without offset, defense or counterclaim of any kind, nature and description whatsoever, and

(b) the absolute and unconditional guarantee of the payment of the Pre-Petition Obligations by Borrower and each Subsidiary Loan Party pursuant to the ABL Guarantee and Collateral Agreement and the other Loan Documents to which Borrower and each Subsidiary Loan Party is a party extends to all Post-Petition Obligations, subject only to the limitations set forth in the Loan Documents.

2.3 Acknowledgment of Security Interests. Borrower and each Subsidiary Loan Party hereby acknowledge, confirm and agree that Agent, for the benefit of itself and the other Secured Parties, has and shall continue to have valid, enforceable and perfected first priority and senior security interests in and liens upon all Pre-Petition Collateral heretofore granted to Agent and Secured Parties pursuant to the Existing Loan Documents as in effect immediately prior to the Petition Date to secure all of the Obligations, as well as valid and enforceable first priority and senior security interests in and liens upon all Post-Petition Collateral granted to Agent, for the benefit of itself and the other Secured Parties, under the Financing Order or hereunder or under any of the other Loan Documents or otherwise granted to or held by Agent and Secured Parties, in each case, subject only to liens or encumbrances expressly permitted by the Existing Credit Agreement and the Existing ABL Guarantee and Collateral Agreement and any other liens or encumbrances expressly permitted by the Financing Order that may have priority over the liens in favor of Agent and Secured Parties.

2.4 Binding Effect of Documents. Borrower and each Subsidiary Loan Party hereby acknowledge, confirm and agree that: (a) each of the Existing Loan Documents to which it is a party was duly executed and delivered to Agent and Lenders by Borrower or such Subsidiary Loan Party and each is in full force and effect as of the date hereof, (b) the agreements and obligations of Borrower or such Subsidiary Loan Party contained in the Existing Loan Documents constitute the legal, valid and binding obligations of Borrower or such Subsidiary Loan Party enforceable against it in accordance with the terms thereof, and Borrower or such Subsidiary Loan Party has no valid defense, offset or counterclaim to the enforcement of such obligations, and (c) Agent and Lenders are and shall be entitled to all of the rights, remedies and benefits provided for in the Loan Documents and the Financing Orders.

2.5 Post-Petition Loans and Letters of Credit. Agent, each Lender and Supplemental Loan Lender agrees to make, or continue making, Loans and advances, and provide other financial accommodations to Borrower in accordance with the terms and conditions of the Existing Credit Agreement and the other Existing Loan Documents, subject to the terms of, and as each is amended by, this Ratification Agreement.

3. ADOPTION AND RATIFICATION

Borrower and each Subsidiary Loan Party hereby (a) ratify, assume, adopt and agree to be bound by all of the Existing Loan Documents to which it is a party as amended by this Ratification Agreement, and in accordance with the Financing Order and (b) agrees to pay all of the Pre-Petition Obligations in accordance with the terms of such Existing Loan Documents, as amended by this Ratification Agreement, and in accordance with the Financing Order. All of the Existing Loan Documents are hereby incorporated herein by reference and hereby are and shall be deemed adopted and assumed in full by Borrower and Subsidiary Loan Parties, each as Debtor and Debtor-in-Possession, and considered as agreements between Borrower or such Subsidiary Loan Party, on the one hand, and Agent and Lenders, on the other hand. Borrower and each Subsidiary Loan Party hereby ratifies, restates, affirms and confirms all of the terms and conditions of the Existing Loan Documents, as amended and supplemented pursuant hereto and the Financing Order, and Borrower and each Subsidiary Loan Party agrees to be fully bound, as Debtor and Debtor-in-Possession, by the terms of the Loan Documents to which Borrower or such Subsidiary Loan Party is a party.

4. GRANT OF SECURITY INTEREST.

As collateral security for the prompt performance, observance and payment in full of all of the Obligations (including the Pre-Petition Obligations and the Post-Petition Obligations), Borrower and Subsidiary Loan Parties, each as Debtor and Debtor-in-Possession, hereby grant, pledge and assign to Collateral Agent, for the benefit of itself and the other Secured Parties, and also confirm, reaffirm and restate the prior grant to Agent and Lenders of, continuing security interests in and liens upon, and rights of setoff against, all of the ABL Collateral.

5. ADDITIONAL REPRESENTATIONS, WARRANTIES AND COVENANTS.

In addition to the continuing representations, warranties and covenants heretofore and hereafter made by Borrower and Subsidiary Loan Parties to Agent, Lenders and Supplemental Loan Lender, whether pursuant to the Loan Documents or otherwise, and not in limitation thereof, Borrower and each Subsidiary Loan Party hereby represents, warrants and covenants to Agent, Lenders and Supplemental Loan Lender the following (which shall survive the execution and delivery of this Ratification Agreement), the truth and accuracy of which, or compliance with, to the extent such compliance does not violate the terms and provisions of the Bankruptcy Code, shall be a continuing condition of the making of Loans by Agent, Supplemental Loan Lender and Lenders:

5.1 Financing Order. The Interim Financing Order (and, following the expiration of the Interim Financing Period defined therein, the Permanent Financing Order) has been duly entered, is valid, subsisting and continuing and has not been vacated, modified, reversed on appeal, or vacated or modified by any order of the Bankruptcy Court (other than as consented to by Agent) and is not subject to any pending appeal or stay.

5.2 Use of Proceeds. All Loans and Letters of Credit provided by Agent, any Lender or Supplemental Loan Lender to Borrower pursuant to the Financing Orders, the Existing Credit Agreement, or this Ratification Agreement from and after the date hereof, shall be used by Borrower and Subsidiary Loan Parties for (a) costs, fees and expenses in connection with the Existing Credit Agreement and this Ratification Agreement, (b) to pay any fees and expenses incurred in connection with the transactions contemplated hereby and, to the extent approved by the Bankruptcy Court, in connection with the Chapter 11 Cases, (c) working capital of Borrower and Subsidiary Loan Parties (d) other general corporate purposes of Borrower and Subsidiary Loan Parties not in contravention of any Law or of any Loan Document, in each case consistent with the Budget pursuant to Section 5.3 of this Ratification Agreement. Unless authorized by the Bankruptcy Court and approved by Agent and Required Lenders in writing, no portion of the proceeds of such Loans or Letters of Credit provided by Agent, Lenders and Supplemental Loan Lender to Borrower may be used in connection with the initiation or prosecution of any claims or defenses against Agent, any Lender, Supplemental Loan Lender or any Supplemental Loan Participant, or preventing, hindering, or delaying the assertion of enforcement of any lien, claim, right or security interest or realization upon any ABL Collateral by Agent, any Lender, Supplemental Loan Lender or any Supplemental Loan Participant. No portion of the priority claims in the Chapter 11 Cases, other than those directly attributable to the operation of the business of Borrower or Subsidiary Loan Parties, the Carve Out (as defined within the applicable Financing Order) or to which Agent has specifically agreed, shall be funded with Loans or Letters of Credit and the percentages and categories of permitted allocations of such claims and expenses shall be approved by Agent.

5.3 Budget.

(a) Borrower has prepared and delivered to Agent and Lenders an initial thirteen (13) week Budget. The initial Budget has been thoroughly reviewed by Borrower and its management and sets forth for the periods covered thereby: (i) projected weekly operating cash receipts for each week commencing with the week ending January 30, 2009, (ii) projected weekly operating cash disbursements for each week commencing with the week ending January 30, 2009, (iii) projected aggregate principal amount of outstanding Revolving Loans, Supplemental Loans and Letters of Credit for each week commencing with the week ending as of January 30, 2009, and (iv) projected weekly amounts of Revolving Loans and Letters of Credit available to Borrower under the terms, conditions and formulae of the Credit Agreement for each week commencing with the week ending January 30, 2009 (collectively, the "***Projected Information***"). In addition to the initial Budget, by no later than 5:00 p.m. (Eastern time) on the Wednesday of each week commencing on February 11, 2009, Borrower shall furnish to Agent and Lenders, in form and substance satisfactory to Agent, an updated thirteen (13) week Budget prepared on a cumulative, weekly roll forward basis, together with a report that sets forth for the immediately preceding week a comparison of the actual cash receipts, cash disbursements, loan balance and loan availability to the Projected Information for such weekly periods set forth in the Budget on a cumulative, weekly roll-forward basis, together with a certification from a Responsible Officer of Borrower that no Material Budget Deviation has occurred or if a Material Budget Deviation has occurred, a detailed explanation of such occurrence.

(b) Borrower acknowledges, confirms and agrees that commencing with the trailing thirteen (13) week period ending on February 6, 2009, and for the trailing one-week (1) week period ending on the Friday of each week thereafter: (i) the actual aggregate weekly cash receipts during such period for each line item in the Budget shall not be less than the lesser of (A) $1,000,000 and (B) eighty (80%) percent, of the projected aggregate weekly cash receipts during such period for each such line item in the Budget, (ii) the actual aggregate weekly cash receipts during such period for all line items in the Budget shall not be less than the lesser of (A) $1,000,000 and (B) eighty (80%) percent, of the projected aggregate weekly cash receipts during such period for all such line items in the Budget, (iii) the actual aggregate weekly cash disbursements for each line item in the Budget during such period shall not be more than the greater of (A) $1,000,000 and (B) one hundred twenty (120%) percent, of the projected aggregate weekly cash disbursements for each such line item set forth in the Budget during such period, (iv) the actual aggregate weekly cash disbursements for all line items in the Budget during such period shall not be more than the greater of (A) $1,000,000 and (B) one hundred twenty (120%) percent, of the projected aggregate weekly cash disbursements for all such line items set forth in the Budget during such period, (v) the actual Excess Availability of Borrower at any time during such period under the terms, conditions and formulae of the Credit Agreement shall not be less than the lesser of (A) $1,000,000 and (B) ninety (90%) percent, of the projected Excess Availability of Borrower as of the end of such period, or (vi) the actual aggregate principal amount of outstanding loans, supplemental loans, advances and other credit accommodations as of the end of such period shall not exceed one hundred ten (110%) percent of the projected aggregate principal amount of outstanding loans and other credit accommodations as of the end of such period.

(c) Borrower and each Subsidiary Loan Party hereby confirms, acknowledges and agrees that (i) a failure to maintain the minimum deviations in the Budget as set forth in Section 5.3(b) hereof shall constitute a material deviation from the Budget and an additional Event of Default (each, a "***Material Budget Deviation***") and (ii) the failure to deliver any Budget or any reports with respect to any Budget, in form and substance satisfactory to Agent, as provided in Section 5.3(a) hereof shall constitute an Event of Default. Notwithstanding any approval by Agent, any Lender or Supplemental Loan Lender of any Budget, Agent, Lenders and Supplemental Loan Lender will not, and shall not be required to, provide any Loans or Letters of Credit to Borrower pursuant to the Budget, but shall only provide Loans and Letters of Credit in accordance with the terms and conditions set forth in the Existing Credit Agreement as amended by this Ratification Agreement, the other Loan Documents and the Financing Order, subject to the Budget. Agent and Lenders are relying upon Borrower's delivery of, and compliance with, the Budget in accordance with this Section 5.3 in determining to enter into the post-petition financing arrangements provided for herein.

5.4 Ratification of Deposit Account Control Agreement. To the extent Agent deems it necessary in its discretion and upon Agent's request, Borrower and Subsidiary Loan Parties shall promptly provide Agent with evidence, in form and substance satisfactory to Agent, that the Deposit Account Control Agreements and other deposit account arrangements provided for under the Loan Documents have been ratified and amended by the parties thereto, or their respective successors in interest, in form and substance satisfactory to Agent, to reflect the commencement of the Chapter 11 Cases, that Borrower and each Subsidiary Loan Party, as Debtor and Debtor-in-Possession, is the successor in interest to Borrower or such Subsidiary Loan Party, that the Obligations include both the Pre-Petition Obligations and the Post-Petition Obligations, and that the ABL Collateral includes both the Pre-Petition Collateral and the Post-Petition Collateral as provided for in the Loan Documents. As of the date of this Ratification Agreement, Agent acknowledges, confirms and agrees that Borrower and Subsidiary Loan Parties have delivered all Deposit Account Control Agreements required pursuant to the Credit Agreement. Notwithstanding anything to the contrary contained in the Credit Agreement, the ABL Guarantee and Collateral Agreement or this Ratification Agreement, Borrower and Subsidiary Loan Parties shall only be required to deliver additional Deposit Account Control Agreements as Agent may request. Any additional Deposit Account Control Agreements shall be delivered in accordance with Section 3.04(b) of the ABL Guarantee and Collateral Agreement.

5.5 <u>ERISA</u>. Borrower and each Subsidiary Loan Party hereby represents and warrants with, to and in favor of Agent and Lenders that (a) there are no liens, security interests or encumbrances upon, in or against any assets or properties of Borrower or any Subsidiary Loan Party arising under ERISA, whether held by the Pension Benefit Guaranty Corporation (the "***PBGC***") or the contributing sponsor of, or a member of the controlled group thereof, any pension benefit plan of Borrower or any Subsidiary Loan Party and (b) no notice of lien has been filed by the PBGC (or any other Person) pursuant to ERISA against any assets or properties of Borrower or any Subsidiary Loan Party.

6. <u>FEES</u>.

6.1 <u>DIP Facility Fee</u>. Borrower shall pay to Agent, for the account of Lenders on a pro rata basis according to their respective Commitments, a debtor-in-possession financing facility fee in the amount of $3,900,000, on account of the financing provided by Agent and Lenders to Borrower in the Chapter 11 Cases, which fee shall be fully earned and due and payable on the date of entry by the Bankruptcy Court of the Interim Financing Order and which may be charged directly to the loan account of Borrower maintained by Agent.

6.2 <u>Other DIP Fees</u>. Borrower shall pay to Agent the other fees and amounts set forth in the DIP Fee Letter in the amounts and at the times specified therein.

7. <u>AMENDMENTS TO CREDIT AGREEMENT</u>.

7.1 <u>Deletion of Definitions</u>. The following definitions set forth in Section 1.01 of the Credit Agreement are hereby deleted in their entirety:

"***Accession Agreement***"

"***Availability Triggering Event***"

"***Commitment Increase***"

"***Eligible In-Transit Inventory***"

"***Increase Effective Date***"

"***Increasing Lender***"

"***Initial Borrowing***"

"***Subsequent Borrowing***"

"***Supermajority Required Lenders***"

7.2 <u>Definition of Applicable Rate</u>. The definition of Applicable Rate set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Applicable Rate***" means (a) in the case of Eurodollar Rate Loans, 4.50% per annum and (b) in the case of Base Rate Loans, 3.50% per annum."

7.3 <u>Definition of Availability Block</u>. The definition of Availability Block set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""**Availability Block**" means $25,000,000."

7.4 Definition of Base Rate. The definition of Base Rate set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Base Rate***” means, on any date, the greater of (a) the rate from time to time publicly announced by Wachovia, or its successors, as its prime rate, whether or not such announced rate is the best rate available at such bank or (b) the Federal Funds Effective Rate in effect on such day plus one-half (1/2%) percent or (c) the Eurodollar Rate for a three month Interest Period on such day plus two (2%) percent.”

7.5 Definition of Borrowing Base. The definition of Borrowing Base set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Borrowing Base***” means, at any time, (a) the sum of (i) 85% of the Eligible Accounts of the Borrower and the Designated Subsidiaries, minus the Dilution Reserve, and (ii) the lesser of (A) 65% of the Value of the Eligible Inventory of the Borrower and the Designated Subsidiaries, (B) 85% of the Net Recovery Percentage multiplied by the Value of such Eligible Inventory and (C) $120,000,000, minus, without duplication, (b) the Other Reserves (other than (except for purposes of Section 2.06(b)(i)), the Specified Reserves) in effect at such time. The Borrowing Base in effect at any time shall be reasonably determined by the Administrative Agent, based on the Borrowing Base Certificate most recently delivered by the Borrower prior to such time pursuant to Section 2.15(a), 4.01(a)(xi) or 6.17(a), but subject to (x) any adjustments thereto as a result of any Designated Subsidiary ceasing to be such as provided in Section 2.15(b) or the consummation of any Disposition and (y) the Other Reserves established by the Administrative Agent.”

7.6 Definition of Commitment. The definition of Commitment set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Commitment***” means, as to each Lender (other than Supplemental Loan Lender), its obligation to make Revolving Loans to the Borrower pursuant to Section 2.01, to acquire participations in Letters of Credit pursuant to Section 2.03, to acquire participations in Swingline Loans pursuant to Section 2.04 and to acquire participations in Special Agent Loans pursuant to Section 2.05, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.06. The amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable. The aggregate amount of such Lenders’ Commitments as of the date of the Ratification Agreement is $190,000,000.”

7.7 Definition of Eligible Inventory. The definition of Eligible Inventory set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Eligible Inventory***” means Inventory consisting of finished goods held for resale in the ordinary course of the business of the Borrower and the Designated Subsidiaries, raw materials for such finished goods and work-in-process consisting of unpackaged finished batteries that, in each case, satisfy the criteria set forth below, as reasonably determined by the Administrative Agent. Eligible Inventory shall not include: (a) work-in-process (other than unpackaged finished batteries); (b) components that are not part of finished goods; (c) spare parts for equipment; (d) packaging, display and shipping materials; (e) supplies used or consumed in the business of the Borrower and its Subsidiaries; (f) Inventory located at premises other than those owned by, or leased and controlled by, the Borrower or any Designated Subsidiary, including Inventory in transit with common carriers, except Inventory located at premises with respect to which (i) the Collateral Agent has received a Collateral Access Agreement or (ii) an appropriate Landlord Reserve has been established; (g) Inventory subject to a Lien in favor of any Person other than the Collateral Agent, except Liens permitted under this Agreement; (h) bill and hold goods; (i) unserviceable, obsolete or close-out Inventory; (j) Inventory that is not subject to a valid and perfected security interest of the Collateral Agent as provided in the Collateral Documents (which security interest is first in priority, except with respect to nonconsensual Liens permitted under this Agreement that have a higher priority than such security interest as a matter of Law); (k) returned, damaged, re-worked and/or defective Inventory; (l) Inventory that is the subject of consignment by the Borrower or any Designated Subsidiary as consignor or consignee; and (m) Inventory located outside the United States, including Inventory in transit with common carriers. The criteria for

Eligible Inventory set forth above may be changed and any new criteria for Eligible Inventory may be established by the Administrative Agent in its reasonable discretion based on either (i) an event, condition or other circumstance arising after the date hereof or (ii) an event, condition or other circumstance existing on the date hereof to the extent the Administrative Agent had no written notice thereof from the Borrower prior to the date hereof, which event, condition or other circumstance, in the case of clauses (i) and (ii), adversely affects, or could reasonably be expected to adversely affect, the Inventory by an amount that is material, all as reasonably determined by the Administrative Agent. Any Inventory that is not Eligible Inventory shall nevertheless be part of the ABL Collateral."

7.8 Definition of Eurodollar Rate. The definition of Eurodollar Rate set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Eurodollar Rate***" means, with respect to each Interest Period for any Eurodollar Rate Loan comprising part of the same borrowing (including conversions, extensions and renewals), the rate per annum determined by dividing (a) the London Interbank Offered Rate for such Interest Period by (b) a percentage equal to: (i) one (1) minus (ii) the Eurodollar Reserve Percentage. The Eurodollar Rate shall at no time be less than three and one-half (3.5%) percent per annum; except, that with respect to the Supplemental Loan only, the Eurodollar Rate shall at no time be less than three (3%) percent per annum."

7.9 Definition of Eurodollar Reserve Percentage. The definition of Eurodollar Reserve Percentage set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Eurodollar Reserve Percentage***" means for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as such regulation may be amended from time to time or any successor regulation, as the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency, special, or marginal reserves) applicable with respect to Eurocurrency liabilities as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate of Eurodollar Rate Loans is determined), whether or not any Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Rate Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for proration, exceptions or offsets that may be available from time to time to a Lender. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage."

7.10 Definition of Federal Funds Effective Rate. The definition of Federal Funds Effective Rate set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Federal Funds Effective Rate***" means, for any day, a fluctuating rate of interest per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that, (a) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average of the quotations on such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it."

7.11 Definition of Guarantee and Collateral Requirement. Paragraph (c) of the definition of Guarantee and Collateral Requirement set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(c) with respect to each deposit account maintained by any Loan Party, the Collateral Agent shall have received a counterpart, duly executed and delivered by the applicable Loan Party and the depositary institution, of a Deposit Account Control Agreement; provided, that the foregoing shall not require delivery of any such agreement with respect to (i) deposit accounts maintained outside the United States or (ii) deposit accounts with respect to which such a Deposit Account Control Agreement is prohibited under applicable Law or under agreements establishing such accounts (provided that such prohibitions in such agreements were not entered into in contemplation of the requirements set forth in this paragraph);"

7.12 Definition of Interest Payment Date. The definition of Interest Payment Date set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Interest Payment Date***" means (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided however, that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan, the first Business Day of each month and the Maturity Date."

7.13 Definition of Lenders. The definition of Lenders set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Lenders***" means the Persons listed on Schedule 2.01 as having a Commitment and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender and the Administrative Agent, in its capacity as the lender of the Special Agent Loans."

7.14 Definition of Letter of Credit Limit. The definition of Letter of Credit Limit set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Letter of Credit Limit***" means $20,000,000."

7.15 Definition of Loan. The definition of Loan set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Loan***" means a Revolving Loan, a Swingline Loan, a Special Agent Loan or the Supplemental Loan, or a combination thereof, as the context requires. For the purposes of Section 2.06 hereof, the Supplemental Loan shall not constitute a Loan."

7.16 Definition of Loan Documents. The definition of Loan Documents set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***Loan Documents***" means, collectively, this Agreement, the Ratification Agreement, the ABL Intercreditor Agreement, the ABL Guarantee and Collateral Agreement and the other Collateral Documents."

7.17 Definition of London Interbank Offered Rate. The definition of London Interbank Offered Rate set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

""***London Interbank Offered Rate***" means, for any Interest Period, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m., London time, two Business Days prior to the first (1st) day of such Interest Period for a term comparable to such Interest Period; provided, that, if more than one rate is specified on Reuters Screen LIBOR01 Page (or such successor page), the applicable rate shall be the arithmetic mean of all such rates. In the event that such rate does not appear on such page (or otherwise on the Reuters Service), then the "Eurodollar Base Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first (1st) day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by the London Branch of Wachovia to major banks in the London interbank eurocurrency market at their request at approximately 11:00 a.m., London time, two (2) Business Days prior to the first (1st) day of such Interest Period. "

7.18 Definition of Maturity Date. The definition of Maturity Date set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Maturity Date***” means the earlier to occur of (a) Stated Expiry Date, (b) forty-five (45) days after the entry of the Interim Financing Order if the Permanent Financing Order has not been entered prior to the expiration of such forty-five (45) day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the “effective date”) of a plan of reorganization filed in the Chapter 11 Cases that is confirmed pursuant to an order entered by the Bankruptcy Court or (d) the termination of the Commitments in accordance with the terms hereof; provided, that, this Agreement and all other Loan Documents must be terminated simultaneously.”

7.19 Definition of Overadvance Loan. The definition of Overadvance Loan set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Overadvance Loan***” means any Revolving Loan if, after giving effect to the making thereof, the aggregate amount of the Revolving Exposures (other than any portion thereof attributable to the Special Agent Loan Exposure) exceeds an amount equal to (a) the lesser of (i) the aggregate Commitments at such time and (ii) the Borrowing Base at such time, less (b) the Specified Reserves at such time, less (c) the Availability Block. No Overadvance Loan shall cause the Aggregate Revolving Exposures to exceed the aggregate Commitments at such time.”

7.20 Definition of Overadvance Maximum Amount. The definition of Overadvance Maximum Amount set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Overadvance Maximum Amount***” means, at any time, an amount determined by the Administrative Agent in its discretion to be the Overadvance Maximum Amount at such time; provided, that (a) such amount shall not exceed, at any time, $5,000,000; provided, further that the Administrative Agent and Required Lenders may increase the Overadvance Maximum Amount to an amount not to exceed, at any time, $10,000,000.”

7.21 Definition of Special Agent Loan Exposure. The definition of Special Agent Loan Exposure set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Special Agent Loan Exposure***” means, at any time, and amount equal to $0.”

7.22 Definition of Special Agent Loan Maximum Amount. The definition of Special Agent Loan Maximum Amount set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Special Agent Loan Maximum Amount***” means, at any time, an amount equal to $0.”

7.23 Specified Reserves. The definition of Specified Reserves set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Specified Reserves***” means, as of any date of determination, Other Reserves on account of items that, in the reasonable judgment of the Administrative Agent, would result in a future cash expenditure by or on behalf of the Borrower or any Subsidiary; provided, that the Administrative Agent may at any time and from time to time, in its discretion, (a) reduce the amount of Specified Reserves below the amount that would otherwise constitute Specified Reserves determined in accordance with this definition and (b) reinstate (in whole or in part) any reduction made pursuant to clause (a), it being understood that any reduction or reinstatement made pursuant to this paragraph shall not, in itself, affect the amount of Other Reserves (which shall be determined in accordance with the definition of such term). Borrower and the Administrative Agent acknowledge and agree that the reserves provided for in Section 2.4 of the Financing Order shall constitute Specified Reserves.”

7.24 Definition of Swingline Limit. The definition of Swingline Limit set forth in Section 1.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“***Swingline Limit***” means $20,000,000.”

7.25 Commitments. Section 2.01(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"“(b) the aggregate amount of the Revolving Exposures exceeding an amount equal to (i) the lesser of (A) the aggregate Commitments at such time and (B) the Borrowing Base at such time, minus (ii) the Availability Block, minus (iii) the Specified Reserves at such time, plus (iv) the Overadvance Maximum Amount at such time, plus (v) the Special Agent Loan Maximum Amount at such time.”

7.26 Letters of Credit. Section 2.03 of the Credit Agreement is hereby amended as follows:

(a) Section 2.03(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(b) Notice of Issuance, Amendment, Renewal and Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or send by facsimile (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable LC Issuer) to the applicable LC Issuer and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of such Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, as applicable (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.03(c)), the amount of such Letter of Credit, the name and address of the beneficiary thereof, the account party for such Letter of Credit and such other information as shall be necessary to enable the applicable LC Issuer to prepare, amend, renew or extend such Letter of Credit. If requested by the applicable LC Issuer, the Borrower also shall submit a letter of credit application on the applicable LC Issuer’s standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the aggregate LC Exposure will not exceed the Letter of Credit Limit and (ii) the aggregate amount of the Revolving Exposures (other than any portion thereof attributable to Overadvance Loans or Special Agent Loans) will not exceed (A) the lesser of (1) the aggregate Commitments at such time and (2) the Borrowing Base at such time, minus (B) the Availability Block at such time, minus (C) the Specified Reserves at such time. Each LC Issuer agrees that it will not issue, renew, extend or increase the amount of any Letter of Credit without first obtaining written confirmation from the Administrative Agent that such action is then permitted under this Agreement.”

(b) Section 2.03(l) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(l) Cash Collateralization. If any Event of Default shall occur and be continuing or if the Borrower is required to provide cash collateral pursuant to Section 2.06(b), on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this Section 2.03(l), the Borrower shall deposit in an account designated by the Administrative Agent, in the name of the Administrative Agent and for the ratable benefit of the Lenders, an amount in cash equal to 110% of the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, (i) upon the occurrence of any Event of Default described in Section 8.01(f) and (ii) as required by Section 2.06(b). Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Obligations under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account.

Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense (provided that such cash collateral shall be invested solely in investments that provide for preservation of capital), such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the LC Issuers for LC Disbursements for which they have not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of the Required Lenders), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to deposit cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower (i) within three Business Days after all Events of Default have been cured or waived and (ii) promptly upon the payment in full of all the Obligations and the reduction of the aggregate LC Exposure to zero. If the Borrower is required to provide cash collateral hereunder pursuant to Section 2.06(b), such amount (to the extent not applied as aforesaid) shall be returned to the Borrower as and to the extent that, after giving effect to such return, the Borrower would remain in compliance with Section 2.06(b)."

7.27 Swingline Loans. Section 2.04(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(a) Generally. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate Swingline Exposure exceeding the Swingline Limit or (ii) the aggregate amount of the Revolving Exposures exceeding an amount equal to (A) the lesser of (1) the aggregate Commitments at such time and (2) the Borrowing Base at such time, minus (B) the Availability Block, minus (C) the Specified Reserves at such time, plus (D) the Overadvance Maximum Amount at such time, plus (E) the Special Agent Loan Maximum Amount at such time; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans."

7.28 Special Agent Loans. Section 2.05(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(a) Subject to the terms and conditions set forth herein, the Administrative Agent may, in its discretion, from time to time during the Availability Period after the occurrence and during the continuance of a Default (and notwithstanding that any conditions precedent set forth in Section 4.02 are not satisfied at the time), make Special Agent Loans to the Borrower where the Administrative Agent determines that such Special Agent Loans are necessary or desirable (i) to preserve or protect any ABL Collateral, (ii) to enhance the likelihood of, or to maximize the amount of, repayment by the Loan Parties of the Loans and other Obligations or (iii) to pay any costs, fees and expenses, or any amounts due to any LC Issuer with respect to Letters of Credit issued by it, in each case, that are payable under this Credit Agreement and the other Loan Documents; provided, however, that the aggregate principal amount of the Special Agent Loans at any time outstanding will not result in the aggregate amount of the Revolving Exposures exceeding an amount equal to (A) the lesser of (1) the aggregate Commitments at such time and (2) the Borrowing Base at such time, minus (B) the Availability Block, minus (C) the Specified Reserves at such time, plus (D) the Overadvance Maximum Amount at such time, plus (E) the Special Agent Loan Maximum Amount at such time. The Borrower and each Revolving Lender hereby authorizes the Administrative Agent to make the Special Agent Loans at such time or times as the Administrative Agent determines pursuant to the immediately preceding sentence, and to disburse the proceeds thereof in such manner as shall reasonably be determined by the Administrative Agent (including by making such proceeds available to a third party on behalf of the Borrower). Unless the Borrower shall have provided to the Administrative Agent a written notice to the contrary, the Borrower shall be deemed to have represented and warranted on each date of making of a Special Agent Loan that the representations and warranties of the Borrower and each other Loan Party contained in Article V or in any other Loan Document are true and correct in all material respects on and as of such date as though such representations and warranties had been made on and as of such date, except to the extent that such representations and warranties by their terms relate to an earlier date (in which case the Borrower shall be deemed to have represented and warranted on such date that such representations and warranties are true and correct in all material respects on and as of such earlier date)..”

7.29 Mandatory Prepayments. Section 2.06(b)(i) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(i) In the event and on each date that the aggregate amount of the Revolving Exposures exceeds an amount equal to (A) the lesser of (1) the aggregate Commitments at such time and (2) the Borrowing Base at such time, minus (B) the Availability Block, minus (C) the Specified Reserves at such time, plus (D) the Overadvance Maximum Amount at such time, plus (E) the Special Agent Loan Maximum Amount at such time, the Borrower shall repay or prepay Revolving Borrowings or Swingline Loans (or a combination thereof) and, after all Revolving Borrowings and Swingline Loans have been repaid in full, deposit cash collateral in an account with the Administrative Agent pursuant to Section 2.03(l), in an aggregate amount equal to such excess. Notwithstanding the foregoing, in the case of any repayment or prepayment required to be made pursuant to this paragraph due to (x) a reduction by the Administrative Agent of the Overadvance Maximum Amount or the Special Agent Loan Maximum Amount or (y) the Borrowing Base in effect at any time, as determined by the Administrative Agent, being less than the amount set forth as the “Borrowing Base” in the Borrowing Base Certificate most recently delivered by the Borrower prior to such time pursuant to Section 2.15(a), 4.01(a)(xi) or 6.17(a) (other than, in the case of clause (y), as a result of any Designated Subsidiary ceasing to be such pursuant to Section 2.15(b) or the consummation of any Disposition), the Borrower shall not be required to make any repayment or prepayment pursuant to this paragraph until the fifth Business Day after the date of notice of such reduction, or of such deficiency, to the Borrower by the Administrative Agent. Any repayment or prepayment made pursuant to this paragraph shall not, in itself, result in a reduction of any Commitment.”

7.30 Optional Termination or Reduction. Section 2.07 of the Credit Agreement is hereby amended and restated in its entirety as follows:

“Section 2.07 Termination of Commitments.

(a) Automatic Termination. The Commitments shall automatically terminate on the Maturity Date. The obligation of any LC Issuer to issue, amend, renew or extend any Letter of Credit shall terminate on the Maturity Date.

(b) Payment of Fees. The Administrative Agent will promptly notify the Lenders of any termination of the Commitments under Section 2.07(a). All fees accrued on the amount of the Commitments so terminated to, but excluding, the date of any such termination shall be payable on the effective date of such termination.”

7.31 Commitment Fees. Section 2.10(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

“(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, a commitment fee, which shall accrue at the rate of 1.00% per annum on the average daily unused amount of the Commitment of such Lender during the period from and including February 1, 2009 to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after February 1, 2009. For purposes of computing commitment fees pursuant to this Section, a Commitment of a Lender shall be deemed to be used to the extent of the outstanding Revolving Loans and LC Exposure of such Lender (and the Swingline Exposure and the Special Agent Loan Exposure of such Lender shall be disregarded for such purpose).”

7.32 Limits and Sublimits. Section 2 of the Credit Agreement is hereby amended by adding the following new Section 2.16 at the end of such Section:

"2.16 All limits and sublimits set forth in this Agreement, and any formula or other provision to which a limit or sublimit may apply, shall be determined on an aggregate basis considering together both the Pre-Petition Obligations and the Post-Petition Obligations."

7.33 Conditions Precedent to Each Credit Extension. Section 4.02(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) The Borrower shall have delivered evidence reasonably satisfactory to the Administrative Agent that, as of the date of such Credit Extension and after giving effect thereto (and to any prepayments to be made concurrently with such Credit Extension), the aggregate amount of the Revolving Exposures shall not exceed an amount equal to (i) the lesser of (A) the aggregate Commitments at such time and (B) the Borrowing Base at such time, minus (ii) the Availability Block, minus (iii) the Specified Reserves at such time, plus (iv) the Overadvance Maximum Amount at such time, plus (v) the Special Agent Loan Maximum Amount at such time."

7.34 Existence, Qualification and Power; Compliance with Laws. Section 5.01 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.01. Existence, Qualification and Power; Compliance with Laws. Each Loan Party and each of its Subsidiaries (other than any Dormant Subsidiaries) (a) is duly organized or formed and validly existing under the Laws of the jurisdiction of its incorporation or organization, (b) upon the entry of the Financing Order, has all requisite power and authority and all requisite governmental licenses, authorizations (including good standing), consents and approvals (i) to own or lease its assets and carry on its business and (ii) to execute, deliver and perform its obligations under the Loan Documents to which it is or is to be a party and to consummate the Transactions, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license and (d) is in compliance with all Laws and licenses, authorizations and permits of Governmental Authorities in favor of such Loan Party, except in the case of clauses (b)(i), (c) and (d), to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect."

7.35 Authorization; No Contravention. Section 5.02 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.02. Authorization; No Contravention. The execution, delivery and performance by each Loan Party of each Loan Document to which such Loan Party is or is to be a party are within such Loan Party's corporate or other powers, upon the entry of the Financing Order, have been duly authorized by all necessary corporate or other organizational action and do not and will not, except to the extent that such breach, contravention or conflict could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (a) contravene the terms of any of such Loan Party's Organization Documents, (b) conflict with or result in any breach or contravention of, or the creation of any Lien (other than Permitted Liens and Liens created under the Financing Orders or permitted thereby) under, or require any payment to be made under (i) any Contractual Obligation to which such Loan Party is a party or, to such Loan Party's knowledge, affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Loan Party or its property is subject, or (c) violate any Law or any license, authorization or permit of a Governmental Authority reasonably necessarily in the conduct of such Loan Party's business. Each Loan Party and each Subsidiary thereof is in compliance with all Contractual Obligations referred to in clause (b)(i), except to the extent that failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect."

7.36 Binding Effect. Section 5.04 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.04. Binding Effect. Subject to the entry of the Financing Order, this Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms and the Financing Order, except to the extent such enforceability may be limited by the effect of applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to enforceability."

7.37 No Material Adverse Effect. Section 5.05(b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(b) Since the Petition Date, there has been no event or circumstance that, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect."

7.38 Litigation. Section 5.06 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.06. Litigation. Except as disclosed on Schedule 5.06, with the exception of the Chapter 11 Cases, there are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Borrower, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Borrower or any of its Subsidiaries or against any of their properties or revenues that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect."

7.39 No Default. Section 5.07 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.07. No Default. Except as a result of the commencement of the Chapter 11 Cases, neither the Borrower nor any Subsidiary is in default under or with respect to, or a party to, any Contractual Obligation that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect."

7.40 Solvency. Section 5.17 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.17 [Reserved]."

7.41 Certain Accounts. Section 5.19 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 5.19. Certain Accounts. All of the deposit accounts in the name of or used by any Loan Party maintained at any bank or other financial institution are set forth on Schedule 5 to the Perfection Certificate, subject to the right of each Loan Party to establish new accounts so long as the Guarantee and Collateral Requirement with respect thereto shall have been satisfied."

7.42 Use of Proceeds. Section 6.12 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 6.12. Use of Proceeds. Use the proceeds of the Loans shall be in accordance with Section 5.2 of the Ratification Agreement."

7.43 Collateral Reporting. Section 6.17(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 6.17 Collateral Reporting. (a) Provide to the Administrative Agent the following documents:

(i) on a daily basis, a Borrowing Base Certificate, executed and certified on behalf of the Borrower as accurate and complete in all material respects by a Responsible Officer of the Borrower, together with all exhibits, schedules and other supporting information as is provided in the form of such certificate or as the Administrative Agent shall reasonably request, including, but not limited to, (A) daily rollforwards of accounts receivable and (B) a certificate signed by a Responsible Officer of the Borrower, in form and detail reasonably satisfactory to the Administrative Agent, setting forth the aggregate Accounts of the Borrower and the Designated Subsidiaries as of such date and the aggregate sales, collections and credit memos with respect to accounts receivable of the Borrower and the Designated Subsidiaries as of such date, together with such supporting information as the Administrative Agent shall reasonably request;

(ii) as soon as practicable, and in any event within two (2) calendar days, after the end of each week, a summary perpetual inventory report with respect to the Inventory of the Borrower and the Designated Subsidiaries as of the end of such week;

(iii) as soon as practicable, and in any event within ten (10) calendar days, after the end of each fiscal month of the Borrower, (A) a summary inventory report, setting forth the Inventory of the Borrower and the Designated Subsidiaries by location and category (and including the amounts of Inventory and the value thereof at any leased locations and at premises of warehousers, processors or other third parties from time to time in possession of any ABL Collateral), (B) a summary of aging of accounts receivable of the Borrower and the Designated Subsidiaries, together with a reconciliation to the previous fiscal month's aging and general ledger, and (C) a summary aging of accounts payable of the Borrower and the Designated Subsidiaries (and including information indicating the amounts owing to owners and lessors of leased premises, warehouses, processors and other third parties from time to time in possession of any ABL Collateral);

(iv) copies of all financial reports, schedules and other materials and information at any time furnished by or on behalf of Borrower or any Subsidiary Loan Party to the Bankruptcy Court, or the U.S. Trustee or to any creditors' committee or Borrower's or such Subsidiary Loan Party's shareholders, concurrently with the delivery thereof to the Bankruptcy Court, creditors' committee, U.S. Trustee or shareholders, as the case may be; and

(v) such other information with respect to the ABL Collateral as the Administrative Agent shall reasonably request from time to time."

7.44 Evaluations of the Borrowing Base and Related Assets. Section 6.18 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 6.18. Evaluations of the Borrowing Base and Related Assets. Permit any representatives designated by the Administrative Agent (including any consultants, accountants, lawyers and appraisers retained by the Administrative Agent) to conduct from time to time evaluations of the Borrower's computation of the Borrowing Base and the assets included in the Borrowing Base (and such other assets and properties of the Borrower or the Subsidiaries as the Administrative Agent may reasonably require), including field examinations and appraisals of such assets, all at reasonable times and upon reasonable advance notice to the Borrower. Notwithstanding the foregoing, so long as no Event of Default exists and is continuing, it is agreed that not less than three (3) but not more than four (4) field examinations and not less than two (2) but not more than three (3) appraisals may be conducted in any 12-month period."

7.45 Sale of Assets, Consolidation, Merger, Disabilities, Etc. Notwithstanding anything to the contrary contained in Section 7.05 of the Credit Agreement or any other provision of the Credit Agreement, the ABL Guarantee and Collateral Agreement or the other Loan Documents, Borrower and Subsidiary Loan Parties shall not directly or indirectly sell, transfer, lease, encumber, return or otherwise dispose of any portion of the ABL Collateral or any other assets of Borrower and Subsidiary Loan Parties, including, without limitation, assume, reject or assign any leasehold interest or enter into any agreement to return Inventory to vendor, whether pursuant to Section 546 of the Bankruptcy Code or otherwise, without the prior written consent of Agent (and no such consent shall be implied, from any other action, inaction or acquiescence by Agent or any Lender) except for sales of Borrower's and Subsidiary Loan Parties' Inventory in the ordinary course of their business.

7.46 Investments in Foreign Subsidiaries. Notwithstanding anything to the contrary contained in Section 7.03 of the Credit Agreement or any other provision of the Credit Agreement, the ABL Guarantee and Collateral Agreement or the other Loan Documents, Borrower and Subsidiary Loan Parties shall not directly or indirectly make any Investments in any Foreign Subsidiaries or in any Subsidiaries that are not Subsidiary Loan Parties except for the Investments outstanding as of the date hereof or except as specifically permitted by Agent and Required Lenders in their sole discretion.

7.47 Events of Default. Section 8.01 of the Credit Agreement is hereby amended as follows:

(a) Section 8.01(a) of the Credit Agreement is hereby amended and restated in its entirety as follows.

"(a) Non-Payment. Any Loan Party shall fail (i) to pay when due any amount of principal of any Loan or the Supplemental Loan, or any reimbursement obligation in respect of any LC Disbursement, (ii) to pay within three days after the same becomes due, any interest on any Loan, on the Supplemental Loan or on any LC Disbursement, or any fee due hereunder, or (iii) to pay within five days after the same becomes due any other amount payable hereunder or under any other Loan Document;"

(b) Section 8.01(e) of the Credit Agreement is hereby amended and restated in its entirety as follows.

"(e) Cross-Default. (i) Any Loan Party (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any Material Indebtedness (other than Indebtedness hereunder) and such failure shall continue after the applicable grace period or (B) fails to observe or perform any other agreement or condition relating to any Material Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which failure or such other event is to cause, or to permit the holder or holders of Material Indebtedness to cause (after the applicable grace period, with the giving of notice if required), such Material Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Material Indebtedness to be made, prior to its stated maturity; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Borrower or such Subsidiary as a result thereof is greater than the Threshold Amount; provided, that an Event of Default shall not be deemed to have occurred as a result of any of the foregoing failures, defaults or occurrences, which arise as a direct result of the filing of the Chapter 11 Cases by any Loan Party;"

(c) Sections 8.01(f) and 8.01(g) of the Credit Agreement are hereby amended to delete all references to "any Loan Party" and substitute "any Loan Party (other than Debtors)" therefor.

(d) Section 8.01 of the Credit Agreement is hereby amended by (i) deleting the reference to the word "or" at the end of Section 8.01(l), (ii) replacing the period appearing at the end of Section 8.01(m) with a semicolon, and (iii) adding the following:

"(n) the occurrence of any condition or event which permits the Administrative Agent and Lenders to exercise any of the remedies set forth in the Financing Order, including, without limitation, any "Event of Default" (as defined in the Financing Order);

(o) the termination or non-renewal of the Loan Documents as provided for in the Financing Order;

(p) any Loan Party suspends or discontinues or is enjoined by any court or governmental agency from continuing to conduct all or any material part of its business, or a trustee, receiver or custodian is appointed for any Loan Party, or any of their respective properties;

(q) any act, condition or event occurring after the Petition Date that has or would reasonably be expected to have a Material Adverse Effect upon the assets of any Loan Party, or the ABL Collateral or the rights and remedies of the Administrative Agent and Lenders under the Credit Agreement or any other Loan Documents or the Financing Order;

(r) conversion of any Chapter 11 Case to a Chapter 7 case under the Bankruptcy Code;

(s) dismissal of any Chapter 11 Case or any subsequent Chapter 7 case either voluntarily or involuntarily;

(t) the grant of a lien on or other interest in any property of any Loan Party (other than a Permitted Lien or by the Financing Order) or an administrative expense claim (other than such administrative expense claim permitted by the Financing Order or the Ratification Agreement), including by the grant of or allowance by the Bankruptcy Court which is superior to or ranks in parity with the Administrative Agent's and Lenders' security interest in or lien upon the ABL Collateral or their Superpriority Claim (as defined in the Financing Order);

(u) the Financing Order shall be modified, reversed, revoked, remanded, stayed, rescinded, vacated or amended on appeal or by the Bankruptcy Court without the prior written consent of the Administrative Agent (and no such consent shall be implied from any other authorization or acquiescence by the Administrative Agent or any Lender);

(v) the appointment of a trustee pursuant to Sections 1104(a)(1) or 1104(a)(2) of the Bankruptcy Code;

(w) the appointment of an examiner with special powers pursuant to Section 1104(a) of the Bankruptcy Code;

(x) the filing of a plan of reorganization or liquidation by or on behalf of any Loan Party, to which the Administrative Agent has not consented in writing, which does not provide for payment in full of all Obligations on the effective date thereof in accordance with the terms and conditions contained herein; or

(y) the confirmation of any plan of reorganization or liquidation in the Chapter 11 Case of any Loan Party, to which the Administrative Agent has not consented to in writing, which does not provide for payment in full of all Obligations on the effective date thereof in accordance with the terms and conditions contained herein."

7.48 Remedies Upon Event of Default. Section 8.02 of the Credit Agreement is hereby amended as follows:

(a) Section 8.02(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(c) require that the Borrower (i) cash collateralize the LC Exposure in accordance with Section 2.03(l) or (ii) deposit, subject to Section 4.02 of the ABL Guarantee and Collateral Agreement, in an account designated by the Administrative Agent, in an amount in cash equal to 110% of any Lender Party's exposure under each Swap Contract where such Lender Party is a counterparty thereto (other than any such Swap Contract with respect to which the Lender Party that is the counterparty thereto shall have agreed in writing that such Swap Contract shall be deemed not to be a "Swap Contract" for purposes of the ABL Guarantee and Collateral Agreement); and"

(b) The last clause of Section 8.02 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"provided, however, that upon the occurrence any Event of Default with respect to the Borrower described in Section 8.01(f), the Commitments shall automatically terminate, the unpaid principal amount of all outstanding Loans (including, without limitation, the Supplemental Loan) and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Borrower to cash collateralize the LC Exposure and the exposure under any Swap Contract as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender."

7.49 Arranger and Documentation Agent Duties. Section 9.09 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Section 9.09. No Arranger or Documentation Agent Duties. Anything herein to the contrary notwithstanding, no Arranger or Documentation Agent shall have any duties or responsibilities under this Agreement or any of the other Loan Documents solely in its capacity as an Arranger or Documentation Agent."

7.50 Notices. Schedule 10.02 of the Credit Agreement is hereby amended by adding that any notices, requests and demands also be sent to the following parties:

If to Administrative Agent or any Lender with a copy to:	Otterbourg, Steindler, Houston & Rosen, P.C. 230 Park Avenue New York, New York 10169	
	Facsimile No.:	(212) 682-6104
	Attention:	Jonathan N. Helfat, Esq.

7.51 Expenses; Indemnity; Damage Waiver. Section 10.04 of the Credit Agreement is hereby amended by (a) inserting the phrase ", each Supplemental Loan Participant" after the word "Agents" in clause (iii) of Section 10.04(a), (b) inserting the phrase ", advisors (including without limitation Lazard Frères & Co. LLC as advisor to certain Supplemental Loan Participants)" after the word "consultants" in clause (v) of Section 10.04(a), (c) inserting the phrase ", each Supplemental Loan Participant" after the word "Lender" in clause (ix) of Section 10.04(a), and (d) inserting the phrase ", each Supplemental Loan Participant" after the word "Lender" in the first sentence of Section 10.4(b).

7.52 Successors and Assigns. Section 10.06 of the Credit Agreement is hereby amended as follows:

(a) Section 10.06(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(d) Right to Assign. Each Lender shall have the right at any time to assign to any Eligible Assignee all or a portion of its rights and obligations under this Agreement, including all or a portion of its Commitment and Loans or of any other Obligations; provided, that (i) except in the case of assignments made by GSCP or Wachovia, the Administrative Agent and each LC Issuer must give its prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Person meeting the criteria of clause (a) of the definition of the term Eligible Assignee, or any assignment made at a time when an Event of Default shall have occurred and be continuing, the Borrower must give its prior written consent to such assignment (which consent shall not be unreasonably withheld), (iii) except in the case of an assignment to a Person meeting the criteria of clause (a) of the definition of the term Eligible Assignee or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iv) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. Notwithstanding the foregoing, in the case of any assignment by any Lender to any Supplemental Loan Participant, the Administrative Agent must give its prior written consent to such Supplemental Loan Participant as a condition precedent to such assignment."

(b) Section 10.06(f) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(f) Representations and Warranties of Assignee. Each Lender, upon execution and delivery hereof or upon succeeding to an interest in the Commitments and Loans represents and warrants as of the Closing Date or as of the Assignment Effective Date that (i) it is an Eligible Assignee; (ii) it has experience and expertise in the making of or investing in commitments or loans such as the Commitments and Loans; and (iii) it will make or invest in its Commitment and Loans for its own account in the ordinary course and without a view to distribution of such Commitment or Loans in violation of the Securities Laws (it being understood that, subject to the provisions of this Section 10.06, the disposition of such Commitments or Loans or any interests therein shall at all times remain within its exclusive control)."

7.53 Governing Law. Section 10.13(a) of the Credit Agreement is hereby amended by adding the following at the end thereof:

"except to the extent that the provisions of the Bankruptcy Code are applicable and specifically conflict with the foregoing."

7.54 Schedule 2.01. Schedule 2.01 of the Credit Agreement is hereby amended and restated in its entirety as set forth on Exhibit A attached hereto.

8. AMENDMENTS TO ABL COLLATERAL AGREEMENT.

8.1 Secured Parties. The definition of Secured Parties set forth in Section 1.02 of the ABL Guarantee and Collateral Agreement is hereby amended and restated in its entirety as follows:

""Secured Parties" means (a) the Lenders, (b) the Administrative Agent, (c) the Collateral Agent, (d) the Syndication Agent, (e) the Arrangers, (f) the LC Issuers, (g) the Lender Parties to whom any of the Obligations are owed, (h) the Supplemental Loan Lender and (i) the permitted successors and assigns of each of the foregoing."

8.2 Indebtedness. Section 3.03(d) of the ABL Guarantee and Collateral Agreement is hereby amended and restated in its entirety as follows:

"(d) The Collateral Agent and such Persons as the Collateral Agent may reasonably designate shall have the right, at any time, to inspect the ABL Collateral, all records related thereto (and to make extracts and copies from such records) and the premises upon which any of the ABL Collateral is located, to discuss the Loan Parties' affairs with the officers of the Loan Parties and their independent accountants and to verify under reasonable procedures, in accordance with Section 6.11 of the Credit Agreement, the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the ABL Collateral. In the case of Accounts or other ABL Collateral in the possession of any third Person, the Collateral Agent and such Persons as the Collateral Agent may reasonably designate shall have the right to verify, at any time, the validity, amount, quality, quantity, value, condition and status thereof by contacting Account Debtors or the third Person possessing such ABL Collateral for the purpose of making such a verification. The Loan Parties shall be required to pay all reasonable out-of-pocket costs and expenses incurred by the Collateral Agent or any other Person in connection with any inspection or verification referred to in this paragraph."

8.3 Other Actions. Section 3.04 of the ABL Guarantee and Collateral Agreement is hereby amended as follows:

(a) Section 3.04(b) of the ABL Guarantee and Collateral Agreement is hereby amended and restated in its entirety as follows:

"(b) *Deposit Accounts*. For each Deposit Account that any Loan Party at any time opens or maintains, such Loan Party shall either (i) cause the depositary bank to agree to comply with instructions from the Collateral Agent to such depositary bank directing the disposition of funds from time to time credited to such Deposit Account, without further consent of such Loan Party or any other Person, pursuant to an agreement reasonably satisfactory to the Collateral Agent, or (ii) arrange for the Collateral Agent to become the customer of the depositary bank with respect to the Deposit Account, with the Loan Party being permitted, only with the consent of the Collateral Agent, to exercise rights to withdraw funds from such Deposit Account. The provisions of this paragraph shall not apply to Deposit Accounts for which the Collateral Agent is the depositary bank."

(b) Section 3.04(c) of the ABL Guarantee and Collateral Agreement is hereby amended and restated in its entirety as follows:

"(c) *Investment Property*. If any Investment Property now or hereafter acquired by any Loan Party is held by such Loan Party or its nominee through a securities intermediary, and such Investment Property constitutes ABL Collateral, such Loan Party shall immediately notify the Collateral Agent thereof and, at the Collateral Agent's request and option, pursuant to an agreement in form and substance reasonably satisfactory to the Collateral Agent, either (i) use commercially reasonable efforts to cause such securities intermediary to agree to comply with entitlement orders or other instructions from the Collateral Agent to such securities intermediary as to such security entitlements without further consent of any Loan Party or such nominee, or (ii) in the case of Financial Assets or other Investment Property held through a securities intermediary, use commercially reasonable efforts to arrange for the Collateral Agent to become the entitlement holder with respect to such Investment Property, with the Loan Party being permitted, only with the consent of the Collateral Agent, to exercise rights to withdraw or otherwise deal with such Investment Property. The provisions of this paragraph shall not apply to any Financial Assets credited to a securities account for which the Collateral Agent is the securities intermediary."

8.4 Payments. Section 4.02 of the ABL Guarantee and Collateral Agreement is hereby amended by adding the following at the end of such Section:

"Without limiting the generality of the foregoing, the Collateral Agent may, in its discretion, apply any such payments or proceeds first to the Pre-Petition Obligations until such Pre-Petition Obligations are paid and satisfied in full."

9. SUPPLEMENTAL LOAN.

9.1 Supplemental Loan. In addition to the Revolving Loans under Section 2.01 of the Credit Agreement, as a one time financial accommodation to Borrower, Supplemental Loan Lender shall make, subject to the terms and conditions contained herein, a supplemental loan to Borrower in the principal amount equal to the lesser of: (a) $45,000,000 and (b) the sum of (i) 100% of the Eligible Accounts of the Borrower and the Designated Subsidiaries calculated as of the date hereof and (ii) the lesser of (A) 100% of the Value of the Eligible Inventory of the Borrower and the Designated Subsidiaries and (B) 100% of the Net Recovery Percentage multiplied by the Value of such Eligible Inventory; each as calculated as of the date hereof (the "***Supplemental Loan***"). The Supplemental Loan shall be funded in full on the date hereof. The Supplemental Loan shall constitute part of the Obligations and shall be secured by all of the ABL Collateral. Except for the making of the Supplemental Loan as set forth in this Section 9.1, Borrower shall have no right to request and Supplemental Loan Lender shall have no obligation to make any additional loans or advances to Borrower under this Section 9.1 and any repayments of the Supplemental Loan shall not be subject to any readvance to or reborrowing by Borrower.

9.2 Interest and Fees. Borrower shall pay interest and fees and such other consideration in respect of the Supplemental Loan as set forth on Schedule 9.2 and Schedule 9.2(a) annexed hereto and made a part hereof. All such interest and fees may be charged by Agent to any account of Borrower maintained by Agent. No modifications to Schedule 9.2(a) shall be made without the written consent of each of the Supplemental Loan Participants.

9.3 Repayment.

(a) Subject to the provisions of Section 9.3(b) below, Borrower shall repay the principal amount of the Supplemental Loan, together with all accrued interest thereon, in full, in cash or other immediately available funds on the Maturity Date.

(b) Notwithstanding anything to the contrary contained in Section 9.3(a) above, on the Maturity Date or if the Obligations are due and payable in full prior to the Maturity Date after the occurrence of an Event of Default, Agent, for itself and the other Lenders, and the Supplemental Loan Lender hereby agree that the Obligations then due and payable shall be repaid as follows: first, to the payment in full of all Obligations then due and payable (other than the Supplemental Loan, together with all accrued and unpaid interest, fees, charges and expenses payable hereunder in respect thereof), in cash or other immediately available funds, in accordance with the terms of Section 4.02 of the ABL Guarantee and Collateral Agreement; and second, to the payment in full in cash of other immediately available funds of the Supplemental Loan, together with all accrued and unpaid interest and fees with respect thereto.

9.4 Amendments; Voting.

(a) With respect to amendments, modifications and waivers to any of the Loan Documents, Supplemental Loan Lender shall not be considered a lender for voting purposes, including, without limitation, for purposes of the definition of "Required Lenders".

(b) Without the prior written consent of Supplemental Loan Participants, no Loan Document may be amended, supplemented or otherwise modified, and no new Loan Document may be entered into, to the extent such amendment, supplement or other modification or new document would:

(i) amend or modify any term or provision of this Section 9, including, without limitation, Schedule 9.2 hereof,

(ii) contractually subordinate the Liens of the Agent to any other debt of Borrower or any Subsidiary Loan Party;

(iii) consent to the incurrence of any Indebtedness other than Indebtedness permitted under the Credit Agreement or this Ratification Agreement, except to the extent consented to in writing by Agent and Supplemental Loan Participants;

(iv) (A) extend the Stated Expiry Date as to the repayment of the Supplemental Loan, or (B) extend the Stated Expiry Date for more than six (6) months as to any of the Obligations other than the Supplemental Loan; or

(v) increase the Eligible Accounts or Eligible Inventory advance rate percentages as set forth in the definition of Borrowing Base by more than five (5%).

9.5 Reports and Other Information. Agent shall furnish to Supplemental Loan Participants all Reports, appraisals with respect to the ABL Collateral and financial statements with respect to Borrower and its Subsidiaries received by Agent in accordance with the terms of the Loan Documents; except, that Agent may furnish such other information, documents and reports prepared by Agent or any of its consultants, accountants, advisors, attorneys and other professionals in its sole discretion.

9.6 Conditions Precedent to Supplemental Loan. In addition to the Conditions Precedent set forth in Section 11 below and Section 4.02(b) of the Credit Agreement, the obligation of Supplemental Loan Lender to make the Supplemental Loan to Borrower as set forth in this Section 9 shall be conditioned upon:

(a) the execution and delivery of the Supplemental Loan Junior Participation Agreement by the Supplemental Loan Participants;

(b) the receipt by Supplemental Loan Lender, for the benefit of Supplemental Loan Participants, of the fees required to be paid on the effective date of this Ratification Agreement pursuant to Section 9.2 hereof and all expenses owing to the Supplemental Loan Participants shall be paid; and

(c) the receipt by Supplemental Loan Lender of cash or other immediately available funds representing the purchase by Supplemental Loan Participant of a 100% junior participation in the Supplemental Loan.

10. RELEASE.

10.1 Release of Pre-Petition Claims.

(a) Upon the earlier of (i) the entry of the Permanent Financing Order or (ii) the entry of an Order extending the term of the Interim Financing Order beyond forty-five (45) calendar days after the date of the Interim Financing Order, in consideration of the agreements of Agent and Lenders contained herein and the making of any Loans by Agent and Lenders, Borrower and each Subsidiary Loan Party, pursuant to the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, on behalf of itself and its respective successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent, each Lender and their respective successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees and other representatives (Agent, each Lender and all such other parties being hereinafter referred to collectively as the "***Releasees***" and individually as a "***Releasee***"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "***Pre-Petition Released Claim***" and collectively, "***Pre-Petition Released Claims***") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which Borrower or any Subsidiary Loan Party, or any of their respective successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any nature, cause or thing whatsoever which arises at any time on or prior to the day and date of this Agreement, including, without limitation, for or on account of, or in relation to, or in any way in connection with the Credit Agreement, as amended and supplemented through the date hereof, and the other Loan Documents.

(b) Upon the earlier of (i) the entry of the Permanent Financing Order or (ii) the entry of an Order extending the term of the Interim Financing Order beyond forty-five (45) calendar days after the date of the Interim Financing Order, Borrower and each Subsidiary Loan Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably, covenants and agrees with each Releasee that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any Pre-Petition Released Claim released, remised and discharged by Borrower and each Subsidiary Loan Party pursuant to this Section 10.1. If Borrower or any Subsidiary Loan Party violates the foregoing covenant, Borrower and Subsidiary Loan Parties agree to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

10.2 Release of Post-Petition Claims. Upon (a) the receipt by Agent, on behalf of itself and the other Lenders, of payment in full of all Obligations in cash or other immediately available funds, plus cash collateral or other collateral security acceptable to Agent to secure any Obligations that survive or continue beyond the termination of the Loan Documents, and (b) the termination of the Loan Documents (the "***Payment Date***"), in consideration of the agreements of Agent and Lenders contained herein and the making of any Loans by Agent and Lenders, Borrower and each Subsidiary Loan Party hereby covenants and agrees to execute and deliver in favor of Agent, Lenders and Supplemental Loan Lender a valid and binding termination and release agreement, in form and substance satisfactory to Agent. If Borrower or any Subsidiary Loan Party violates such covenant, Borrower and Subsidiary Loan Parties agree to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys' fees and costs incurred by any Releasee as a result of such violation.

10.3 Releases Generally.

(a) Borrower and each Subsidiary Loan Party understands, acknowledges and agrees that the releases set forth above in Sections 10.1 and 10.2 hereof may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such releases.

(b) Borrower and each Subsidiary Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final and unconditional nature of the releases set forth in Section 10.1 hereof and, when made, Section 10.2 hereof.

11. CONDITIONS PRECEDENT.

In addition to any other conditions contained herein or the Credit Agreement, as in effect immediately prior to the Petition Date, with respect to the Loans and other financial accommodations available to Borrower (all of which conditions, except as modified or made pursuant to this Ratification Agreement shall remain applicable to the Loans and be applicable to other financial accommodations available to Borrower), the following are conditions to Agent's, Lenders' and Supplemental Loan Lender's obligation to extend further loans, advances or other financial accommodations to Borrower pursuant to the Credit Agreement:

11.1 Borrower and Subsidiary Loan Parties shall furnish to Agent and Lenders all financial information, projections, budgets, business plans, cash flows and such other information as Agent and Lenders shall reasonably request from time to time;

11.2 As of the Petition Date, the Existing Loan Documents shall not have been terminated;

11.3 No trustee, examiner or receiver or the like shall have been appointed or designated with respect to Borrower or any Subsidiary Loan Party, as Debtor and Debtor-in-Possession, or its respective business, properties and assets and no motion or proceeding shall be pending seeking such relief;

11.4 The execution and delivery of this Ratification Agreement, a Perfection Certificate, an omnibus Secretary's Certificate and all other Loan Documents to be delivered in connection herewith by Borrower and Subsidiary Loan Parties in form and substance satisfactory to Agent;

11.5 The Interim Financing Order or other Order(s) of the Bankruptcy Court shall have been entered by the Bankruptcy Court and shall, among other things, ratify and amend the Blocked Account Agreement and deposit account arrangements of Borrower and Subsidiary Loan Parties to reflect the commencement of the Chapter 11 Cases, that each Debtor, as Debtor and Debtor-in-Possession, is the successor in interest to Borrower or such Subsidiary Loan Party, as the case may be, that the Obligations include both the Pre-Petition Obligations and the Post-Petition Obligations, and that the ABL Collateral includes both the Pre-Petition Collateral and the Post-Petition Collateral as provided for in this Ratification Agreement;

11.6 The execution and delivery to Agent and Lenders of all other Loan Documents, and other agreements, documents and instruments which, in the good faith judgment, of Agent are necessary or appropriate. The implementation of the terms of this Ratification Agreement and the other Loan Documents, as modified pursuant to this Ratification Agreement, all of which contains provisions, representations, warranties, covenants and Events of Default, as are satisfactory to Agent and its counsel;

11.7 Satisfactory review by counsel for Agent of legal issues attendant to the post-petition financing transactions contemplated hereunder;

11.8 Borrower and each Subsidiary Loan Party shall comply in full with the notice and other requirements of the Bankruptcy Code and the applicable Bankruptcy Rules with respect to the Interim Financing Order in a manner acceptable to Agent and its counsel, and such Interim Financing Order shall have been entered by the Bankruptcy Court (the "***Interim Financing Order***") authorizing the secured financing under the Loan Documents as ratified and amended hereunder on the terms and conditions set forth in this Ratification Agreement and, among other things, modifying the automatic stay, authorizing and granting the senior security interest and liens in favor of Agent and Lenders described in this Ratification Agreement and in the Interim Financing Order, and granting super-priority expense claims to Agent and Lenders with respect to all obligations due Agent and Lenders, subject only to the Carve-Out Expenses (as defined in the Interim Financing Order). The Interim Financing Order shall authorize post-petition financing under the terms set forth in this Ratification Agreement in an amount acceptable to Agent and Lenders, in their sole discretion, and it shall contain such other terms or provisions as Agent and its counsel shall require;

11.9 With respect to further credit after expiration of the Interim Financing Order, on or before the expiration of the Interim Financing Order, the Bankruptcy Court shall have entered a Permanent Financing Order authorizing the secured financing on the terms and conditions set forth in this Ratification Agreement, granting to Agent and Lenders the senior security interests and liens described above and super-priority administrative expense claims described above (subject to the Carve-Out Expenses and except as otherwise specifically provided in the Interim Financing Order), and modifying the automatic stay and other provisions required by Agent and its counsel ("***Permanent Financing Order***"). Neither Agent, any Lender nor Supplemental Loan Lender shall have provided any Loans (or other financial accommodations) other than those authorized under the Interim Financing Order unless, on or before the expiration of the Interim Financing Order, the Permanent Financing Order shall have been entered, and there shall be no appeal or other contest with respect to either the Interim Financing Order or the Permanent Financing Order and the time to appeal to contest such order shall have expired;

11.10 Other than the voluntary commencement of the Chapter 11 Cases, no material impairment of the priority of Agent's and Lenders' security interests in the ABL Collateral shall have occurred from the date of the latest field examinations of Agent and Lenders to the Petition Date; and

11.11 No Event of Default (other than Event of Default resulting from the filing of the Chapter 11 Cases by Borrower and each Subsidiary Loan Party) shall have occurred or be existing under any of the Existing Loan Documents, as modified pursuant hereto, and assumed by Borrower and Subsidiary Loan Parties.

12. MISCELLANEOUS.

12.1 Amendments and Waivers. Neither this Ratification Agreement nor any other instrument or document referred to herein or therein may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

12.2 Further Assurances. Borrower and each Subsidiary Loan Party shall, at its expense, at any time or times duly execute and deliver, or shall use its commercially reasonable efforts to cause to be duly executed and delivered, such further agreements, instruments and documents, including, without limitation, additional security agreements, collateral assignments, UCC financing statements or amendments or continuations thereof, landlord's or mortgagee's waivers of liens and consents to the exercise by Agent and Lenders of all the rights and remedies hereunder, under any of the other Loan Documents, any Financing Order or applicable law with respect to the ABL Collateral, and do or use its best efforts to cause to be done such further acts as may be reasonably necessary or proper in Agent's opinion to evidence, perfect, maintain and enforce the security interests of Agent and Lenders, and the priority thereof, in the ABL Collateral and to otherwise effectuate the provisions or purposes of this Ratification

Agreement, any of the other Loan Documents or the Financing Order. Upon the request of Agent, at any time and from time to time, Borrower and each Subsidiary Loan Party shall, at its cost and expense, do, make, execute, deliver and record, register or file updates to the filings of Agent and Lenders with respect to the Intellectual Property with the United States Patent and Trademark Office, the financing statements, mortgages, deeds of trust, deeds to secure debt, and other instruments, acts, pledges, assignments and transfers (or use its best efforts to cause the same to be done) and will deliver to Agent and Lenders such instruments evidencing items of ABL Collateral as may be requested by Agent.

12.3 Headings. The headings used herein are for convenience only and do not constitute matters to be considered in interpreting this Ratification Agreement.

12.4 Counterparts. This Ratification Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute one and the same agreement. In making proof of this Ratification Agreement, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Ratification Agreement by telefacsimile or other electronic means shall have the same force and effect as delivery of an original executed counterpart of this Ratification Agreement. Any party delivering an executed counterpart of this Ratification Agreement by telefacsimile also shall deliver an original executed counterpart of this Ratification Agreement, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Ratification Agreement as to such party or any other party.

12.5 Additional Events of Default. The parties hereto acknowledge, confirm and agree that the failure of Borrower or any Subsidiary Loan Party to comply with any of the covenants, conditions and agreements contained herein or in any other agreement, document or instrument at any time executed by Borrower or such Subsidiary Loan Party in connection herewith shall constitute an Event of Default under the Loan Documents.

12.6 Costs and Expenses. Borrower shall pay to Agent and Lenders on demand all costs and expenses that Agent or any Lender pays or incurs in connection with the negotiation, preparation, consummation, administration, enforcement, and termination of this Ratification Agreement and the other Loan Documents and the Financing Order, including, without limitation: (a) reasonable attorneys' and paralegals' fees and disbursements of counsel to, and reasonable fees and expenses of consultants, accountants and other professionals retained by, Agent and any Lender; (b) costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) for any amendment, supplement, waiver, consent, or subsequent closing in connection with this Ratification Agreement, the other Loan Documents, the Financing Order and the transactions contemplated thereby; (c) taxes, fees and other charges for recording any agreements or documents with any governmental authority, and the filing of UCC financing statements and continuations, and other actions to perfect, protect, and continue the security interests and liens of Agent and Lenders in the ABL Collateral; (d) sums paid or incurred to pay any amount or take any action required of Borrower and Subsidiary Loan Parties under the Loan Documents or the Financing Order that Borrower and Subsidiary Loan Parties fail to pay or take; (e) costs of appraisals, inspections and verifications of the ABL Collateral and including travel, lodging, and meals for inspections of the ABL Collateral and the Debtors' operations by Agent or its agent and to attend court hearings or otherwise in connection with the Chapter 11 Cases; (f) costs and expenses of preserving and protecting the ABL Collateral; (g) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Agent during the course of periodic field examinations of the ABL Collateral and the Debtors' operations, plus a per diem charge at the rate of $1,000 per person per day for Agent's examiners in the field and office; (h) costs and expenses (including attorneys' and paralegals' fees and disbursements) paid or incurred to obtain payment of the Obligations, enforce the security interests and liens of Agent and Lenders, sell or otherwise realize upon the ABL Collateral, and otherwise enforce the provisions of this Ratification Agreement, the other Loan Documents and the Financing Order, or to defend any claims made or threatened against Agent or any Lender arising out of the transactions contemplated hereby (including, without limitation, preparations for and consultations concerning any such matters), and (i) reasonable costs and expenses (including reasonable attorneys' and paralegals' fees and disbursements) and reasonable fees and expenses of consultants, accountants, advisors and other professionals retained by Supplemental Loan Participants (including, without limitation, Lazard Frères & Co. LLC as advisor to Harbinger), provided that the aggregate amount of such costs and expenses under this Section 12.6(i) shall not exceed the amounts set forth in the Budget for such costs and expenses. The foregoing shall not be construed to limit any other provisions of the Loan Documents regarding costs and expenses to be paid by Borrower. All sums provided for in this Section 12.6 shall be part of the Obligations, shall be payable on demand, and shall accrue interest after demand for payment thereof at the highest rate of interest then payable under the Loan Documents. Agent is hereby irrevocably authorized to charge any amounts payable hereunder directly to any of the account(s) maintained by Agent with respect to Borrower or any Subsidiary Loan Party.

12.7 Purchase Option by Supplemental Loan Participants.

(a) Notwithstanding anything to the contrary herein, Agent, Supplemental Loan Lender and Lenders herby agree that, at any time, one or more of the Supplemental Loan Participants (the "Purchasing Participants") shall have the option (the "Purchase Option"), upon the delivery of written notice to Agent to purchase from Agent, Lenders and Supplemental Loan Lender all of Agent's, Supplemental Loan Lender's and Lenders' right, title and interest in, to and under (i) the Obligations owing to Agent, Supplemental Loan Lender and Lenders on the Purchase Date (as defined below) and (ii) the Loan Documents (collectively, the "Purchased Obligations") in accordance with the terms and conditions hereof. Except as expressly provided in the last sentence of this Section 12.7, the written notice required to be delivered under this Section 12.7(a) to Agent (the "Purchase Notice") shall be irrevocable, unless otherwise agreed to in writing by Agent.

(b) On the date specified by Purchasing Participants (the "Purchase Date") in the Purchase Notice (which shall not be less than five (5) Business Days, nor more than twenty (20) Business Days after the receipt by Agent of the Purchase Notice), Agent, Supplemental Loan Lender and Lenders shall, subject to any required approval of any court or other governmental authority, if any, sell to Purchasing Participants, and Purchasing Participants shall purchase from Agent, Supplemental Loan Lender and Lenders, all of the Purchased Obligations; provided, that, Agent and Lenders shall retain all rights to be indemnified or held harmless by Debtors in accordance with the terms of the Loan Documents, but shall not retain any rights to the security therefor under the Loan Documents, provided, further, that in no event shall the foregoing be construed to limit or restrict the Obligations owing by Debtors to Purchasing Participants after the exercise of the Purchase Option from being secured by the Collateral, which shall include the Purchased Obligations and the Supplemental Loan.

(c) On the Purchase Date, Agent, Supplemental Loan Lender and Lenders shall sell and assign to the Purchasing Participants, and Purchasing Participants shall purchase from Agent, Lenders and Supplemental Loan Lender, all of Agent's, Supplemental Loan Lender's and Lenders' right, title and interest in, to and under the Purchased Obligations and the Collateral therefor in exchange for the payment of the Purchase Price by Purchasing Participants to Agent, Supplemental Loan Lender and Lenders; provided, that, on the Purchase Date, Purchasing Participants shall also:

(i) furnish cash collateral to Agent (or instead of such cash collateral, deliver to Agent a letter of credit, in form and substance reasonably satisfactory to Agent, by an issuer acceptable to Agent and payable to Agent as beneficiary) in a manner and in such amounts as Agent determines is reasonably necessary to secure Agent and Lenders in connection with any issued and outstanding letters of credit provided by any Lender (or letters of credit that Agent has arranged to be provided by third parties pursuant to the financing arrangements of Agent and Lenders with Debtors) to Debtors (but not in any event in an amount greater than one hundred ten (110%) percent of the aggregate undrawn face amount of such letters of credit) and for any Swap Contract secured by the Lien of Agent;

(ii) agree to reimburse Agent, Supplemental Loan Lender and Lenders for any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) in connection with any commissions, fees, costs or expenses related to any issued and outstanding letters of credit as described above and owing to Agent, Supplemental Loan Lender or any Lenders and any checks or other payments provisionally credited to the Obligations, or as to which Agent and Lenders have not yet received final payment,

(iii) agree to reimburse Agent, Supplemental Loan Lender and Lenders in respect of indemnification obligations of Debtors under the Loan Documents as to matters or circumstances actually known to Agent and disclosed to Purchasing Participants at the time of the purchase and sale which could reasonably be expected to result in any loss, cost, damage or expense (including reasonable attorneys' fees and legal expenses) to Agent, Supplemental Loan Lender and Lenders (with rights of subrogation against the Debtors and in respect of which Agent, Supplemental Loan Lender and Lenders shall assign their rights against the Debtors to the Purchasing Participants); and

(iv) agree to indemnify and hold harmless Agent, Supplemental Loan Lender and Lenders from and against any loss, liability, claim, damage or expense (including reasonable fees and expenses of legal counsel) arising out of any claim asserted by a third party in respect of the Purchased Obligations or Collateral as a direct result of any acts by Purchasing Participants occurring after the date of such purchase.

(d) The Purchase Price and such cash collateral shall be remitted by wire transfer in immediately available funds to such bank account of Agent as Agent may designate in writing to Purchasing Participants for such purpose. Interest shall be calculated to but excluding the Business Day on which such purchase and sale shall occur if the amounts so paid by Purchasing Participants to the bank account designated by the Agent are received in such bank account prior to 12:00 noon, New York City time on such Business Day and interest shall be calculated to and including such Business Day if the amounts so paid by Purchasing Participants to the bank account designated by the Agent are received in such bank account later than 12:00 noon, New York City time on such Business Day.

(e) Any purchase pursuant to the Purchase Option shall be expressly made without representation or warranty of any kind by the Agent, Supplemental Loan Lender or any Lender as to the Obligations, the Collateral or otherwise and without recourse to Agent Supplemental Loan Lender and Lenders; except, that, Agent, Supplemental Loan Lender and each of the Lenders, as to itself only, shall represent and warrant that: (i) the amount of the Purchased Obligations as reflected in the books and records of Agent (but without representation or warranty as to the collectibility, validity or enforceability thereof), (ii) Agent, Supplemental Loan Lender and each Lender owns the Purchased Obligations free and clear of any liens or encumbrances and (iii) Agent, Supplemental Loan Lender and each of the Lenders has the right to assign all of its right, title and interest in and to the Purchased Obligations and the assignment is duly authorized.

12.8 <u>Effectiveness</u>. This Ratification Agreement shall become effective upon the execution hereof by each of the signatories hereto and the entry of the Interim Financing Order.

12.9 <u>Relationship with Financing Orders</u>. In the event of any inconsistency between the terms of the Financing Orders and the Loan Documents, the terms of the Financing Orders shall control.

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IN WITNESS WHEREOF, the parties hereto have caused this Ratification Agreement to be duly executed as of the day and year first above written.

BORROWER:

Spectrum Brands, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Executive Vice President,
Chief Financial Officer and
Chief Accounting Officer

SUBSIDIARY LOAN PARTIES:

ROV Holding, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

ROVCAL Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

United Industries Corporation,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Spectrum Neptune US Holdco Corporation,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

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Schultz Company,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

United Pet Group, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

DB Online, LLC,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Southern California Foam, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Aquaria, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

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Aquarium Systems, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Perfecto Manufacturing, Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Tetra Holding (US), Inc.,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

Spectrum Jungle Labs Corporation,
as Debtor and Debtor-in-Possession

By: /s/ Anthony L. Genito
Title: Vice President

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ADMINISTRATIVE AGENT, COLLATERAL AGENT AND
LC ISSUER:
Wachovia Bank, National Association

By: /s/ Daniel Dentor
Title: Director

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SUPPLEMENTAL LOAN LENDER:

Wachovia Bank, National Association

By: /s/ Daniel Dentor

Title: Director

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LENDER:

Wachovia Bank, National Association

By: /s/ Daniel Dentor
Title: Director

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LENDER:

Allied Irish Banks, pl.c.

By: /s/ Martin Chin
Title: Senior Vice President

By: /s/ Mia Bolin
Title: Assistant Vice President

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LENDER:

Bank of America, N.A.

By: /s/ Lisa Freeman

Title: Senior Vice President

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LENDER:

The CIT Group/Commercial Services, Inc.

By: /s/ William H. Skidmore
Title: Vice President

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LENDER:

General Electric Capital Corporation

By: /s/ Robert E. Kelly

Title: Duly Authorized Signatory

[Signatures Continued on Next Page]

[Signatures Continued from Previous Page]

LENDER:

Landsbanki Commercial Finance, a division of Landsbanki Islands hf.

By: Brent Osborne

Title: Managing Director

[Signatures Continued from Previous Page]

LENDER:

Wells Fargo Foothill, LLC

By: /s/ Rohan Damani

Title: Vice President

EXHIBIT A
TO
RATIFICATION AGREEMENT

COMMITMENT SCHEDULE

Lender	Commitment
Wachovia Bank, National Association	$ 42,222,222.22
Bank of America, NA	$ 42,222,222.22
General Electric Capital Corporation	$ 31,666,666.67
Wells Fargo Foothill, LLC	$ 31,666,666.67
The CIT Group/Commercial Services, Inc.	$ 16,888,888.89
Landsbanki Commercial Finance, a division of Landsbanki Islands h.f.	$ 12,666,666.67
Allied Irish Banks, p.l.c.	$ 12,666,666.67
TOTAL	$ 190,000,000

SCHEDULE 9.2
TO
RATIFICATION AGREEMENT

SCHEDULE OF FEES AND INTEREST FOR THE SUPPLEMENTAL LOAN

Interest. The Supplemental Loan shall bear interest at the Eurodollar Rate with a 3.0% floor, plus 14.5% per annum. The interest shall be paid monthly. All computations of interest and fees will be made on the basis of a 360 day year and actual days elapsed.

Upfront Fee. Borrower shall pay to Supplemental Loan Lender, for the account of Supplemental Loan Participants, an up front fee in an amount equal to 4.0% of $45,000,000, which fee shall be payable on the date upon which the Interim Financing Order is entered.

Unused Line Fee. Borrower shall pay to the Supplemental Loan Lender, for the account of the Supplemental Loan Participants, a fee equal to 1.0% per annum times the daily average undrawn portion of the Supplemental Loan to accrue from the date hereof and shall be payable quarterly in arrears to the Supplemental Loan Lender.

Rollover Commitment Fee. To the extent the maturity of the Supplemental Loan is extended or the Supplemental Loan is rolled into a senior secured credit facility, Borrower shall pay to Supplemental Loan Lender, for the account of the Supplemental Loan Participants, a rollover fee in an amount equal to 5.0% of the principal amount of the Supplemental Loan as so extended and rolled.

Prepayment and Exit Fees. Subject to approval by the Bankruptcy Court pursuant to the Permanent Financing Order, Borrower shall pay to the Supplemental Loan Lender, for the account of the Supplemental Loan Participants, an exit fee of 2.0% of any principal amount of the Supplemental Loan payable at the time any such principal is repaid (but only in the case of a permanent repayment of such principal); provided that, if such principal is repaid other than upon emergence from the Chapter 11 Cases consistent with the plan of reorganization contemplated in the restructuring support agreement among the Borrower and Supplemental Loan Participants (the “Restructuring Support Agreement”), such fee shall be 4.0%.

Subject to approval by the Bankruptcy Court pursuant to the Permanent Financing Order, upon (x) emergence of the Borrower from the Chapter 11 Cases, (y) a plan of reorganization, other than the plan of reorganization contemplated by the Restructuring Support Agreement, being confirmed pursuant to an order entered this Court or (z) a material portion of the assets of the Borrower or the Subsidiary Loan Parties being sold, transferred or otherwise disposed of pursuant to section 363 of the Bankruptcy Code or otherwise sold, transferred or disposed of, then (i) the Supplemental Loan Lender shall receive, for the account of, and allocable to, the Supplemental Loan Participants, shares of the common equity of the Borrower, as reorganized, or the applicable reorganized affiliate or successor to the Borrower, equal to 9.9% of the outstanding common stock thereof on a fully diluted basis.

SCHEDULE 9.2(a)
TO
RATIFICATION AGREEMENT

FEES AND INTEREST FOR THE SUPPLEMENTAL LOAN

Treatment of Supplemental Loan.[1] Subject to approval by the Bankruptcy Court pursuant to the Permanent Financing Order, upon (x) emergence of Borrower from chapter 11, (y) a plan of reorganization, other than the plan of reorganization contemplated by the Restructuring Support Agreement (as defined in the DIP Term Sheet), being confirmed pursuant to an order entered this Court or (z) a material portion of the assets of Borrower or the Subsidiary Loan Parties being sold, transferred or otherwise disposed of pursuant to section 363 of the Bankruptcy Code or otherwise sold, transferred or disposed of, then (i) the Supplemental Loan Lender shall receive, for the account of, and allocable to, the Supplemental Loan Participants, shares of the common equity of Borrower, as reorganized, or the applicable reorganized affiliate or successor to Borrower, equal to 9.9% of the outstanding common stock thereof on a fully diluted basis (the "***Stock Allocation***") (provided, however that, Avenue Investments, LP or any affiliate thereof ("***Avenue***"), in its capacity as a Supplemental Loan Participant, shall receive its pro rata share of the first 50% of the Stock Allocation together with the other Supplemental Loan Participants and the second 50% of the Stock Allocation shall be shared pro rata among the Supplemental Loan Participants exclusive of Avenue. Ten million dollars ($10,000,000) in principal amount of Supplemental Loans participated in by Avenue shall be satisfied in full in cash or, at the sole option of Borrower, converted into a post-emergence loan secured by a lien on the Pre-Petition Term Loan Collateral that is pari passu with the security interests of the Pre-Petition Term Loan Agent and Pre-Petition Term Loan Lenders in the Pre-Petition Term Loan Collateral on a post-emergence basis and the economic terms thereof shall be no worse than the economic terms provided to the Supplemental Loan and have a maturity of no longer than one year from the effective of the plan of reorganization. For the avoidance of doubt, unless Avenue otherwise agrees in its sole discretion, any amount of Supplemental Loan participated in by Avenue in excess of $10 million must be paid in full, in cash in prior to the repayment of any other Supplemental Loan. All Supplemental Loan Participants shall otherwise share in all interests, expenses, costs and rights provided hereunder or in the Loan Documents on a pro rata basis. This Schedule 9.2(a) supercedes any other agreement among the Supplemental Loan Participants and the Debtors regarding the subject matter hereof.

[1] Terms not otherwise defined in this Schedule 9.2(a) shall have the meanings ascribed to such terms in the Interim Financing Order.

RESTRUCTURING SUPPORT AGREEMENT

This Restructuring Support Agreement, dated as of February 3, 2009 (as may be amended, supplemented or otherwise modified from time to time, this "Agreement"), is made and entered into by and among (i) Spectrum Brands, Inc., a Wisconsin corporation ("Spectrum Brands"); (ii) the subsidiaries of Spectrum Brands listed on the signature pages hereto (such subsidiaries, together with Spectrum Brands, "Spectrum"); (iii) Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. (collectively, with any affiliates that become a party to this Agreement in accordance with the terms hereof, "Harbinger"); (iv) D. E. Shaw Laminar Portfolios, L.L.C. (collectively, with any affiliates that become a party to this Agreement in accordance with the terms hereof, "Laminar"); and (v) Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund V, L.P., Avenue Special Situations Fund IV, L.P. and Avenue-CDP Global Opportunities Fund, L.P. (collectively, with any affiliates that become a party to this Agreement in accordance with the terms hereof, "Avenue").

RECITALS

WHEREAS, each of Harbinger, Laminar and Avenue are holders of one or more series of Spectrum's 7.375% Senior Subordinated Notes due 2015, Variable Rate Toggle Senior Subordinated Notes due 2013 and 8 1/2% Senior Subordinated Notes due 2013 (collectively, the "Notes") or their agents, investment advisors or managers or other authorized representatives (each, solely in their capacity as holders of certain of the Notes (or agents, advisors, managers or other authorized representatives of the beneficial owner(s) of the Notes), a "Consenting Noteholder");

WHEREAS, Spectrum intends, subject to the terms and conditions of this Agreement, to prepare and file a disclosure statement (such disclosure statement together with all of the related documents and agreements attached as exhibits thereto, all to the extent that they are in form and substance reasonably satisfactory to each of the Consenting Noteholders, and with such amendments, supplements or modifications from time to time as may be permitted under Section 14 of this Agreement, collectively, the "Disclosure Statement") and plan of reorganization (as it may be amended or modified from time as permitted under this Agreement, and as supplemented by attachments, exhibits, schedules and other ancillary documentation as permitted under Section 14 of this Agreement, the "Plan") consistent in all material respects with and to implement the terms set forth in this Agreement and the term sheet attached hereto as Exhibit "A" (the "Term Sheet"), except as the Disclosure Statement and the Plan may be amended, supplemented or modified as permitted under this Agreement, in jointly administered cases (the "Chapter 11 Cases") filed under chapter 11 of title 11 of the United States Code, as amended (the "Bankruptcy Code") in the United States Bankruptcy Court for the Western District of Texas (the "Bankruptcy Court"), and Spectrum intends to use its reasonable best efforts to have such Disclosure Statement approved and such Plan confirmed by the Bankruptcy Court, in each case as expeditiously as possible under the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules");

WHEREAS, in order to expedite the implementation of the Plan, each Consenting Noteholder is prepared to commit, on the terms and subject to the conditions of this Agreement, upon receipt of a Bankruptcy-Court approved Disclosure Statement and when properly solicited to do so, to vote all Notes and claims, as defined in section 101(5) of the Bankruptcy Code, arising out of, or related to the Notes (such claims collectively with the Notes, the "Note Claims"), now or hereafter beneficially owned by such Consenting Noteholder or for which the Consenting Noteholder now or hereafter serves as the agent, investment advisor, manager or other authorized representative of any beneficial owners of the Notes, to accept the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Spectrum and each Consenting Noteholder, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, agree as follows:

13. Agreement. Spectrum and each Consenting Noteholder, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, to the extent permitted by applicable law, agree to the terms set forth in this Agreement. Each of Spectrum and each Consenting Noteholder is referred to individually as a "Party" and collectively as the "Parties." Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Term Sheet.

14. Consent. To the extent that any provision of this Agreement or the Term Sheet requires the consent or approval of a Consenting Noteholder, such consent or approval shall be exercisable by each Consenting Noteholder, but only for so long as such Consenting Noteholder shall continue to hold at least 50% of the aggregate principal amount of the outstanding Notes that it holds on the date hereof; provided, however, that, notwithstanding that such Consenting Noteholder shall not continue to hold at least 50% of the aggregate principal amount of the outstanding Notes that it holds on the date hereof, the consent or approval of such Consenting Noteholder will be required to the extent that any amendment, supplement or modification to any provision of this Agreement or the Term Sheet, each as in effect on the date hereof, or the Plan as substantially in the form approved by each of the Consenting Noteholders as of the date hereof would materially and adversely disadvantage such Consenting Noteholder (solely in its capacity as a Consenting Noteholder) relative to the other Consenting Noteholders (solely in their capacity as Consenting Noteholders); provided further, however, that nothing in this Section 2 shall be construed to affect such Consenting Noteholder's vote pursuant to and in accordance with the provisions of Section 3.

15. Voting.

15.1 So long as this Agreement shall remain in effect, and subject to the terms herein, each Consenting Noteholder agrees on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, that (i) upon receipt of a Bankruptcy-Court approved Disclosure Statement, and when properly solicited to do so, it shall timely vote all Note Claims now or hereafter beneficially owned by it, or for which it now or hereafter serves as the agent, investment advisor, manager or other authorized representative of the beneficial owners of such Note Claims, to accept the Plan, (ii) it shall not, in its capacity as a holder of Note Claims (and only in such capacity), object to or otherwise commence any proceeding or support any other person's efforts to oppose or object to confirmation and consummation of the Plan, (iii) it shall not vote any Note Claims now or hereafter beneficially owned by it or for which it now or hereafter serves as the agent, investment advisor, manager or other authorized representative for beneficial owners of such Note Claims in favor of any other plan; provided that in each case, the terms of the Plan and Disclosure Statement are in all material respects consistent with the terms set forth in the Term Sheet and are otherwise satisfactory to each of the Consenting Noteholders in all material respects and (iv) it shall not, with respect to all Note Claims for which such Consenting Noteholder beneficially owns or is an agent, investment advisor, manager or other authorized representative of the beneficial owner of such Note Claims, withdraw or revoke any properly solicited vote to accept the Plan unless the Plan is amended in a manner that is inconsistent in any material respect with this Agreement without the prior written consent of each of the Consenting Noteholders.

15.2 Notwithstanding the foregoing provisions, nothing in this Agreement shall require Spectrum or any Consenting Noteholder to take any action prohibited by the Bankruptcy Code, the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any rule or regulations thereunder or by other applicable law or regulation or by any order or direction of any court or any federal or state governmental authority.

15.3 It is agreed by and between Spectrum and each Consenting Noteholder, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, that the right of any or all of them to enforce the rights and obligations under this Agreement between and among Spectrum and each Consenting Noteholder shall not be abridged, modified or in any manner affected by the commencement by Spectrum of the Chapter 11 Cases.

16. Restriction on Transfer/Obligations of Transferee.

16.1 Each Consenting Noteholder hereby agrees, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, that, so long as this Agreement shall remain in effect, such Consenting Noteholder shall not sell, transfer or assign ("Transfer") its Note Claims or any option thereon or any right or interest (voting or otherwise) therein over which it has dispositive power, unless the transferee thereof, as a condition precedent to such sale, transfer or assignment, agrees in writing to be bound by all the terms and conditions of this Agreement applicable to a "Consenting Noteholder" as if it were a party hereto by properly completing and executing the transfer form attached hereto as Exhibit "B" and the transferor promptly provides Spectrum Brands with a copy thereof, in which event Spectrum shall be deemed to have acknowledged that its obligations to such Consenting Noteholder hereunder shall be deemed to constitute obligations in favor of such transferee. Spectrum shall confirm that acknowledgement in writing (but the transferor need not wait for such confirmation prior to consummating such transfer). Any sale, transfer or assignment of any Note Claim that does not comply with the procedure set forth in this Section 4 shall be deemed void ab initio.

16.2 In the event that any of Harbinger, Laminar or Avenue Transfers 50% or more of the aggregate principal amount of the outstanding Notes held by it on the date hereof to a transferee pursuant to and in accordance with Section 4.1 (such transferee, a "Transferee"), following the effective time of such Transfer, such Transferee shall, so long as such Transferee remains a Qualifying Transferee, be entitled to exercise the rights of consent or approval of a "Consenting Noteholder" under this Agreement and, except as otherwise provided in Section 2, Harbinger, Laminar or Avenue, as the case may be, shall no longer be entitled to exercise any such rights hereunder. Any transferee of Notes from a Transferee shall be entitled to the rights of a "Consenting Noteholder" under this Agreement only for so long as such subsequent transferee remains a Qualfiying Transferee. For purposes of this Section 4.2, a "Qualifying Transferee" is a Transferee or a subsequent transferee which holds in excess of 50% of the aggregate principal amount of the Notes held by the Consenting Noteholder party to this Agreement as of the date hereof from whom the Transferee acquired such Notes.

17. Means for Implementing the Plan.

17.1 Spectrum hereby agrees that it shall use its reasonable best efforts to:

(1) commence the Chapter 11 Cases promptly following the effective date of this Agreement and no later than February 17, 2009;

(2) coordinate with counsel to each Consenting Noteholder to prepare the Plan and Disclosure Statement;

(3) submit for and obtain at the earliest practicable date, Bankruptcy Court approval of the Disclosure Statement in form and substance reasonably satisfactory to each Consenting Noteholder no later than the date set forth in Section 8(b), and solicit the requisite acceptances of the Plan in accordance with section 1125 of the Bankruptcy Code after the Bankruptcy Court has approved the Disclosure Statement;

(4) except as the board of directors of Spectrum Brands may determine in its good faith judgment, after receiving the advice of outside counsel, to be required in the exercise of their fiduciary duties under applicable law, not withdraw the Plan without the prior consent of each Consenting Noteholder;

(5) seek to confirm the Plan as expeditiously as practicable under the Bankruptcy Code and the Bankruptcy Rules;

(6) implement all steps necessary and desirable to obtain from the Bankruptcy Court an order confirming the Plan (the "Confirmation Order") no later than the time set forth in Section 8(h);

(7) seek to satisfy as promptly as possible all conditions to confirmation and consummation of the Plan as set forth in the Plan;

(8) consummate the confirmed Plan at the earliest practicable date; and

(9) except as the board of directors of Spectrum Brands may determine in its good faith judgment, after receiving the advice of outside counsel, to be required in the exercise of their fiduciary duties under applicable law, not to pursue, propose or support, or encourage the pursuit, proposal or support of, any plan of reorganization for Spectrum that is inconsistent with the Plan.

18. Support of the Plan. As long as this Agreement remains in effect, and provided that the terms of the Plan and Disclosure Statement are in all material respects consistent with the terms set forth in the Term Sheet and are otherwise satisfactory to each of the Consenting Noteholders in all material respects, each Consenting Noteholder will, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, subject to the provisions of this Agreement, support the Plan in the manner described herein and, upon receipt of a Bankruptcy-Court approved Disclosure Statement, and when properly solicited to do so, vote all Note Claims in favor of the Plan. With respect to any Note Claims now or hereafter beneficially owned by any Consenting Noteholder or for which any Consenting Noteholders now or hereafter serves as the agent, investment advisor, manager or other authorized representative for beneficial owners of such Note Claims, as long as this Agreement remains in effect, and provided that the terms of the Plan and Disclosure Statement are in all material respects consistent with the terms set forth in the Term Sheet and are otherwise satisfactory to each of the Consenting Noteholders in all material respects, such Consenting Noteholder, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, shall not (a) oppose the chapter 11 filing; (b) object to confirmation of the Plan or otherwise commence any proceeding to oppose or alter the Plan, (c) vote for, consent to, support or participate in the formulation of any other plan of reorganization or liquidation proposed or filed or to be proposed or filed, (d) directly or indirectly seek, solicit, support or encourage any other plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of Spectrum or any of its subsidiaries, (e) object to the Disclosure Statement or the solicitation of acceptances to the Plan, or (f) take any action, directly or indirectly, with respect to Spectrum, any of its subsidiaries or otherwise that is inconsistent with, or that would delay confirmation of, the Plan.

19. Acknowledgement. This Agreement is not and shall not be deemed to be a solicitation for consents to the Plan. The acceptance of any Consenting Noteholder will not be solicited until such Consenting Noteholder shall have received the Disclosure Statement and related ballot, each as approved by the Bankruptcy Court.

20. Termination of Agreement. Upon the occurrence of one of the following events (each a "Termination Event"), each Consenting Noteholder's obligations hereunder will automatically terminate on the third business day following written notice of such occurrence to Spectrum Brands by any Consenting Noteholder or on such other date as provided for in this Section 8 with respect to any specified Termination Event, unless prior to such date, such Termination Event is cured or one or more Consenting Noteholders each agree in writing to waive such Termination Event, in which case the obligations hereunder of such Consenting Noteholders agreeing to waive the termination event shall not be terminated; provided, however, that upon any Termination Event specified in Section 8(o) this Agreement shall terminate automatically and immediately upon the occurrence thereof; provided further, however, that, upon the occurrence of any Termination Event specified in Section 8(m) or Section 8(n), Spectrum or any Consenting Noteholder whose actions or omissions did not give rise to such Termination Event may terminate this Agreement which termination shall be effective on the third business day following written notice of such occurrence to each Consenting Noteholder (unless such Termination Event is otherwise cured prior to effectiveness of the termination) unless prior to such date, one or more of the Consenting Noteholders whose actions or omissions did not give rise to such Termination Event agree in writing to waive such Termination Event, in which case the obligations hereunder of such Consenting Noteholders agreeing to waive the termination event shall not be terminated:

(1) Spectrum shall not have commenced the Chapter 11 Cases prior to February 18, 2009 (such date of commencement, the "Petition Date");

(2) Spectrum shall not have filed a Plan consistent in all material respects with the Term Sheet and Disclosure Statement relating thereto with the Bankruptcy Court on or before ten (10) days after the Petition Date, or such later date as Spectrum and each of the Consenting Noteholders shall mutually agree;

(3) Spectrum fails to obtain entry of the interim financing order, within three (3) business days following the Petition Date, or fails within forty-five (45) calendar days following the Petition Date to obtain entry of the final financing order, in each case, in form and substance acceptable to each of the Consenting Noteholders, authorizing (x) the DIP Financing (defined herein), the principal terms of which are set forth in the DIP Term Sheet attached hereto as Exhibit "C," or (y) such other DIP financing that provides the Company with the liquidity necessary to fund its operations during the Chapter 11 Cases, is otherwise at least as favorable to the Company, when viewed as a whole, when compared to the DIP Financing reflected on Exhibit "C," and does not impair the Company's ability to prosecute, confirm, and consummate the Plan, provided that a Consenting Noteholder seeking to terminate the Agreement due to the failure of a DIP financing to comply with this Section 8(c) shall provide written notice of such termination to Spectrum Brands and each other Consenting Noteholder as promptly as practicable following the entry of a final financing order approving such DIP financing, and in no event later than seven days following the entry of such final financing order;

(4) the Disclosure Statement shall not have been approved by the Bankruptcy Court on or before April 15, 2009;

(5) Spectrum shall file with the Bankruptcy Court a plan of reorganization, or an amendment to the plan of reorganization, that does not provide for unimpairment and reinstatement of the Senior Secured Credit Facility Claims under Section 1124(2) of the Bankruptcy Code on the same terms that exist under the existing Senior Secured Credit Facility or an alternative treatment of the Senior Secured Credit Facility Claims that is mutually agreed upon by Spectrum and each of the Consenting Noteholders;

(6) Spectrum shall file with the Bankruptcy Court a plan of reorganization, or an amendment to the plan of reorganization (other than the Plan), that is materially inconsistent with or provides less favorable economic treatment for the holders of the Notes than that provided in the Term Sheet; provided, however, that such Consenting Noteholder shall give Spectrum no less than three (3) business days' notice in order to provide Spectrum an opportunity to cure any such inconsistency;

(7) Spectrum shall withdraw the Plan or publicly announce its intention not to pursue, propose or support the Plan;

(8) the Plan shall not have been confirmed by the Bankruptcy Court on or before June 30, 2009, provided, however, that with respect to this Section 8(h) of this Agreement, such date shall be extended, on a daily basis, so long as (i) a hearing to consider confirmation of the Plan has commenced and is continuing and (ii) Spectrum is using its reasonable best efforts to obtain an order of the Bankruptcy Court confirming the Plan; provided further, however, that such date shall not be extended beyond July 10, 2009 without the consent of each of the Consenting Noteholders;

(9) the Chapter 11 Cases shall have been dismissed or converted to a case under Chapter 7 of the Bankruptcy Code;

(10) an occurrence of whatever nature that results in Spectrum being unable to perform its obligations under the Plan, the Term Sheet (to the extent consistent with the Plan) or this Agreement;

(11) Spectrum shall have made or engaged in any act, or omitted to take any action, that is materially inconsistent with, prior to the date of the filing of the Plan, the Term Sheet, and after such date, the Plan;

(12) Spectrum shall have breached any of its material obligations under this Agreement, including the obligations under Section 5;

(13) any Consenting Noteholder, solely in its capacity as a Consenting Noteholder, shall have made or engaged in any act, or omitted to take any action, that is materially inconsistent with the Plan;

(14) any Consenting Noteholder, solely in its capacity as a Consenting Noteholder, shall have breached any of its material obligations under this Agreement, including the obligations under Section 3;

(15) a Chapter 11 trustee or an examiner with expanded powers shall have been appointed for Spectrum pursuant to section 1104 of the Bankruptcy Code;

(16) the Bankruptcy Court shall have determined by final order that the terms of this Agreement are unenforceable;

(17) the Bankruptcy Court shall enter an order denying confirmation of the Plan;

(18) the occurrence of the Effective Date of the Plan no later than July 15, 2009.

Upon termination of this Agreement, all obligations hereunder shall terminate and shall be of no further force and effect; provided, however, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such claims shall not be prejudiced in any way; but provided further, however, that the breach of this Agreement by one or more of the Parties shall not create any rights or remedies against any non-breaching Party unless such non-breaching Party has participated in or aided and abetted the breach by the breaching Party. Except as set forth in this paragraph and for the obligations set forth in Sections 16, 18, 19, 21, 22, 25, 27, 33 and 34 upon such termination, any obligations of the non-breaching Parties set forth in this Agreement shall be null and void ab initio and all claims, causes of action, remedies, defenses, setoffs, rights or other benefits of such non-breaching Parties shall be fully preserved without any estoppel, evidentiary or other effect of any kind or nature whatsoever.

21. Good Faith Negotiation of Documents. Each Party hereby further covenants and agrees to negotiate the definitive documents relating to the Plan consistent with the Term Sheet and in good faith, but subject to Section 14 and Section 15.1.

22. Mutual Representations and Warranties. Spectrum and each Consenting Noteholder, on a several but not joint basis, and solely in its capacity as a Consenting Noteholder and solely with respect to the Note Claims, as applicable, represent and warrant to each other that the following statements are true, correct and complete in all material respects as of the date hereof:

(1) Corporate Power and Authority. Each Party represents that it has all requisite corporate, partnership or Limited Liability Company power and authority to enter into this Agreement and to carry out the transactions contemplated by, and perform its respective obligations under, this Agreement.

(2) Authorization. Each Party represents that the execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by all necessary corporate, partnership or Limited Liability Company action on its part.

23. Other Representations and Warranties.

(1) Each of the Consenting Noteholders represents, severally and not jointly that, as of the date of this Agreement, such Consenting Noteholder is the beneficial owner (and/or agent, investment advisor, manager or other authorized

representative of the beneficial owner(s)) of and has full voting power and dispositive power with respect to the Note Claims and has full power to compromise the Note Claims, and owns or controls the aggregate amount of Notes identified on Schedule A attached hereto. Notwithstanding the representations and warranties made within this Section 11(a) of this Agreement, with respect to any Notes owned or controlled by a Consenting Noteholder and held at Lehman Brothers Inc. or any of its affiliates (collectively, "Lehman"), such Consenting Noteholder cannot represent that it has voting power and/or dispositive power with respect to the Notes and such Notes will not be identified on Schedule A, and, notwithstanding anything to the contrary contained herein, until such Notes no longer are held at Lehman and are not otherwise under such Consenting Noteholder's dominion and control, shall not be included as subject to the provisions of this Agreement.

(2) Binding Obligation of Spectrum. Spectrum represents that, subject to the provisions of sections 1125 and 1126 of the Bankruptcy Code, this Agreement is the legally valid and binding obligation of Spectrum, enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to the rights of a creditor against a debtor, or by equitable principles relating to enforceability.

(3) Binding Obligation of Consenting Noteholder. Each Consenting Noteholder represents that this Agreement is the legally valid and binding obligation of such Consenting Noteholder, enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to the rights of a creditor against a debtor, or by equitable principles relating to enforceability.

24. Cooperation. Prior to the commencement of and during the Chapter 11 Cases, Spectrum shall provide to counsel for each Consenting Noteholder (x) drafts of all motions, proposed orders or applications and other documents Spectrum intends to file with the Bankruptcy Court at least three (3) business days prior to the date when Spectrum intends to file any such document unless such advance notice is impossible or impractical under the circumstances in which case Spectrum shall notify telephonically or by electronic mail counsel to each Consenting Noteholder to advise them of the documents to be filed and the facts that make the provision of advance copies at least three (3) business days prior to submission impossible or impractical, and (y) copies of all documents actually filed by Spectrum with the Bankruptcy Court within two (2) business days of such filing. Spectrum shall utilize reasonable best efforts to consult with each of the Consenting Noteholders prior to filing any such documents. The provisions of this Section 12 shall be deemed satisfied by each of the Consenting Noteholders with respect to all first day motions, proposed orders or applications and other documents delivered to the Consenting Noteholders (or their respective counsel) prior to the date of this Agreement.

25. Access. Spectrum will afford each Consenting Noteholder and its attorneys, consultants, and other authorized representatives reasonable access, upon reasonable notice during normal business hours, and at other reasonable times, to all properties, books, contracts, commitments, records, personnel, lenders and advisors of Spectrum.

26. Amendment of Plan Documents. The Plan, Disclosure Statement, and attachments, schedules, supplements and documents related to the Plan or the Disclosure Statement may from time to time be amended, supplemented or modified by Spectrum if such amendment, supplement or modification is otherwise consented to by each of the Consenting Noteholders (which consent shall not be unreasonably withheld).

27. Other Interests or Claims.

27.1 For the avoidance of doubt, other than the Note Claims, no claims or other debt or equity interests in Spectrum, including, with respect to (i) the Credit Agreement, dated as of March 30, 2007, with Goldman Sachs Credit Partners L.P., as the Administrative Agent, the Collateral Agent and the Syndication Agent; Wachovia Bank, National Association, as the Deposit Agent; Bank of America, N.A., as an LC Issuer; and the Lenders party thereto, as amended (the "Senior Secured Credit Facility"), (ii) the credit agreement, dated as of September 28, 2007, with Wachovia Bank, National Association, as the Administrative Agent, the Collateral Agent and an LC Issuer; Goldman Sachs Credit Partners L.P., as the Syndication Agent; and the Lenders party thereto, as amended (the "ABL Facility"), (iii) any DIP Financing (as defined herein), (iv) any Exit Financing (as defined herein) or (v) any other non-Note Claims (any such claims or debt or equity interests are collectively, the "Other Spectrum Claims") that are now or in the future held by any Consenting Noteholder shall be subject to the terms of this Agreement and no Consenting Noteholder shall be bound by the terms of this Agreement with respect to any such Other Spectrum Claims and nothing in this Agreement shall prohibit or shall be construed to prohibit any Consenting Noteholder that holds Other Spectrum Claims from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases with respect to such Other Spectrum Claims or prohibit or shall be construed to prohibit, limit or restrict the ability, of any Consenting Noteholder to hold, make investments in, sell, transfer, assign, pledge or vote any Other Spectrum Claims, it being understood and agreed that any of the foregoing shall in no event cause any breach or violation of or create liability under this Agreement.

27.2 This Agreement shall in no way be construed to preclude any Consenting Noteholder from acquiring additional Note Claims or other claims against or interests in Spectrum. Any additional Note Claims so acquired shall automatically become subject to the terms of this Agreement.

28. Amendments. This Agreement may not be modified, amended or supplemented without the prior written consent of Spectrum and each Consenting Noteholder. Notwithstanding anything to the contrary in Section 2 or Section 4.2, any amendment to the provisions of Sections 8(f), 15.1, 16 or 18 shall require the consent of each Consenting Noteholder party hereto.

29. Impact of Appointment to Unsecured Creditors' Committee. If any creditors' committee is appointed by the United States Trustee in the Chapter 11 Cases and the United States Trustee appoints one or more of the Consenting Noteholders to be a member of such creditors' committee pursuant to section 1102 of the Bankruptcy Code, then the fact of such service on such creditors' committee shall not otherwise affect the continuing obligations of the Consenting Noteholders under this Agreement or the validity or enforceability of this Agreement; provided, however, that nothing contained herein shall prevent any such Consenting Noteholders, in its capacity as a member of such creditors' committee, from acting in a manner consistent with its fiduciary duties as a member of such creditors' committee even if such action is inconsistent with this Agreement and the Term Sheet.

30. Disclosure of Consenting Noteholders. Unless required by applicable law or regulation, Spectrum shall not disclose any Consenting Noteholder's holdings of Notes, and no Consenting Noteholder shall disclose any other Consenting Noteholder's holdings of Notes, in each case without the prior written consent of the Consenting Noteholder holding such Notes; and if such announcement or disclosure is so required by law or regulation, Spectrum or the disclosing Consenting Noteholder, as the case may be, shall afford the Consenting Noteholder a reasonable opportunity to review and comment upon, or, if possible, object to the requirement to make, any such announcement or disclosure prior to Spectrum's or the disclosing Consenting Noteholder's, as the case may be, making such announcement or disclosure. The foregoing shall not prohibit Spectrum or any Consenting Noteholder from disclosing the approximate aggregate holdings of the Consenting Noteholders collectively together with the holdings of any other holders of Notes that may become party hereto or party to a similar agreement.

31. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to any conflicts of law provision which would require the application of the law of any other jurisdiction. By its execution and delivery of this Agreement, each of the parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, may be brought in the United States District Court for the District of New York. By execution and delivery of this Agreement, each of the parties hereto hereby irrevocably accepts and submits itself to the nonexclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. Notwithstanding the foregoing consent to New York jurisdiction, upon the commencement of the Chapter 11 Cases, each of the parties hereto hereby agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Agreement.

32. Headings. The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof.

33. Specific Performance. It is understood and agreed by each of the parties hereto that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to any termination rights under Section 8 hereto, as well as specific performance and injunctive or other equitable relief as a remedy of any such breach.

34. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and representatives. Except as set forth herein, including without limitation Section 4 hereof, no party hereto may assign any of its rights or obligations hereunder without the prior consent of all other parties hereto.

35. Entire Agreement. This Agreement, including the exhibits hereto, constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Agreement.

36. Counterparts. This Agreement may be executed in one or more counterparts, any one of which need not contain the signature of more than one Party, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement. This Agreement may be executed by facsimile or electronic pdf.

37. No Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be solely for the benefit of the Parties hereto and no other person or entity shall be a third-party beneficiary hereof.

38. Consideration. It is hereby acknowledged by the Parties hereto that no consideration shall be due or paid to the Consenting Noteholders for their agreement to vote their Note Claims to accept the Plan in accordance with the terms and conditions of this Agreement other than Spectrum's agreements hereunder.

39. No Waiver of Participation and Reservation of Rights. Except as expressly provided in this Agreement, nothing contained herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of any Consenting Noteholder to protect or preserve its rights, remedies and interests, including, without limitation, its interests and claims against Spectrum or its full participation in any case filed by or against Spectrum under the Bankruptcy Code. If the transactions contemplated by this Agreement, including, without limitation, the Plan, are not consummated, or if this Agreement is terminated for any reason, then the Consenting Noteholders, as well as the other Parties hereto, fully reserve any and all of their rights, remedies, interests and claims against the other Parties hereto. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

40. Disclosure Obligation. Spectrum hereby agrees to file a Form 8-K with the United States Securities and Exchange Commission disclosing the Term Sheet, as well as the existence of this Agreement, but, not this Agreement's terms, except as otherwise required by applicable law and regulation, no later than the later of (x) the date hereof and (y) the date of filing of the Chapter 11 Cases with the Bankruptcy Court.

41. Further Assurances. Subject to the terms of this Agreement, the parties hereto agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate the Plan.

42. Automatic Stay. The parties hereto acknowledge that after the commencement of the Chapter 11 Case, the giving of notice or termination by any party pursuant to this Agreement shall not be a violation of the automatic stay of section 362 of the Bankruptcy Code; provided, however, nothing herein shall prejudice any party's rights to argue that the giving of notice of termination was not proper under the terms of this Agreement.

43. Several not Joint for Consenting Noteholders. The agreements, representations and obligations of the Consenting Noteholders under this Agreement are, in all respects, several and not joint. Any breach of this Agreement by any Consenting Noteholder shall not result in liability for any other non-breaching Consenting Noteholder.

44. No Obligation to Extend Credit. Notwithstanding anything to the contrary in this Agreement, the Consenting Noteholders may also in their sole discretion determine to provide financing to Spectrum, which may be in the form of one or more of a facility to provide credit (x) while the Chapter 11 Cases are pending (as provided by any of the Consenting Noteholders, the "DIP Financing", and any documents in respect thereof, as may be amended, supplemented or otherwise modified from time to time, the "DIP Financing Documents") and (y) to the reorganized entities or their successors following consummation of the Plan (as provided by any of the Consenting Noteholders, the "Exit Financing"). In no event shall any provision of this Agreement (i) constitute a commitment by any Consenting Noteholder to provide, or otherwise obligate any Consenting Noteholder to provide, any financing to Spectrum or (ii), in the event that any of the Consenting Noteholders agree to provide the DIP Financing and/or the Exit Financing, prohibit or prevent any such Consenting Noteholder from taking any action, or require it to take any action, or to perform any obligation or refrain from exercising any right or remedy in respect of the DIP Financing or the Exit Financing and no default of any of its obligations hereunder shall exist by virtue of any such action taken or omitted in such capacity.

In the event that any of the Consenting Noteholders provide the DIP Financing and/or the Exit Financing to Spectrum: (i) any extension of credit that may be provided to Spectrum pursuant to the DIP Financing or the Exit Financing, as applicable, and the effectiveness of the DIP Financing and Exit Financing, as applicable, shall remain subject to the conditions precedent set forth in the applicable documentation in respect of the DIP Financing or the Exit Financing, and (ii) no Consenting Noteholder shall be obligated to make any extensions of credit under the DIP Financing or the Exit Financing, as applicable, until such time as Spectrum satisfies the conditions precedent in respect of the applicable facility, which satisfaction shall be determined in the sole discretion of such Consenting Noteholders.

45. Notice. All notices hereunder shall be deemed given if in writing and delivered, if sent by facsimile, courier, electronic mail or by registered or certified mail (return receipt requested) to the parties and their respective addresses and facsimile numbers (or at such other addresses or facsimile numbers as shall be specified by like notice) set forth on the signature pages hereto (or with respect to any transferee, on the signature page of the applicable transfer agreement in the form attached hereto as Exhibit "B"). Any notice given by delivery, mail (including electronic mail) or courier shall be effective when received. Any notice given by facsimile shall be effective upon oral or machine confirmation of transmission.

46. Interpretation. References to Sections, Exhibits and Schedules are to Sections, Exhibits and Schedules of or to this Agreement unless otherwise specified. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import. References to a specific article, section or subsection of the Bankruptcy Code, the Securities Act, the Exchange Act or any other statute, regulation or rule expressly referenced herein shall, unless otherwise specified, include any amendments to or successor provisions of such article, section or subsection.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

SPECTRUM BRANDS, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Executive Vice President
Chief Financial Officer
Chief Accounting Officer

Address:

Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

SPECTRUM JUNGLE LABS CORPORATION

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

ROVCAL, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President and Treasurer

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

ROV HOLDING, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President and Treasurer

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

TETRA HOLDING (US), INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

UNITED INDUSTRIES CORPORATION

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

SCHULTZ COMPANY

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

SPECTRUM NEPTUNE U.S. HOLDCO CORPORATION

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President Treasurer
Chief Financial Officer

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

UNITED PET GROUP, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

DB ONLINE, LLC
By: United Pet Group, Inc., Its Sole Member

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

AQUARIA, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

PERFECTO MANUFACTURING, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

AQUARIUM SYSTEMS, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

SOUTHERN CALIFORNIA FOAM, INC.

By: /s/ Anthony L. Genito
Name: Anthony L. Genito
Title: Vice President

Address:

c/o Spectrum Brands, Inc.
Six Concourse Parkway, Suite 3300
Atlanta, GA 30328

Attn: John T. Wilson
Tel: (770) 829-6240
Fax: (770) 829-6265
Email: john.wilson@spectrumbrands.com

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

HARBINGER CAPITAL PARTNERS MASTER FUND I, LTD.

By: HMC Investors, L.L.C., Managing Member

By: /s/ Philip Falcone
Name: Philip Falcone
Title: Senior Managing Director

HARBINGER CAPITAL PARTNERS SPECIAL SITUATIONS FUND, L.P.

By: Harbinger Capital Partners Special Situations GP, LLC

By: HMC – New York, Inc. – Managing Member

By: /s/ Philip Falcone
Name: Philip Falcone
Title: Senior Managing Director

Address:

Harbinger Capital Partners
555 Madison Avenue, 16th Floor
New York, NY 10022

Attn: David Maura
Tel: (212) 508-3703 (Direct Phone)
Fax: (201) 341-9178 (Cellular)
Email: dmaura@harbingercap.net

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

D. E. SHAW LAMINAR PORTFOLIOS, L.L.C.

By: /s/ Daniel Posner
Name: Daniel Posner
Title: Authorized Signatory

Address:

D. E. Shaw Laminar Portfolios, L.L.C.
120 West Forth-Fifth Street
39th Floor
New York, NY 10036

Attn: General Counsel
Tel: (212) 403-8030
Fax:
Email: Legal-Admin@deshaw.com

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

AVENUE INTERNATIONAL MASTER, L.P.

By: Avenue International Master GenPar, Ltd., its General Partner

By: /s/ Sonia E. Gardner
Name: Sonia E. Gardner
Title: Director

AVENUE INVESTMENTS, L.P.

By: Avenue Partners, LLC, its General Partner

By: /s/ Sonia E. Gardner
Name: Sonia E. Gardner
Title: Member

AVENUE SPECIAL SITUATIONS FUND V, L.P.

By: Avenue Capital Partners V, LLC, its General Partner

By: GL Partners V, LLC, its Managing Member

By: /s/ Sonia E. Gardner
Name: Sonia E. Gardner
Title: Member

AVENUE SPECIAL SITUATIONS FUND IV, L.P.

By: Avenue Capital Partners IV, LLC, General Partner

By: GL Partners IV, LLC, its Managing Member

By: /s/ Sonia E. Gardner
Name: Sonia E. Gardner
Title: Member

AVENUE-CDP GLOBAL OPPORTUNITIES FUND, L.P.

By: Avenue Global Opportunities Fund GenPar, LLC, its General Partner

By: /s/ Sonia E. Gardner
Name: Sonia E. Gardner
Title: Member

Address:

Avenue Capital Management II, L.P.
535 Madison Avenue, 14th Floor
New York, NY 10022

Attn: Michael Elkins
Tel: (212) 878-3500
Fax: (212) 878-3565
Email: melkins@avenuecapital.com

EXHIBIT A

Term Sheet

The terms set forth in this Summary of Proposed Terms are being provided as part of a comprehensive compromise, each element of which is consideration for the other elements and an integral aspect of the proposed restructuring of the debt and equity of Spectrum Brands, Inc. (the "Company"). This term sheet is not an offer with respect to any securities or solicitation of acceptances of a chapter 11 plan. Such offer or solicitation only will be made in compliance with all applicable securities laws and/or provisions of the Bankruptcy Code. The proposed reorganization described herein would be implemented by means of a "pre-negotiated" plan of reorganization for the Company (the "Plan") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"). The transactions described in this Term Sheet are subject in all respects to, among other things, definitive documentation, including the Plan, a court-approved disclosure statement that will accompany the Plan (the "Disclosure Statement") and related documents, all of which shall be in form and substance satisfactory to the Company and each of the Consenting Noteholders (as defined below).

SPECTRUM BRANDS, INC.
(the "Company")

RESTRUCTURING TERM SHEET

CURRENT CAPITAL STRUCTURE:

Bank Debt:

(i) $1.25 billion and € 262 million senior secured credit facility, dated as of March 30, 2007, with Goldman Sachs Credit Partners L.P., as the Administrative Agent, the Collateral Agent and the Syndication Agent; Wachovia Bank, National Association, as the Deposit Agent; Bank of America, N.A., as an LC Issuer; and the Lenders party thereto, with a maturity date of March 30, 2013 (the "Senior Secured Credit Facility").

(ii) $225 million revolving loan facility, dated as of September 28, 2007, with Wachovia Bank, National Association, as the Administrative Agent, the Collateral Agent and an LC Issuer; Goldman Sachs Credit Partners L.P., as the Syndication Agent; and the Lenders party thereto, with a maturity date of September 28, 2011 (the "ABL Facility").

Senior Subordinated Notes:

$700,000,000 of the Company's 7.375% Senior Subordinated Notes due February 1, 2015; $347,012,000 of the Company's Variable Rate Toggle Senior Subordinated Notes due October 2, 2013; and $2,873,000 of the Company's 8.5% Senior Subordinated Notes due October 1, 2013 (collectively, the "Senior Subordinated Notes").

Equity Interests:

All equity interests in the Company outstanding prior to the effective date of the Plan (the "Effective Date"), including, without limitation, any preferred stock, common stock, stock options or other rights to purchase the stock of the Company, together with any warrants, conversion rights, rights of first refusal, subscriptions, commitments, agreements, or other rights to acquire or receive any stock or other equity ownership interests in the Company prior to the Effective Date (collectively, the "Old Equity").

PLAN DISTRIBUTIONS AND TREATMENT OF CLAIMS:

Pre-Negotiated Implementation:

The Company and each of (i) Harbinger Capital Partners and certain of its affiliates (collectively, "Harbinger"), (ii) D. E. Shaw, Laminar Portfolios, L.L.C. and certain of its affiliates (collectively, "Laminar") and (iii) certain affiliates of Avenue Capital Management II, L.P.

	(collectively, "Avenue"), each acting on its own behalf and not jointly as a group (collectively, the "Consenting Noteholders") shall enter into a Restructuring Support Agreement, pursuant to which the parties shall endeavor to implement the following restructuring through a pre-negotiated chapter 11 filing. The Company shall commence cases under Chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases") in the Bankruptcy Court for the Western District of Texas (the "Bankruptcy Court") on or before February 17, 2009 (the "Petition Date"). The Plan Proponent shall be the Company.
DIP Financing Claims:	Unless otherwise agreed to by any of the DIP lenders, all amounts outstanding under the DIP financing shall be treated in accordance with the DIP Facility.
Administrative and Priority Claims:	Except to the extent that a holder of an allowed administrative and priority claim and the Company (with the consent of each of the Consenting Noteholders) or the reorganized Company, as the case may be, agree to a different treatment, each allowed administrative and priority claim shall be paid in full in cash or as otherwise provided in the Bankruptcy Code.
Priority Tax Claims:	Except to the extent that a holder of an allowed priority tax claim and the Company (with the consent of each of the Consenting Noteholders) or the reorganized Company, as the case may be, agree to a different treatment, each holder of an allowed priority tax claim shall receive, at the option of the Company (with the consent of each of the Consenting Noteholders) or the reorganized Company, as the case may be, (a) cash on the Effective Date in an amount equal to such allowed priority tax claim, or (b) over a period through the fifth anniversary of the Petition Date, deferred cash payments in an aggregate amount equal to such allowed priority tax claim, plus interest on such aggregate amount over such period. All allowed priority tax claims which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof.
Other Secured Claims:	The allowed Other Secured Claims (as defined in the Plan) will be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code. Pre-petition liens with respect to such claims shall survive the Effective Date and shall continue in accordance with contractual or statutory terms until such claim has been paid in full.
ABL Facility Claims:	The ABL Facility will be rolled over time into the DIP financing facility. Any amounts that remain outstanding under the ABL Facility shall be paid in full in cash on the Effective Date.
Senior Secured Credit Facility Claims:	The allowed claims under the existing Senior Secured Credit Facility (the "Senior Secured Credit Facility Claims") shall be reinstated and rendered unimpaired in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the holder of an allowed Senior Secured Credit Facility Claim to demand or to receive payment of such allowed Senior Secured Credit Facility Claim prior to the stated maturity of such allowed Senior Secured Credit Facility Claim from and after the occurrence of a default. The holders of the Senior Secured Credit Facility Claims shall accrue post-petition interest at the current non-default rate, which shall be paid in cash on the Effective Date.

Senior Subordinated Note Claims:	On the Effective Date, holders of allowed Senior Subordinated Note claims (the "Senior Subordinated Noteholders") shall have their Senior Subordinated Notes cancelled, extinguished and terminated, and shall receive a distribution on account of their allowed Senior Subordinated Note claims (inclusive of principal and interest accrued through the Petition Date) in the form of their pro rata share of:

(i) The reorganized Company's 12 % new Senior Subordinated Toggle Notes due 10 years from the date of issuance (the "New Notes") in the original principal amount equal to $218,076,363 which amount represents 20% of the allowed Senior Subordinated Note Claims; and

(ii) 100% of the new common stock of the reorganized Company, subject to dilution on account of the New Management Incentive Plan (set forth below) and the shares of new common stock to be issued to those lenders under the DIP Financing that fund the supplemental "first in, last out" term loan portion of the DIP Financing (the "New Equity").

The New Notes shall have, inter alia, the following terms:

(i) At the reorganized Company's option, interest on the New Notes may be paid entirely in cash ("Cash Interest") or entirely by issuing additional New Notes ("PIK Interest").

(ii) Notwithstanding anything to the contrary contained herein, if, at the end of any accrual period (as defined in Section 1272(a)(5) of the Internal Revenue Code of 1986, as amended, or any successor statute thereto (the "Code")) ending after the fifth anniversary of the issuance of the Notes, (x) the aggregate amount of accrued and unpaid original issue discount (as defined in Section 1273(a)(1) of the Code) on the Notes would, but for this paragraph, exceed (y) an amount equal to the product of (A) the issue price (as defined in Sections 1273(b) and 1274(a) of the Code) of the Notes multiplied by (B) the yield to maturity (interpreted in accordance with Section 163(i) of the Code) of the Notes, the reorganized Company will prepay at the end of each such accrual period without premium or penalty the minimum amount of principal plus accrued interest on the Notes necessary to prevent any of the accrued and unpaid interest and original issue discount on the Notes from being disallowed or deferred as a deduction under Section 163(e)(5) of the Code to the reorganized Company.

(ii) the New Notes may not be redeemed prior to the three year anniversary of issuance. Following such three year anniversary, the New Notes shall be redeemable, at the reorganized Company's option, during the following periods and at the following redemption prices (expressed as percentages of the principal amount at maturity) set forth below, plus in each case, all accrued and unpaid late charges and interest, if any, up to but excluding the date of redemption:

Time Period	Percentage
After Year 3	106%
After Year 4	103%
After Year 5	100%

; and

(iii) the New Notes will contain covenants and defaults consistent with the Senior Subordinated Notes so as not to violate the terms of the Senior Secured Credit Facility and to preserve the unimpairment of the claims thereunder, including without limitation, to qualify as a permitted refinancing under the Senior Secured Credit Facility.

The Senior Subordinated Note Claims shall be deemed allowed in the amount of $1,090,381,816, which amount represents the outstanding principal plus accrued interest through the Petition Date.

General Unsecured Claims:	On or as soon as reasonably practicable after the Effective Date, in exchange for their allowed general unsecured claims against the Company (the "Allowed Unsecured Claims"), each holder thereof shall (i) receive payment in full in cash (excluding post-petition interest) or (ii) otherwise be paid in the ordinary course of business and left unimpaired, unless otherwise agreed to by such holder.
Intercompany Claims:	On or as soon as practicable after the Effective Date, and after consultation with and approval by each of the Consenting Noteholders, with such approval not to be unreasonably withheld, all Intercompany Claims will either be reinstated to the extent determined to be appropriate by the Debtors or adjusted, continued, or capitalized, either directly or indirectly, in whole or in part. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the stockholders of the reorganized Debtors.
Equity Interests:	Old Equity shall be cancelled and receive no recovery.
Executory Contracts:	All executory contracts and leases not specifically assumed or rejected prior to the date on which the Plan is confirmed, or set forth on a schedule of contracts to be rejected as of the Effective Date pursuant to the order confirming the Plan, shall be assumed on and as of the Effective Date.
Subsidiary Equity Interests	The Company shall retain all of its issued and outstanding shares of stock of, or membership interests in, the Subsidiary Debtors (as defined in the Plan).
Board of Directors of Reorganized Company:	The new board of directors of the reorganized Company shall consist of individuals identified and agreed to by the Consenting Noteholders and listed in the Plan Supplement (as defined in the Plan). The election of such individuals shall be approved by the existing board of directors of the Company and the Bankruptcy Court. Thereafter, the board shall be elected annually by the holders of the New Equity via cumulative voting.

New Management Incentive Plan:	There shall be a management incentive plan (the "New Management Incentive Plan"), which shall include, among other things, an allocation of a percentage of the fully diluted common stock of the reorganized Company outstanding on the Effective Date, such allocation to be determined by the Consenting Noteholders prior to the hearing for the approval the of the Disclosure Statement, and the awards thereof to be determined by the reorganized Company's board of directors, which allocation may consist of, among other things, restricted stock and/or performance based options, and will take account of any other bonus and compensation plans.
New Stockholder Agreement:	In connection with the issuance of the New Equity, the reorganized Company and the holders of the New Equity shall enter into a Stockholders Agreement, which shall cover inspection rights, information rights (including annual audited and quarterly unaudited financial statements), registration rights with respect to the New Equity and the New Notes, preemptive rights, and such other provisions as agreed to by each of the Consenting Noteholders (the "New Stockholders Agreement").
Registration of New Equity and New Notes	Simultaneously with the Company's emergence from chapter 11, a shelf registration statement with respect to the New Equity and the New Notes shall be filed with the United States Securities and Exchange Commission and the Company shall use reasonable best efforts to have such registration statement declared effective as promptly as reasonably practicable.
Releases and Exculpation:	There shall be a full release of liability and exculpation for (i) the Company and its subsidiaries, (ii) the officers and directors of the Company, (iii) each of the Consenting Noteholders, (iv) the Creditors Committee, if any, (iv) the DIP Agent, (vi) the DIP Lenders and participants, and (vii) the Indenture Trustee for the Senior Subordinated Notes, as well any of their respective agents, members, employees, representatives, advisors, attorneys or affiliates, and a full release of liability and exculpation for each holder of a Senior Subordinated Note Claim in their capacity as such.
Exit Financing:	The reorganized Company shall enter into an exit financing facility (the "Exit Financing") that is satisfactory in all respects to each of the Consenting Noteholders. The proceeds of the Exit Financing shall be used to fund (i) distributions under the Plan, including to holders of the DIP Financing Claims and ABL Facility Claims, and (ii) the reorganized Company's working capital needs.
Conditions:	All necessary third party approvals and consents will be obtained. Entry of Confirmation Order reasonably satisfactory to the Consenting Noteholders. The reorganized Company's entry into the Exit Financing. The necessary persons and entities will execute satisfactory definitive documentation to effect the transactions contemplated hereby, including, without limitation, the New Indenture for the New Notes, the New Stockholders Agreement and a charter and bylaws that provide that, to the extent possible under applicable law, Sections 180.1131, 180.1141 and 180.1150 of the Wisconsin Statutes will not be applicable to the reorganized Company.

	Other conditions to confirmation and effectiveness customary for transactions of this type.
Payment of Consenting Noteholders' Fees and Expenses	On the Effective Date, the Company shall pay (or reimburse the Consenting Noteholders for) the reasonable fees and expenses incurred in connection with the Debtors' Chapter 11 Cases of each of (i) Paul, Weiss, Rifkind, Wharton & Garrison LLP and Oppenheimer, Blend, Harrison & Tate, Inc., counsel to Harbinger Capital Partners, (ii) Bracewell & Giuliani LLP, counsel to D.E. Shaw, (iii) O'Melveny & Myers LLP, counsel to Avenue and (iv) Lazard Freres & Co, financial advisor to Harbinger Capital, without the need for any of these parties to file an application or otherwise seek Bankruptcy Court approval thereof. In addition, to the extent that each of the foregoing professionals has not been compensated by the Company pursuant to any order approving the DIP Financing, the Company shall pay the reasonable fees and expenses of such professionals incurred in connection with the preparation, negotiation, administration, enforcement, and all other matters in connection with and relating to the DIP Financing, without the need for any of these parties to file an application or otherwise seek Bankruptcy Court approval thereof.
Additional Provisions:	The Plan shall contain other provisions customarily found in similar plans of reorganization, including, without limitation, provisions dealing with conditions to confirmation and effectiveness, releases, exculpation, claims objection and estimation, retention of jurisdiction, discharge, injunctions, and Plan modifications, all of which shall be consistent with the terms of this Term Sheet and acceptable to each of the Consenting Noteholders.

EXHIBIT B

Re: *Issuer: Spectrum Brands, Inc.*

Securities: 7.375% Senior Subordinated Notes due 2015, Variable Rate Toggle Senior Subordinated Notes due 2013 or 8 1/2% Senior Subordinated Notes due 2013

CUSIP No.: ____________________
Amount: ____________________
Seller: ____________________
Buyer: ____________________

Reference is made to the transaction identified above. In connection therewith, Buyer represents, warrants, acknowledges and agrees as follows:

1. In connection with its ownership of the Securities, Seller is a party to a certain Restructuring Support Agreement, dated as of [INSERT DATE], 2009 (the "Restructuring Support Agreement"), pursuant to which Seller agreed to support in the manner described in the Restructuring Support Agreement upon receipt of a Bankruptcy-Court approved Disclosure Statement and when properly solicited to do so vote any 7.375% Senior Subordinated Notes due 2015, Variable Rate Toggle Senior Subordinated Notes due 2013 and 8 1/2% Senior Subordinated Notes due 2013 and claims in respect thereof in favor of the Plan. A copy of the form of Restructuring Support Agreement, with exhibits thereto, executed by Seller is annexed hereto as Exhibit A. Capitalized terms used herein but not otherwise defined shall have the respective meanings given to them in the Restructuring Support Agreement.

2. Section 4.1 of the Restructuring Support Agreement provides that Seller may not Transfer (as defined therein) the Securities unless the transferee agrees to be bound by the terms and conditions of the Restructuring Support Agreement applicable to a "Consenting Noteholder" as if it were a party thereto. Notwithstanding anything herein to the contrary, Buyer acknowledges and agrees that Buyer shall have no rights to consent to amendments to the Agreement, the Plan or the Disclosure Statement except as expressly provided therein to transferees of Consenting Noteholders in accordance with Section 4.2 of the Restructuring Support Agreement.

3. As a condition to Seller's agreement to sell the Securities to Buyer, Buyer agrees to be bound by all of the terms and conditions of the Restructuring Support Agreement applicable to a "Consenting Noteholder" as if it were a party thereto, including, without limitation, Section 3 thereof.

4. Buyer represents and warrants to Seller that it is purchasing the Securities for its own account as principal and is not acting as a broker in connection with the transaction identified above.

5. Buyer agrees to indemnify, defend and hold Seller and its officers, directors, employees, agents, partners and controlling persons (collectively, the "Seller Indemnitees") harmless from and against any and all expenses, losses, claims, damages and liabilities which are incurred by or threatened against the Seller Indemnitees or any of them including, without limitation, reasonable attorneys' fees and expenses, caused by or in any way resulting from, relating to or in connection with Buyer's breach of any of its representations, warranties or agreements set forth in this Agreement.

6. Buyer and Seller acknowledge and agree that Spectrum is an intended third party beneficiary to this Agreement.

7. The person executing this Agreement on behalf of the Seller represents and warrants that it has been duly authorized and empowered to execute and deliver this Agreement on behalf of the Seller.

8. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to its conflict of laws provision.

Dated: ___________

[SELLER]

By: ____
Name:
Title:

[BUYER]

By: ____
Name:
Title:

Address:

____

____

____

Attn:________________________________

Tel:________________________________

Fax:________________________________

Email________________________________

EXHIBIT C

DIP TERM SHEET

SPECTRUM BRANDS, INC.
SENIOR SECURED ABL DIP FACILITY

This Summary of Terms and Conditions (this "**Term Sheet**") outlines certain major terms of a proposed senior secured DIP revolving credit facility to Spectrum Brands, Inc. ("**Borrower**") and the Subsidiary Guarantors (as defined below) of up to $235,000,000 (the "**ABL DIP Facility**") upon the commencement by Borrower and the Subsidiary Guarantors of cases under Chapter 11 of the U. S. Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas or such other jurisdiction as shall be reasonably acceptable to Agent (the "**Chapter 11 Case**").

Prior to the commencement of the Chapter 11 Case, Agent and Lenders (as defined below) have extended financing arrangements to Borrower and the Subsidiary Guarantors (each individually, a "**Loan Party**"; collectively, the "**Loan Parties**") pursuant to the terms of that certain Revolving Credit Facility (the "**Existing ABL Facility**") as reflected in the Credit Agreement (the "**Existing Credit Agreement**") entered into as of September 28, 2007, among Borrower, Wachovia Bank, National Association ("**Wachovia**"), as the Agent, the Collateral Agent and an LC Issuer; Goldman Sachs Credit Partners L.P. ("**GSCP**"), as the Syndication Agent; and the Lenders from time to time party thereto and the ABL Guarantee and Collateral Agreement (the "**Existing Collateral Agreement**") dated as of September 28, 2007, among Borrower, the Subsidiaries of Borrower as outlined on Exhibit A annexed hereto (the "**Subsidiary Guarantors**"), and Wachovia, as the Collateral Agent. It is presently contemplated that the ABL DIP Facility will be a roll up of the Existing ABL Facility subject to certain modifications as noted below.

Certain definitions used in this Term Sheet are the definitions from the Existing Credit Agreement or the Existing Collateral Agreement as applicable.

Borrower:	Spectrum Brands, Inc., a Wisconsin corporation ("**Borrower**").
Guarantors:	As of the Closing Date, each of the Subsidiary Guarantors.
Sole Bookrunner:	Wachovia Bank, National Association or its successor.
Arranger:	Wachovia Bank, National Association or its successor (the "**Arranger**").
Syndication Agent:	Wachovia Bank, National Association or its successor (in such capacity, the "**Syndication Agent**").
Administrative and Collateral Agent:	Wachovia Bank, National Association (in its capacity as the administrative and collateral agent, the "**Agent**").
Lenders:	Wachovia, the Lenders under the Existing ABL Facility and/or other financial institutions selected by Wachovia after consultation with Borrower (collectively, the "**Lenders**").
Amount of ABL DIP Facility:	Up to $235,000,000 or such greater amount agreed to by the Lenders and Supplemental Loan Participants (the "**Maximum Credit**") consisting of (a) revolving loans ("**Revolving Loans**"), subject to the Borrowing Base and other terms described below, with a portion of the Revolving Loans available for letters of credit provided or arranged for by Agent ("**LCs**" or "**Letters of Credit**"), with a sublimit on LCs outstanding at any time of $20,000,000 and a portion of the Revolving Loans available as swing line loans ("**Swingline Loans**") with a sublimit on Swingline Loans outstanding at any time of $20,000,000 and (b) a Supplemental Loan (the **"Supplemental Loan"**), in the form of an asset based revolving loan, which shall be in the amount of up to $45,000,000 (the "**Maximum Supplemental Loan Amount**"),subject to a Supplemental Loan Borrowing Base and the other terms described below. The term "Revolving Loans" as used herein (a) includes Swingline Loans, except as otherwise provided, and (b) excludes the Supplemental Loan; provided, however, that for the avoidance of doubt, the Supplement Loan will be part of the ABL DIP Facility and will be an Obligation thereunder, and as such, will benefit from certain of the provisions thereof, including the security interests granted thereunder. Revolving Loans may be drawn, repaid and reborrowed without premium or penalty.

<u>Supplemental Loan:</u>	The Supplemental Loan shall be funded by Wachovia (in such capacity, "**Supplemental Loan Lender**"), and shall be repaid (as set forth herein) after payment in full of the Revolving Loans and all other Obligations due and payable under the ABL DIP Facility. In addition to the conditions precedent set forth below, it shall be conditions precedent to the funding of the Supplemental Loan that (x) the Supplemental Loan Participation Agreement (as defined and more fully described below) be fully executed and the Supplemental Loan Lender shall have received the participation proceeds from Supplemental Loan Participant (as defined below), and (y) the Supplemental Loan Participants are reasonably satisfied that the Supplemental Loan is structured and documented in a manner consistent with the plan of reorganization contemplated by the restructuring support agreement among the Borrower and the Supplemental Loan Participants filed in connection with the Chapter 11 Case (the "**Restructuring Support Agreement**"), to be executed by the Consenting Noteholders (as defined therein).
<u>Supplemental Loan Participants and Supplemental Loan Participation Agreement:</u>	**"Supplemental Loan Participant"** means D. E. Shaw Laminar Portfolios, L.L.C. and its affiliates ("DE Shaw"), Avenue Capital and its affiliates ("Avenue") and Harbinger Capital Partners and its affiliates ("Harbinger"). The Supplemental Loan Participants will purchase, in the aggregate, a 100% participation in the Supplemental Loan pursuant to the terms of the Supplemental Loan Participation Agreement, which shall be in form and substance reasonably satisfactory to the Supplemental Loan Lender and each Supplemental Loan Participant (**"Supplemental Loan Participation Agreement"**). The Supplemental Loan Participation Agreement shall contain terms and provisions that, inter alia, will have the effect of giving the Supplemental Loan Participant rights equivalent to those of a "last-out" lender under a traditional ABL Facility including, inter alia, (x) controlling certain voting rights of the Supplemental Loan Lender under the ABL DIP Facility, (y) agreement of the Supplemental Loan Lender and the Agent not to amend, modify or waive certain provisions of the ABL DIP Facility without the consent of the Supplemental Loan Participants, and (z) the right to receive information provided to each Lender under the ABL DIP Facility (subject to certain limitations to be agreed upon). In addition, the Supplemental Loan Lender will, among other things, grant the Supplemental Loan Participant a buy-out right on certain triggering events reasonably satisfactory to the parties, and will further agree not to exercise rights or remedies under the ABL DIP Facility after an Event of Default with regard to the collateral securing the ABL DIP Facility until the expiration of a certain period of time to be agreed.

Purpose/Use of Proceeds:	The proceeds of borrowings under the ABL DIP Facility are to be used for costs, expenses and fees in connection with the ABL DIP Facility, for working capital of Borrower and its Subsidiaries' restructuring costs, and other general corporate purposes, in each case consistent with the Budget (as defined in the ABL DIP Facility). The proceeds may not be used in connection with the initiation or prosecution of any claims or defenses against Agent or any Lender or any Supplemental Loan Participant, or preventing, hindering, or delaying the assertion of enforcement of any lien, claim, right or security interest or realization upon any ABL Collateral by Agent or any Lender. No portion of the claims in the Chapter 11 Case, other than those administrative expenses or priority claims directly attributable to the operation of the business of Borrower consistent with the Budget or to which Agent has specifically agreed, shall be funded with the Loans, the Supplemental Loans or LCs and the percentages and categories of permitted allocations of such claims and expenses not previously approved in the Budget shall be approved by Agent. . Letters of Credit will be used to support Borrower's payment obligations incurred in the ordinary course of business consistent with the Budget. Proceeds from the Supplemental Loan shall be used by the Borrower consistent with the Budget, including, without limitation, to repay a portion of the revolving loans outstanding as of the filing of the Chapter 11 Case
Availability/Maximum Loans:	Amounts available under the ABL DIP Facility are, subject to the then current Borrowing Base or Supplemental Borrowing Base (as defined below), as applicable, to be borrowed and, after repayment, reborrowed until the maturity date thereof. Letters of Credit may be requested and will be issued in the manner described below under the caption "Letters of Credit". The aggregate amount of the Revolving Loans under the ABL DIP Facility shall not exceed at any given time an amount equal to (a) the lesser of (i) the Maximum Credit at such time and (ii) the Borrowing Base at such time, minus (b) the Availability Block (as defined below), minus (c) the Specified Reserves (as defined in the Borrowing Base Section below). The ABL DIP Facility will provide for overadvances up to the Overadvance Maximum Amount (as defined below). The aggregate amount of the Supplemental Loan shall not exceed at any given time an amount equal to the lesser of (i) the Maximum Supplemental Loan Amount and (ii) the Supplemental Loan Borrowing Base at such time; provided, however, that the aggregate amount of the Supplemental Loan shall be $45,000,000. "**Availability Block**" means $25,000,000 or such lesser amount as Agent and Required Lenders may determine in their discretion after review of the Budget (as defined in the Conditions Precedent section of this Term Sheet), which will be reduced over time in an amount to be agreed. "**Overadvance Maximum Amount**" means an amount determined by the Agent in its discretion to be the Overadvance Maximum Amount at such time; provided, that, such amount shall not exceed, at any time, $5,000,000; provided, further, that, Agent and Required Lenders may increase the Overadvance Maximum Amount up to an amount not to exceed, at any time, $10,000,000.

"**Special Agent Loan Maximum Amount**" means an amount equal to $0.

<u>**Borrowing Base:**</u>

The borrowing base (the "**Borrowing Base**") at any time is equal to (a) the sum of (i) 85% of the Eligible Accounts of Borrower and the Designated Subsidiaries, <u>minus</u> the Dilution Reserve (as defined below), and (ii) the lesser of (A) 65% of the Value of the Eligible Inventory of Borrower and the Designated Subsidiaries, (B) 85% of the Net Recovery Percentage <u>multiplied</u> by the Value of such Eligible Inventory and (C) an amount to be determined by Agent in its discretion after review of the Budget, <u>minus</u>, without duplication, (b) the Other Reserves (as defined below), other than the Specified Reserves (as defined below), in effect at such time.

Criteria for Eligible Accounts and Eligible Inventory shall be determined consistent with the terms as set forth in the Existing Credit Agreement; <u>except</u>, <u>that</u>, in-transit Inventory shall not be considered eligible for advance purposes.

The Supplemental Loan Borrowing Base at any time is equal to (x) the sum of (i) 100% of the Eligible Accounts of Borrower and the Designated Subsidiaries, and (ii) the lesser of (A) 100% of the Value of the Eligible Inventory of Borrower and the Designated Subsidiaries and (B) 100% of the Net Recovery Percentage <u>multiplied</u> by the Value of such Eligible Inventory <u>minus</u> (y) any amounts outstanding under the Revolving Loans under the ABL DIP Facility.

"**Dilution Reserve**" is defined as a reserve established by the Agent to reflect dilution with respect to the Accounts, reasonably determined by the Agent at any time as the product of (a) the Eligible Accounts at such time and (b) the excess, if any, of (i) the percentage obtained by dividing (A) the aggregate amount of non-cash reductions in Accounts of Borrower and the Designated Subsidiaries for a period, as reasonably determined by the Agent, preceding such time by (B) the total net sales of Borrower and the Designated Subsidiaries for such period over (ii) 5.00%.

"**Specified Reserves**" is defined as, as of any date of determination, Other Reserves on account of items that, in the reasonable judgment of the Agent, would result in a future cash expenditure by or on behalf of Borrower or any Subsidiary; <u>provided</u>, <u>that</u>, the Agent may at any time and from time to time, in its discretion, (a) reduce the amount of Specified Reserves below the amount that would otherwise constitute Specified Reserves determined in accordance with this definition and (b) reinstate (in whole or in part) any reduction made pursuant to clause (a), it being understood that any reduction or reinstatement made pursuant to this paragraph shall not, in itself, affect the amount of Other Reserves (which shall be determined in accordance with the definition of such term). Agent shall have the right to establish additional reserves in accordance with the terms specified in the DIP Financing Agreements (as defined below), together with additional rights with respect thereto in connection with the Chapter 11 Case; <u>provided</u>, <u>that</u>, Borrower and each Subsidiary Guarantor shall acknowledge and agree that Agent shall have the right in its sole discretion to establish Specified Reserves in respect of (1) the Carve-Out (as defined below), (2) the amount of any senior liens or claims in or against the ABL Collateral that, in Agent's determination, has priority over the liens and claims of Agent and Lenders, and (3) the amount of priority or administrative expense claims that, in Agent's determination, require payment during the Chapter 11 Case.

	"**Other Reserves**" is defined as, as of any date of determination, such amounts as the Agent may from time to time establish and revise, in its reasonable credit judgment consistent with its other asset-based lending transactions of this type, as reserves reducing the amount of the Borrowing Base that would otherwise be in effect under the Existing Credit Agreement or, with respect to such reserves that would qualify as Specified Reserves, reducing the amount of credit available under the Existing Credit Agreement, in each case (a) to reflect events, conditions, contingencies or risks that, adversely affect, or could reasonably be expected to adversely affect, in any material respect (i) the ABL Collateral, its value or the amount that might be received by the Agent from the sale or other disposition or realization upon such ABL Collateral, (ii) the assets or business of Borrower and the Designated Subsidiaries or (iii) the security interest of the Agent in the ABL Collateral (including the enforceability, perfection and priority thereof), all as reasonably determined by the Agent; (b) to reflect the Agent's reasonable belief that any Borrowing Base Certificate, collateral report or other financial information furnished by or on behalf of any Loan Party to the Agent is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts that the Agent reasonably determines constitutes a Default or an Event of Default. Without limiting the generality of the foregoing, Other Reserves may, in the Agent's reasonable discretion, be established to reflect, without duplication, (A) cost variances, accrued royalties, returns, discounts, claims, credits and allowances of any nature that are not paid pursuant to the reduction of Accounts, (B) sales, excise or similar Taxes included in the amount of any Accounts reported to the Agent, (C) a change in the turnover, age or mix of the categories of Inventory that adversely affects the aggregate value of all Inventory by an amount reasonably determined by the Agent to be material, (D) purchase price variances with respect to Inventory and (E) amounts (including up to three-months rent) due or to become due to owners and lessors of premises where any ABL Collateral is located, other than for those locations where the Agent has received a Collateral Access Agreement. The amount of any Other Reserve established by the Agent shall have a reasonable relationship to the event, condition or other matter that is the basis for such reserve, as reasonably determined by the Agent. Notwithstanding anything herein to the contrary, Other Reserves in effect at any time shall not be duplicative of any ineligibility determinations made pursuant to the criteria set forth in the definitions of the terms "Eligible Accounts" and "Eligible Inventory".
Maturity:	The ABL DIP Facility shall be for a term ending on the earliest of (a) the date that is twelve (12) months after the commencement of the Chapter 11 Case, (b) forty-five (45) days after the entry of the Interim Order (as defined below) if the Final Financing Order has not been entered prior to the expiration of such forty-five (45) day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Case that is confirmed pursuant to an order entered by the US Bankruptcy Court or (d) the termination of the commitment with respect to the ABL DIP Facility in accordance with the Loan Documents.

	Notwithstanding the foregoing, the Supplemental Loan shall mature on the earliest of (a) the date that is twelve (12) months after the commencement of the Chapter 11 Case, (b) forty-five (45) days after the entry of the Interim Order if the Final Financing Order, in form and substance satisfactory to the Supplemental Loan Participants, has not been entered prior to the expiration of such forty-five (45) day period, (c) the substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no later than the "effective date") of a plan of reorganization filed in the Chapter 11 Case that is confirmed pursuant to an order entered by the US Bankruptcy Court, such plan and order on terms and conditions satisfactory to the Supplemental Loan Participants (the "Approved Plan"), or (d) an acceleration of the termination of the commitment with respect to the ABL DIP Facility following an event of default in accordance with the DIP Financing Agreements; provided that if certain exit conditions are satisfied prior to the maturity of the Supplemental Loan pursuant to clauses (a) through (d), the maturity of the Supplemental Loan shall be automatically extended to March 31, 2012; provided that a portion of the Supplemental Loan will be rolled on terms agreed between the Supplemental Loan Participants and the Borrower and will contain waterfall provisions that will give Avenue priority as to a portion of the rolled facility.
Amortization/Cash Management:	No amortization will be required with respect to the ABL DIP Facility. Borrower and the Subsidiary Guarantors shall have established a cash management system in form and substance reasonably satisfactory to Agent, including blocked accounts for collections and the transfer thereof to Agent, and subject to control agreements by the banks at which such accounts are maintained, which shall be in form and substance reasonably acceptable to Agent, it being confirmed by the Agent and the Lenders that the cash management system currently in effect pursuant to the Existing Credit Agreement is in form and substance reasonably acceptable to the Agent. Pursuant to an Interim Financing Order, cash dominion shall be effective on or prior to closing.
Interest Rate:	All borrowings under the ABL DIP Facility will bear interest, at the Borrower's option, at either (a) the Base Rate, (as defined below) plus 3.5% per annum or (b) the Adjusted Eurodollar Rate (as defined below) plus 4.5% per annum; except, that, the Supplemental Loan will bear interest, payable in cash, at a rate equal to the Adjusted Eurodollar Rate plus 14.5% per annum. All Swingline Loans are Base Rate Loans. "**Base Rate**" shall mean, on any date, the greater of (a) the rate from time to time publicly announced by Wachovia, or its successors, as its prime rate, whether or not such announced rate is the best rate available at such bank or (b) the Federal Funds Effective Rate in effect on such day plus one-half (1/2%) percent or (c) the Adjusted Eurodollar Rate for a three month Interest Period on such day plus two (2%) percent.

“**Adjusted Eurodollar Rate**” shall mean, with respect to each Interest Period for any Eurodollar Rate Loan comprising part of the same borrowing (including conversions, extensions and renewals), the rate per annum determined by dividing (a) the London Interbank Offered Rate for such Interest Period by (b) a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes of the Supplemental Loans, the Adjusted Eurodollar Rate shall at no time be less than three percent (3%). For purposes hereof, “**Reserve Percentage**” shall mean for any day, that percentage (expressed as a decimal) which is in effect from time to time under Regulation D of the Board of Governors of the Federal Reserve System (or any successor), as such regulation may be amended from time to time or any successor regulation, as the maximum reserve requirement (including, without limitation, any basic, supplemental, emergency, special, or marginal reserves) applicable with respect to Eurocurrency liabilities as that term is defined in Regulation D (or against any other category of liabilities that includes deposits by reference to which the interest rate of Eurodollar Loans is determined), whether or not any Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for proration, exceptions or offsets that may be available from time to time to a Lender. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

“**Prime Rate**” means the rate of interest from time to time announced by Wachovia, or its successors, as its prime rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Any Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

“**Federal Funds Effective Rate**” means, for any day, a fluctuating rate of interest per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided, that, (a) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average of the quotations on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"**London Interbank Offered Rate**" means, for any Interest Period, the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m., London time, two Business Days prior to the first (1st) day of such Interest Period for a term comparable to such Interest Period; provided, that, if more than one rate is specified on Reuters Screen LIBOR01 Page (or such successor page), the applicable rate shall be the arithmetic mean of all such rates. In the event that such rate does not appear on such page (or otherwise on the Reuters Service), then the "Eurodollar Base Rate" for such Interest Period shall be the rate per annum determined by the Agent to be the rate at which deposits in Dollars for delivery on the first (1st) day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by the London Branch of Wachovia to major banks in the London interbank eurocurrency market at their request at approximately 11:00 a.m., London time, two Business Days prior to the first (1st) day of such Interest Period.

Interest Payments: As to (a) any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided, however, that, if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period; and (b) any Base Rate Loan, the first Business Day of each month and the Maturity Date. All computations of interest for Base Rate Loans when the Base Rate is determined by reference to the Prime Rate are made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees are made on the basis of a 360-day year and actual days elapsed.

Notwithstanding the foregoing, interest shall be payable monthly with respect to the Supplemental Loan.

Up Front Fee:

Borrower shall pay to Agent, for the account of Lenders (to the extent and in accordance with the arrangements by and among Lenders) a closing fee in an amount equal to 2.00% of the Maximum Credit (exclusive of the Maximum Supplemental Loan Amount), which fee shall be fully earned and payable on the Closing Date.

Upon (x) emergence of the Borrower from chapter 11, (y) a plan of reorganization, other than the plan of reorganization contemplated by the Restructuring Support Agreement (as defined in the DIP Term Sheet), being confirmed pursuant to an order entered this Court or (z) a material portion of the assets of the Borrower or the Subsidiary Guarantors being sold, transferred or otherwise disposed of pursuant to section 363 of the Bankruptcy Code or otherwise sold, transferred or disposed of, then (i) the Supplemental Loan Lender shall receive, for the account of, and allocable to, the Supplemental Loan Participants, shares of the common equity of the Borrower, as reorganized, or the applicable reorganized affiliate or successor to the Borrower, equal to 9.9% of the outstanding common stock thereof on a fully diluted basis (the "Stock Allocation") (provided, however, that, Avenue, in its capacity as a Supplemental Loan Participant, shall receive its pro rata share of the first 50% of the Stock Allocation together with the other Supplemental Loan Participants and the second 50% of the Stock Allocation shall be shared pro rata among the Supplemental Loan Participants exclusive of Avenue. $10 million in principal amount of Supplemental Loans participated in by Avenue shall be satisfied in full in cash or, at the sole option of the Borrower, converted into a post-emergence loan secured by a lien on the Pre-Petition Term Loan Collateral that is pari passu with the security interests of the Pre-Petition Term Loan Agent and Pre-Petition Term Loan Lenders in the Pre-Petition Term Loan Collateral on a post-emergence basis and the economic terms thereof shall be no worse than the economic terms provided to the Supplemental Loan and have a maturity of no longer than one year from the effective of the plan of reorganization. For the avoidance of doubt, unless Avenue otherwise agrees in its sole discretion, any amount of Supplemental Loan participated in by Avenue in excess of $10 million must be paid in full, in cash in prior to the repayment of any other Supplemental Loan. All Supplemental Loan Participants shall otherwise share in all interests, expenses, costs and rights provided hereunder or in the Loan Documents on a pro rata basis.

Arranger Fee:

Borrower shall pay to Arranger, for its own account, an arranger fee closing fee in an amount equal to 1.00% of the Maximum Credit (exclusive of the Maximum Supplemental Loan Amount), which fee shall be fully earned and payable on the Closing Date.

Unused Line Fee:

Borrower shall pay to Agent, for the account of Lenders, a fee equal to 1.00% per annum times the daily average undrawn portion of the Revolving Loans (reduced by the amount of Letters of Credit issued and outstanding) to accrue from the Closing Date and shall be payable quarterly in arrears to the Lenders.

With respect to the Supplemental Loan, Borrower shall pay to the Supplemental Loan Lender, for the account of the Supplemental Loan Participant, a fee equal to 1.00% per annum times the daily average undrawn portion of the Supplemental Loan to accrue from the Closing Date and shall be payable quarterly in arrears to the Supplemental Loan Lender.

Collateral Monitoring Fee:	Borrower shall pay to Agent, for its own account, an agency and collateral monitoring fee of $100,000 per annum, payable annually in advance on the Closing Date and each anniversary for so long as any loans under the ABL DIP Facility are outstanding or any Lender shall have any commitment under the ABL DIP Facility.
Letter of Credit Fees:	Borrower shall pay to Agent, for the account of Lenders, an amount equal to the applicable margin payable for Eurodollar Rate Loans (i.e., 4.50%) in a manner and at the times provided for in the Existing Credit Agreement. In addition, a fronting fee to be agreed upon between an Issuing Bank and Borrower, is payable to such Issuing Bank with respect to Letters of Credit issued by it, as well as certain customary fees assessed thereby.
Prepayment and Exit Fees:	With respect to the Supplemental Loan, Borrower shall pay to the Supplemental Loan Lender, for the account of the Supplemental Loan Participants, an exit fee of 2% of any principal amount of the Supplemental Loan payable at the time any such principal is repaid (but only in the case of a permanent repayment of such principal); provided that, if such principal is repaid other than upon emergence from the Chapter 11 Cases in accordance with a plan of reorganization consistent with that contemplated by the Restructuring Support Agreement, such fee shall be 4%. Additionally upon emergence of the Borrower from the Chapter 11 Case, the Supplemental Loan Lender shall receive, for the account of the Supplemental Loan Participants, shares of the common equity of the Borrower equal to 9.9% of its outstanding common stock.

Rollover Commitment Fee:	To the extent the maturity of the Supplemental Loan is extended or the Supplemental Loan is rolled pursuant to the proviso in the second paragraph under “Maturity” above, Borrower shall pay to Supplemental Loan Lender, for the account of the Supplemental Loan Participants, a rollover fee in an amount equal to 5.00% of the principal amount of the Supplemental Loan as so extended and rolled.
Security, including Intercreditor Issues:	The ABL DIP Facility, each Guarantee and any cash management and/or hedging obligations of Borrower owed to a Lender or the Supplemental Loan Lender or any affiliates, whether arising pre-petition or post-petition, is secured by a priming lien, pursuant to Section 364(d)(1) of the Bankruptcy Code, on the DIP Collateral (as defined below) and the ABL Collateral (as defined below) only and not on the Non-ABL Collateral (as defined below). “**ABL Collateral**” shall mean any and all of the following pre-petition and post-petition assets and property of any Loan Party, whether real, personal or mixed: (a) all Accounts (other than Accounts arising under contracts for the sale of Non-ABL Collateral) and related Records; (b) all Chattel Paper; (c) all Deposit Accounts and all cash, checks and other negotiable instruments, funds and other evidences of payment held therein (but not any identifiable Proceeds of Non-ABL Collateral); (d) all Inventory; (e) solely to the extent evidencing, governing, securing or otherwise related to the items referred to in the preceding clauses (a), (b), (c) and (d), all Documents, General Intangibles (other than Intellectual Property), Instruments, Investment Property and Letter of Credit Rights; (f) all books and records related to the foregoing; and (g) all Proceeds, including insurance Proceeds, of any and all of the foregoing and all collateral, security and guarantees given by any Person with respect to any of the foregoing. Notwithstanding clause (g) of the immediately preceding sentence, “ABL Collateral” shall not include any assets referred to in clauses (a) through (j) and (l) of the definition of “Non-ABL Collateral” that are not included in clause (e) above). “**Non-ABL Collateral**” shall mean any and all of the following assets and property of any Loan Party, whether real, personal or mixed: (a) all Investment Property; (b) all Documents; (c) all General Intangibles; (d) all Intellectual Property; (e) all Equipment; (f) all real property (including both fee and leasehold interests) and fixtures; (g) all Instruments; (h) all insurance; (i) all Letter of Credit Rights; (j) all Commercial Tort Claims; (k) all other assets and property not constituting ABL Collateral; (l) all books and records related to the foregoing; and (m) all Proceeds, including insurance Proceeds, of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing. Notwithstanding the foregoing, “Non-ABL Collateral” shall not include any assets or property included in clause (e) of the definition of “ABL Collateral” or any assets or property excluded pursuant to the terms of the Term Collateral Documents.

“**DIP Collateral**” shall mean all present and future claims, rights, interests, assets and properties recovered by or on behalf of Borrower and each Guarantor or any trustee of Borrower or any Guarantor (whether in the Chapter 11 Case or any subsequent case to which the Chapter 11 Case is converted), including without, limitation, all such property recovered as a result of transfers or obligations avoided or actions maintained or taken pursuant to, inter alia, Sections 510, 542, 544, 545, 547, 548, 549, 550, 552 and 553 of the US Bankruptcy Code).
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The ABL Collateral and the Non-ABL Collateral secure the obligations (the “**Term Credit Facility**”) under the Credit Agreement, dated as of March 30, 2007, among Borrower, GSCP, as the administrative agent, collateral agent and syndication agent, Wachovia, as the deposit agent, Bank of America, N.A., as an LC issuer, and the lenders party thereto (the “**Term Credit Agreement**”). The priority of liens under the ABL DIP Facility and under the Term Credit Facility shall continue to be subject to the terms of the Intercreditor Agreement, dated as of September 28, 2007, among Wachovia, as the administrative agent under the Existing Credit Agreement, GSCP, as the administrative agent under the Term Credit Agreement and Borrower (the “**Intercreditor Agreement**”); except, that, to the extent the lenders under the Term Credit Facility received a junior lien in the DIP Collateral, such lien shall be subordinated to the ABL DIP Facility in the same manner and to the same extent the lien of the lenders under the Term Credit Facility in the ABL Collateral is subordinated to the ABL DIP. The lenders under the Term Credit Facility shall be permitted to be granted adequate protection as provided hereunder

As provided in the Interim Financing Order, the security interests of Agent granted under the ABL DIP Facility will be subordinate to the payment of (a) allowed and unpaid fees pursuant to Section 1930 of Title 28 of the United States Code and to the Clerk of the Bankruptcy Court and any fees payable to the Office of the United States Trustee, and (b) allowed and unpaid claims of professionals in an amount not to exceed $3,000,000, whose retention is approved by the Bankruptcy Court during the Chapter 11 Case pursuant to Sections 327 and 1103 of the Bankruptcy Code for unpaid fees and expenses that are approved by order of the Bankruptcy Court pursuant to Sections 326, 328, 330, or 331 of the Bankruptcy Code after (i) an event of default arising from the conversion of the Chapter 11 Case or similar events in the Chapter 11 Case or (ii) any other event of default and the Lenders having declared the occurrence of an Event of Default (such amounts under clauses (a) and (b) of this paragraph being the “**Carve-Out**”).

The Carve-Out shall not include, apply to, or be available for any fees or expenses incurred by any party, including Borrower or any Guarantor, any committee or any professional, in connection with (a) the initiation or prosecution of any claims or defenses against Agent, any Lender, or Supplemental Loan Participant or preventing, hindering, or delaying the assertion of enforcement of any lien, claim, right or security interest or realization upon any Collateral by Agent or any Lender, (b) support any plan of reorganization that does not provide for the indefeasible payment in full in cash of the Obligations, or (c) any act or omission which has the effect of materially or adversely modifying or compromising the rights and remedies of Agent, any Lender, or Supplemental Loan Participant as set forth herein and in the other DIP Financing Agreements as defined below, or which results in the occurrence of an Event of Default.

All amounts owing by Borrower and the Subsidiary Guarantors under the ABL DIP Facility at all times will constitute allowed super-priority administrative expense claims in the Chapter 11 Case having priority over all other administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, subject only to the Carve-Out to the extent provided in any Financing Order (as defined below).

Loan Documentation:

Definitive loan documentation (collectively, the "**DIP Financing Agreements**"), including, without limitation, amendments or amendments and restatements of the Existing Credit Agreement and Existing Collateral Agreement (as Agent may determine), supplemental security agreements, guarantees, intercreditor and subordination agreements, UCC financing statements, opinion letters of counsel to Borrower and the Subsidiary Guarantors, and related documents, each in form and substance reasonably satisfactory to Agent, will be required. All of the Financing Agreements will be prepared or approved by Agent and counsel to Agent.
Notwithstanding the foregoing, all documentation regarding the ABL DIP Facility, including any documentation specifically regarding the Supplemental Loan, shall be in form and substance satisfactory to the Supplemental Loan Participants. For the avoidance of doubt, the Supplemental Loan Participants shall benefit from certain covenants, representations and warranties, and events of default contained in the ABL DIP Facility as if they were Lenders thereunder (e.g. information rights; inspection rights; and others to be determined).

The representations and warranties (other than the absence of material adverse change and solvency), covenants and defaults as set forth in the DIP Financing Agreements will be as provided in the Existing Credit Agreement and Existing Collateral Documents except for those changes as Agent, Lenders and Supplemental Loan Participants shall deem reasonably appropriate and necessary in connection with the ABL DIP Facility, including enhanced collateral reporting (including, among other things, the delivery by Borrower to Agent of a weekly Borrowing Base Certificate in form and substance reasonably satisfactory to Agent, a weekly rolling Budget, monthly financial statements and other collateral information, and a [monthly][quarterly] management discussion and analysis, and the ability of Agent to conduct not less than two (2) but up to three (3) appraisals and not less than three (3) but up to four (4) field examinations in any twelve-month period or at such other times after the occurrence of an Event of Default), financial and performance-based covenants established by Agent and Lenders to be calculated based upon any deviations in the Budget and other provisions directly relating to the Chapter 11 Case, including (a) representations and warranties relating to the Financing Orders; the super-priority administrative expense claim of Agent and Lenders and related bankruptcy matters; (b) affirmative covenants providing that on or before the expiration of the Interim Financing Order, the Bankruptcy Court shall have entered a final financing order authorizing the secured financing under the ABL DIP Facility on the terms and conditions contemplated by this Term Sheet, granting to Agent the security interests and liens and super-priority administrative expense claim status described above, modifying the automatic stay and containing other provisions required by Agent and its counsel consistent with this Term Sheet, (c) negative covenants further limiting existing baskets relating to dispositions of assets. Agent and Lenders will not provide any loans other than those authorized under the Interim Financing Order unless, on or before the forty-fifth (45th) day following the date of the commencement of the Chapter 11 Case, such final financing order shall have been entered, there shall be no appeal or other contest with respect to either of such orders (the "**Final Financing Order**", and together with Interim Financing Order, collectively, "**Financing Orders**" and individually, a "**Financing Order**"); and (d) defaults relating to the conversion of the Chapter 11 Case to Chapter 7 case(s); the dismissal of the Chapter 11 Case (or any subsequent Chapter 7 case); the failure of Borrower or the Subsidiary Guarantors to comply with any Financing Order; any Financing Order is revoked, remanded, vacated, reversed, stayed, rescinded, modified, or amended on appeal; appointment of a trustee, examiner or disinterested person with expanded powers relating to the operations or the business of Borrower or the Subsidiary Guarantors in the Chapter 11 Case or any administrative expense claim is allowed having priority or ranking in parity with the rights of Agent except for the Carve-Out (to the extent that the security interests of Agent under the DIP Financing Agreements for the ABL DIP Facility may be subordinate to the payment of the Carve-Out under the terms of any Financing Order); any plan of reorganization that does not provide for the payment in full of the ABL DIP Facility and the discharge of all of the obligations thereunder is confirmed without Agent's consent.

Application of Proceeds:	The Agent shall apply the proceeds of any collection or sale of ABL Collateral, including any ABL Collateral consisting of cash, first to all pre-petition obligations owing to Agent and Lenders and thereafter to all post-petition obligations. The waterfall will be consistent with the provisions of the Existing Credit Agreement. For the avoidance of doubt, the Supplemental Loan shall be repaid as an Obligation under the ABL DIP Facility, but will receive the proceeds of any collection or sale of ABL Collateral only after all other Obligations under the ABL DIP Facility have been repaid.
Conditions:	The closing of the ABL DIP Facility will be subject to the satisfaction or written waiver, in a manner reasonably acceptable to Agent of the following conditions precedent: (a) Borrower and the Subsidiary Guarantors shall have commenced a voluntary case under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court of the Western District of Texas or such other jurisdiction as shall be reasonably acceptable to Agent having exclusive jurisdiction over the Chapter 11 Case (the "**Bankruptcy Court**"). Borrower and the Subsidiary Guarantors shall have complied in full with the notice and other requirements of the Bankruptcy Code in a manner acceptable to Agent and its counsel, with respect to the Interim Financing Order (as defined below) and Agent shall have received such evidence thereof as it shall require. No trustee, or other disinterested person with expanded powers pursuant to Section 1104(c) of the Bankruptcy Code, shall have been appointed or designated with respect to Borrower or any Guarantor or their respective business, properties or assets. All of the first (1st) day orders entered by the Bankruptcy Court at the time of the commencement of the Chapter 11 Case shall be in form and substance reasonably satisfactory to Agent and the Supplemental Loan Participants. (b) The interim financing order as entered by the Bankruptcy Court authorizing the secured financing under the ABL DIP Facility on the terms and conditions contemplated by this Term Sheet (the "**Interim Financing Order**") and, inter alia, modifying the automatic stay, authorizing and granting the security interests and liens described above, and granting a super-priority administrative expense claim to Agent and Lenders with respect to all obligations to Agent and Lenders, subject to no priority claim or administrative expenses of the Chapter 11 Case or any other entity (other than the Carve-Out), and any future proceeding which may develop out of any such cases, including liquidation in bankruptcy, shall be in full force and effect and not have been vacated, reversed, modified amended or stayed and not be subject to a pending appeal or motion or motion for leave to appeal or other proceeding to set aside any such order or (the challenge to the relief provided for in it, except as consented to by Agent. The Interim Financing Order shall authorize financing under the ABL DIP Facility for a period not to exceed forty-five (45) days in an amount acceptable to Agent and shall contain such other terms and provisions as Agent and its counsel shall require. (c) Receipt by Agent of (i) 13-week cash flow forecast detailing cash receipts and cash disbursements on a weekly basis for such period (the

"Budget"), (ii) projected monthly balance sheets, income statements, statements of cash flows and availability of Borrower and the Subsidiary Guarantors for the period through the end of the 2009 fiscal year, with the results and assumptions set forth in all of such projections in form and substance reasonably satisfactory to Agent, and an opening pro forma balance sheet for Borrower and the Subsidiary Guarantors in form and substance reasonably satisfactory to Agent, (iii) any updates or modifications to the projected financial statements of Borrower and the Subsidiary Guarantors previously received by Agent, in each case in form and substance reasonably satisfactory to Agent, and (iv) copies of reasonably satisfactory interim unaudited financial statements (if applicable) for each month ended since the last audited financial statements for which financial statements are available.

(d) Agent's receipt and review of (i) third party appraisals with respect to inventory, in form and containing assumptions and appraisal methods by an appraiser acceptable to Agent on which Agent and Lenders are permitted to rely, and (ii) field examinations of the business and collateral of Borrower and the Subsidiary Guarantors in accordance with Agent's customary procedures and practices and as otherwise required by the nature and circumstances of the businesses of Borrower and the Subsidiary Guarantors. Agent shall be satisfied with the corporate and capital structure and management of Borrower and the Subsidiary Guarantors and with all legal, tax, accounting and other matters relating to Borrower and the Subsidiary Guarantors, it being confirmed that such corporate and capital structure and management is satisfactory as of the date hereof .

(e) Execution and delivery of the DIP Financing Agreements by Borrower, the Subsidiary Guarantors and Lenders, all in form and substance reasonably satisfactory to Agent and in accordance with the Interim Financing Order.

(f) Agent, for the benefit of itself, Lenders, Issuing Banks and bank product providers, shall hold perfected, first priority security interests in and liens upon the Collateral and Agent shall have received such evidence thereof as it requires (it being understood that entry into an Interim Financing Order or Final Financing Order satisfactory to Agent shall be sufficient evidence of these purposes), subject only to the Carve-Out and permitted liens to be specified.

(g) Borrower and the Subsidiary Guarantors shall have established a cash management system in form and substance reasonably satisfactory to Agent, which shall be in form and substance reasonably acceptable to Agent, it being acknowledged that the Borrower's and the Subsidiary Guarantor's existing cash management system is in form and substance reasonably satisfactory to Agent.

(h) No defaults or events of default on the closing date (other than as a result of the filing of the Chapter 11 Case and the failure to make payments due and payable under the Borrower's indenture) under the DIP Financing Agreements or on any other Material Indebtedness or on any Contractual Obligation shall exist or have occurred and be continuing that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect after giving effect to the filing of the Chapter 11 Case.

(i) No material adverse change in the business, operations, assets or financial condition of Borrower and the Subsidiary Guarantors (taken as a whole) shall have occurred since the date of Agent's most recent field examination prior to the date hereof (it being understood that the commencement of the Chapter 11 Case any defaults under agreements that have no effect under the terms of the US Bankruptcy Code as a result of the commencement thereof, reduction in payment terms by suppliers, and reclamation claims shall not be deemed a material adverse change). No material misstatements in or intentional omissions from the materials previously furnished to Agent by Borrower and the Subsidiary Guarantors taken as a whole shall have been made, it being understood that the information contained in each such projection, pro forma or other forward looking statement was prepared in good faith based upon assumptions believed to be reasonable at the time, and that actual results may vary from such information and such variations may be material. Agent and Lenders shall have received the payment of all fees required to be paid under the Fee Letter.

Special Conditions to the Supplemental Loan:	In addition to the conditions set forth above and elsewhere in this Term Sheet, the closing of the Supplemental Loan and the execution of the Supplemental Loan Participation Agreement will be subject to the satisfaction or written waiver, in a manner reasonably acceptable to each of the Supplemental Loan Participants, of the following conditions precedent: (i) Entry of an Interim Financing Order in form and substance satisfactory to the Supplemental Loan Participants; (ii) Receipt by the Supplemental Loan Participants of the Budget and all other financial information reasonably requested by the Supplemental Loan Participants; (iii) Execution and delivery of the DIP Financing Agreements by Borrower, the Subsidiary Guarantors and Lenders, all in form and substance reasonably satisfactory to Supplemental Loan Participants and in accordance with the Interim Financing Order.
Expenses and Indemnity:	Borrower will, from and after closing, and promptly following Agent's or Supplemental Loan Participant's written demand, pay (a) all costs and expenses and customary administrative charges incurred by Agent and the Supplemental Loan Participants, including, without limitation, appraisal fees, reasonable attorneys' fees (excluding allocated costs of internal counsel), , filing and search charges, recording taxes and field examination charges and expenses (including a charge at the then standard rate of Agent per person per day for the examiners of Agent in the field and in the office, plus travel, hotel and all other out-of-pocket expenses) and (b) all costs and expenses, including reasonable attorneys' fees (excluding allocated costs of internal counsel) and costs of settlement, incurred by Agent, Lenders, Supplemental Loan Participants, and LC Issuer, and their respective advisors. Borrower and the Subsidiary Guarantors shall indemnify and hold harmless Agent, Lenders, Supplemental Loan Participants, LC Issuers and their respective directors, officers, agents, representatives, employees and advisors from and against all losses, claims, damages, expenses, or liabilities including, but not limited to, legal or other expenses incurred in connection with investigating, preparing to defend, or defending any such loss, claim, damage, expenses or liability, incurred in respect of the ABL DIP Facility or the relationship between Agent or any Lender or any Supplemental Loan Participant and Borrower or the Subsidiary Guarantors, except as to any such indemnitee as a result of the bad faith, gross negligence or willful misconduct of such indemnitee as determined pursuant to a final, non-appealable order of a court of competent jurisdiction.
Requisite Lenders/ Amendments:	Lenders (including the Supplemental Loan Lender) holding more than 50% of total commitments or exposure under the ABL DIP shall constitute Required Lenders. Required Lender and all Lender matters shall be as provided under the Existing Credit Agreement. The Supplemental Loan Lender shall vote as directed by the Supplemental Loan Participation Agreement.

Waivers:	To include, but not be limited to, a waiver by Agent, Lenders, Supplemental Loan Participants, and Borrower and each Guarantor of its rights to jury trial; waiver by Agent, Supplemental Loan Participants, Borrower and each Guarantor of claims for special, indirect or consequential damages in respect of any breach or alleged breach by any Agent, any Lender or any Supplemental Loan Participant, Borrower or Guarantor of any of the DIP Financing Agreements (other than resulting from gross negligence or willful misconduct as determined pursuant to a final, non-appealable order of a court of competent jurisdiction). As provided in the Loan Agreement and the Interim Financing Order or the Final Financing Order, including, without limitation, waiving any right that Borrower or any Guarantor may have to seek authority to (a) challenge, contest or otherwise seek to impair or object to the validity, extent, enforceability or priority of Agent's pre-petition and post-petition liens and claims, it being understood that nothing herein shall operate as a waiver of any third party's right to challenge, contest or otherwise seek to impair or object to the validity, extent, enforceability or priority of Agent's pre-petition and post-petition liens and claims, (b) challenge the application of any payments or collections received by Agent or Lenders to the obligations of Borrower and the Subsidiary Guarantors as provided for herein, (c) propose or support a plan of reorganization that does not provide for the indefeasible payment in full and satisfaction of all obligations on the effective date of such plan, (d) surcharge the Collateral pursuant to Section 506(c) of the Bankruptcy Code, or (e) seek relief under the Bankruptcy Code, including without limitation, under Section 105, to the extent any such relief would in any way restrict or impair the rights and remedies of Agent or any Lender as provided herein, the Financing Agreements or the Financing Orders; except, that, Borrower or any Subsidiary Guarantor may seek authority to do any of the foregoing in connection with any transaction that repays the ABL DIP Facility and Existing ABL Facility in full and provides for the discharge of all of the obligations thereunder.
Assignments:	The Supplemental Loan Participants shall have the right to freely assign, convey or transfer their participations of the ABL DIP Facility to certain permitted assignees. For the avoidance of doubt, the Borrower's consent shall not be required for any such assignment transfer, or conveyance, but notice of any such assignment, conveyance or transfer shall be given to the Supplemental Loan Lender.[1] In addition, Section 10.06 of the ABL DIP Facility shall be amended to permit participations of the type contemplated herein.
Governing Law:	New York.

1 Skadden requests Borrower notice in event of a Supplemental Loan Participant assigns their portion to a non-affiliate. Is this acceptable?

USA PATRIOT Act:	Each Lender subject to the USA PATRIOT Act (Title III of Pub.L. 107-56 (signed into law October 26, 2001) (the "**Act**") hereby notifies Borrower and the Subsidiary Guarantors that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each person or corporation who opens an account and/or enters into a business relationship with it, which information includes the name and address of Borrower and the Subsidiary Guarantors and other information that will allow such Lender to identify such person in accordance with the Act. Borrower and the Subsidiary Guarantors are hereby advised that this commitment is subject to satisfactory results of such verification.
Post Confirmation Financing:	Agent and Lenders may consider providing Borrower with exit financing in such amounts and on terms acceptable to Agent and Lenders subject to, among other conditions, the confirmation of a plan of reorganization, which shall be in form and substance acceptable to Agent and Lenders, receipt of financial other information as Agent and Lenders shall request, including, without limitation, projected annual balance sheets, income statements, statements of cash flows and availability and such other information as Agent and Lenders shall request, with the results and assumptions in form and substance satisfactory to Agent, and the consummation of such other legal and business due diligence as Agent and Lenders shall deem appropriate. The Agent shall endeavor to provide to the Supplemental Loan Participants a term sheet indicative of such exit financing prior to the filing date of the Chapter 11 Case.

This Summary of Principal Terms and Conditions is not meant to be, nor shall it be construed as an attempt to describe all of, or the specific phrasing for, the provisions of the documentation. Rather, it is intended only to outline principal terms to be included in, or otherwise consistent with, the DIP Financing Agreements.

Exhibit A
Subsidiary Loan Parties

Grantor	Type of Organization	Jurisdiction of Organization	Organization Identification Number
ROV Holding, Inc.	Corporation	Delaware	0946128
ROVCAL Inc.	Corporation	California	C2063405
United Industries Corporation	Corporation	Delaware	0790751
Spectrum Neptune US Holdco Corporation	Corporation	Delaware	3786826
Schultz Company	Corporation	Missouri	00069779
United Pet Group, Inc.	Corporation	Delaware	3066897
DB Online, LLC	Limited Liability Company	Hawaii	29170
Southern California Foam, Inc.	Corporation	California	C1456775
Aquaria, Inc.	Corporation	California	C0553017
Aquarium Systems, Inc.	Corporation	Delaware	2583486
Perfecto Manufacturing, Inc.	Corporation	Delaware	2626833
Tetra Holding (US), Inc.	Corporation	Delaware	3589555
Spectrum Jungle Labs Corporation	Corporation	Texas	801073291

Exhibit 31.1

CERTIFICATIONS

I, Kent J. Hussey, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Brands, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 11, 2009

/s/ KENT J. HUSSEY

Kent J. Hussey
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Anthony L. Genito, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Brands, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2009

/s/ ANTHONY L. GENITO

Anthony L. Genito
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Spectrum Brands, Inc. (the "Company") for the quarterly period ended December 28, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kent J. Hussey, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ KENT J. HUSSEY
Name:	**Kent J. Hussey**
Title:	**Chief Executive Officer**
Date:	**February 11, 2009**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Spectrum Brands, Inc. (the “Company”) for the quarterly period ended December 28, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony L. Genito, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY L. GENITO

Name: Anthony L. Genito
Title: Chief Financial Officer
Date: February 11, 2009

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.