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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 April 3, 2005

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

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

(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 an accelerated filer (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 May 6, 2005, was 50,738,205.

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED APRIL 3, 2005

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

Condensed Consolidated Balance Sheets
April 3, 2005 and September 30, 2004
(Unaudited)
(Amounts in thousands, except per share figures)

	April 3, 2005	September 30, 2004
-ASSETS-		
Current assets:		
Cash and cash equivalents	$ 44,266	$ 15,789
Receivables, less allowances of $34,080 and $23,071, respectively	441,169	289,632
Inventories	481,629	264,726
Prepaid expenses and other	104,810	80,365
Total current assets	1,071,874	650,512
Property, plant and equipment, net	272,483	182,396
Goodwill	1,100,684	320,577
Intangible assets, net	952,294	422,106
Deferred charges and other	38,077	35,079
Debt issuance costs, net	38,942	25,299
Total assets	$3,474,354	$ 1,635,969
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
Current liabilities:		
Current maturities of long-term debt	$ 29,337	$ 23,895
Accounts payable	280,741	228,052
Accrued liabilities	176,271	146,711
Total current liabilities	486,349	398,658
Long-term debt, net of current maturities	1,911,230	806,002
Employee benefit obligations, net of current portion	70,668	69,246
Other	177,339	44,640
Total liabilities	2,645,586	1,318,546
Minority interest in equity of consolidated affiliates	—	1,379
Shareholders' equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 66,556 and 64,219 shares, respectively; outstanding 50,728 and 34,683 shares, respectively	666	642
Additional paid-in capital	671,390	224,962
Retained earnings	246,481	220,483
Accumulated other comprehensive income, net	26,117	10,621
Notes receivable from officers/shareholders	(955)	(3,605)
	943,699	453,103
Less treasury stock, at cost, 15,828 and 29,536 shares, respectively	(70,804)	(130,070)
Less unearned restricted stock compensation	(44,127)	(6,989)
Total shareholders' equity	828,768	316,044
Total liabilities and shareholders' equity	$3,474,354	$ 1,635,969

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

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SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

Condensed Consolidated Statements of Operations
For the three and six month periods ended April 3, 2005 and March 28, 2004
(Unaudited)
(Amounts in thousands, except per share figures)

	THREE MONTHS		SIX MONTHS	
	2005	2004	2005	2004
Net sales	$534,511	$278,023	$1,025,280	$732,033
Cost of goods sold	345,008	156,320	637,420	417,300
Restructuring and related charges	—	(1,137)	—	(1,137)
Gross profit	189,503	122,840	387,860	315,870
Selling	105,626	57,397	205,946	158,840
General and administrative	40,928	33,130	71,593	69,643
Research and development	7,082	4,838	13,220	9,140
Restructuring and related charges	157	4,932	157	6,032
Total operating expenses	153,793	100,297	290,916	243,655
Operating income	35,710	22,543	96,944	72,215
Interest expense	38,966	16,073	55,922	33,424
Other income, net	(18)	(471)	(24)	(1,733)
Minority interest	(113)	—	(143)	—
(Loss) income from continuing operations before income taxes	(3,125)	6,941	41,189	40,524
Income tax (benefit) expense	(1,194)	2,638	15,191	15,399
(Loss) income from continuing operations	(1,931)	4,303	25,998	25,125
Loss from discontinued operations, net of tax benefits of $1,055 and $525, respectively	—	(1,701)	—	(324)
Net (loss) income	$ (1,931)	$ 2,602	$ 25,998	$ 24,801
Basic earnings per share:				
Weighted average shares of common stock outstanding	43,222	33,096	38,709	32,637
(Loss) income from continuing operations	$ (0.04)	$ 0.13	$ 0.67	$ 0.77
Loss from discontinued operations	—	(0.05)	—	(0.01)
Net (loss) income	$ (0.04)	$ 0.08	$ 0.67	$ 0.76
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	43,222	34,469	40,318	33,703
(Loss) income from continuing operations	$ (0.04)	$ 0.12	$ 0.64	$ 0.75
Loss from discontinued operations	—	(0.04)	—	(0.01)
Net (loss) income	$ (0.04)	$ 0.08	$ 0.64	$ 0.74

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

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SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

Condensed Consolidated Statements of Cash Flows
For the six month periods ended April 3, 2005 and March 28, 2004
(Unaudited)
(Amounts in thousands)

	SIX MONTHS	
	2005	2004
Cash flows from operating activities:		
Net income	$ 25,998	$ 24,801
Non-cash adjustments to net income:		
Discontinued operations	—	324
Depreciation	19,770	16,473
Amortization	2,988	474
Amortization of debt issuance costs	2,424	1,951
Loss on debt extinguishment	12,033	—
Inventory valuation purchase accounting charge	27,695	—
Other non-cash adjustments	(3,152)	5,833
Net changes in operating assets and liabilities, net of acquisitions and discontinued operations	(76,644)	32,646
Net cash provided by continuing operating activities	11,112	82,502
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(20,720)	(9,605)
Payment for acquisitions, net of cash acquired of $22,404	(1,042,891)	(981)
Net cash used by investing activities	(1,063,611)	(10,586)
Cash flows from financing activities:		
Reduction of debt	(693,220)	(267,670)
Proceeds from debt financing	1,781,630	106,850
Debt issuance costs	(28,026)	(1,220)
Proceeds from exercise of stock options	17,101	15,405
Cash repayment of notes receivable from officers/shareholders	2,650	—
Other	—	(112)
Net cash provided (used) by financing activities	1,080,135	(146,747)
Net cash used by discontinued operations	—	(315)
Effect of exchange rate changes on cash and cash equivalents	841	1,706
Net increase in cash and cash equivalents	28,477	(73,440)
Cash and cash equivalents, beginning of period	15,789	107,774
Cash and cash equivalents, end of period	$ 44,266	$ 34,334
Supplemental Noncash Investing Activities		
Sale of Mexican manufacturing facility:		
Reduction in deferred proceeds	$ 9,440	$ —
Reduction in assets held for sale	$ 7,874	$ —
Amount payable for Ningbo minority interest	$ 2,876	$ —

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

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

1 DESCRIPTION OF BUSINESS

Spectrum Brands, Inc. (formerly Rayovac Corporation) and its subsidiaries (the "Company") is a global branded consumer products company with leading market positions in seven major product categories: consumer batteries; lawn and garden; electric shaving and grooming; pet supplies; household insect control; electronic personal care products; and portable lighting. The Company is a leading worldwide manufacturer and marketer of alkaline, zinc carbon and hearing aid batteries, a leading worldwide designer and marketer of rechargeable batteries and battery-powered lighting products and a leading worldwide designer and marketer of electric shavers and accessories, grooming products and hair care appliances. The Company is also a leading North American manufacturer and marketer of lawn fertilizers, herbicides, aquariums and aquatic supplies, pet health, grooming and food products, and insecticides and repellents.

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 ("OEMs") and enjoys strong 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 Spectracide, Cutter, 8-in-1 and various other brands. The Company has 52 manufacturing and product development facilities located in the United States, Europe, China and Latin America. The Company manufactures alkaline and zinc carbon batteries, zinc air hearing aid batteries, lawn fertilizers, herbicides, pet supplies and insecticides and repellents in its company operated manufacturing facilities.

On February 7, 2005, the Company completed the acquisition of all of the outstanding equity interests of United Industries Corporation ("United"), a leading manufacturer and marketer of products for the consumer lawn and garden and household insect control markets in North America and a leading supplier of quality pet supplies in the United States. The aggregate purchase price was approximately $1,504,000, which includes cash consideration of approximately $1,043,000, common stock of the Company totaling approximately $439,000, acquisition related expenditures of approximately $22,000, plus assumed debt of approximately $14,000. United has approximately 2,800 employees throughout North America and is organized under three operating divisions: U.S. Home & Garden, Nu-Gro Corporation and United Pet Group. The acquisition of United gives the Company a significant presence in several new consumer products markets, including categories that will significantly diversify the Company's revenue base. Subsequent to the acquisition, the financial results of United are reported as a separate segment within our condensed consolidated results. For the second quarter ended April 3, 2005, United contributed approximately $228,000 in net sales and recorded operating income of approximately $13,900.

On May 28, 2004, the Company completed the acquisition of 90.1% of the outstanding capital stock, including all voting stock, of Microlite S.A. ("Microlite"), a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. ("Tabriza") of Brazil. The total cash paid was approximately $30,000, including approximately $21,100 in purchase price, approximately $7,000 of prepaid contingent consideration, and approximately $1,900 of acquisition related expenditures, plus approximately $8,000 of assumed debt. Tabriza will earn the contingent consideration upon Microlite's attainment of certain earnings targets through June 30, 2005. Upon the calculation of the total contingent consideration due to Tabriza, which may exceed the $7,000 of contingent consideration paid at closing, Tabriza will transfer Microlite's remaining outstanding capital stock to the Company. Microlite operates two battery-manufacturing facilities in Recife, Brazil and has several sales and distribution centers located throughout Brazil. Microlite manufactures and sells both alkaline and zinc carbon batteries as well as battery-operated lighting products. Microlite has operated as an independent company since 1982. The acquisition of Microlite consolidates the Company's rights to the Rayovac brand in Latin America. (See also footnote 11, "Acquisitions," for additional information on the Microlite acquisition).

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SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

On March 31, 2004, the Company completed the acquisition of an 85% equity interest in Ningbo Baowang Battery Company, Ltd. ("Ningbo") of Ninghai, China for approximately $17,000 in cash, including approximately $600 of direct acquisition related expenditures, plus approximately $14,000 of assumed debt. In March 2005, the Company signed an agreement to purchase the remaining 15% equity interest for approximately $2,900. Ningbo, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM and private label customers within China. Ningbo also exports its batteries to customers in North and South America, Europe and Asia. (See also footnote 11, "Acquisitions," for additional information on the Ningbo acquisition).

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 U.S. Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at April 3, 2005, and the results of operations and cash flows for the three and six month periods ended April 3, 2005 and March 28, 2004. 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, 2004. 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 the Company and are prepared in accordance with generally accepted accounting principles in the United States of America. All significant intercompany balances and transactions have been eliminated. The Company's fiscal year ends September 30. References herein to 2005 and 2004 refer to the fiscal years ended September 30, 2005 and 2004, respectively.

The Company's Condensed Consolidated Financial Statements presented herein include the results of operations for United subsequent to the February 7, 2005 date of acquisition, the results of operations for Microlite subsequent to the May 28, 2004 date of acquisition, and the results of operations for Ningbo subsequent to the March 31, 2004 date of acquisition. See footnote 11, "Acquisitions," for additional information on the United, Microlite and Ningbo acquisitions.

Discontinued Operations: The Company has reflected Remington's United States and United Kingdom service centers as discontinued operations. The Company discontinued operations at these service centers during 2004 as part of the Remington integration initiatives. See footnote 12, "Restructuring and Related Charges," for additional discussion of Remington integration initiatives. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the three and six months ended March 28, 2004:

	Three Months	Six Months
Net sales	$ 6,917	$ 20,564
Loss from discontinued operations before income taxes	(2,756)	(849)
Provision for income tax benefits	1,055	525
Loss from discontinued operations, net of tax	$ (1,701)	$ (324)
Depreciation expense associated with discontinued operations	$ 121	$ 254

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

Revenue Recognition: The Company recognizes revenue from product sales at the point at which title and all risks and rewards of ownership of the product is passed, provided that: there are no uncertainties regarding customer acceptance; persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. The Company is not obligated to allow for, and the Company's general policy is not to accept, product returns associated with battery sales. The Company does accept returns in specific instances related to its shaving, grooming, personal care, lawn and garden, household and pet products. The provision for customer returns is based on historical sales and returns, analyses of credit worthiness and other relevant information. The Company estimates and accrues the cost of returns, which are treated as a reduction of Net sales.

The Company enters into various promotional arrangements, primarily with retail customers, including arrangements entitling such retailers to cash rebates from the Company based on the level of their purchases, which require the Company to estimate and accrue the estimated costs of the promotional programs. These costs are treated as a reduction of Net sales.

The Company also enters into promotional arrangements targeted to the ultimate consumer. Such arrangements are treated as either a reduction of Net sales or an increase of Cost of goods sold, based on the type of promotional program. The income statement characterization of the Company's promotional arrangements complies with the Emerging Issues Task Force ("EITF") No. 01-09, "*Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*."

For all types of promotional arrangements and programs, the Company monitors its commitments and uses various measures including past experience to determine amounts to be recorded for the estimate of the earned, but unpaid, promotional costs. The terms of the Company's customer-related promotional arrangements and programs are individualized to each customer and are documented through written contracts, correspondence or other communications with the individual customers.

The Company also enters into various contractual arrangements, primarily with retail customers, which require the Company to make upfront cash, or "slotting" payments, to secure the right to distribute through such customers. The Company capitalizes slotting payments, provided the payments are supported by a time or volume based contractual arrangement with the retailer, and amortizes the associated payment over the appropriate time or volume based term of the contractual arrangement. The amortization of the slotting payment is treated as a reduction in Net sales and the corresponding asset is included in Deferred charges and other in the accompanying Condensed Consolidated Balance Sheets (unaudited).

Shipping and Handling Costs: The Company incurred shipping and handling costs of $38,938 and $58,964 for the three and six months ended April 3, 2005, respectively, and $15,062 and $33,291 for the three and six months ended March 28, 2004, respectively. These costs are included in Selling expense. 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. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, but generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make 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.

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

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 14% and 17% of the Company's Net sales during the three and six month periods ended April 3, 2005, respectively, and 13% and 22% of its Net sales during the three and six month periods ended March 28, 2004, respectively. This major customer also represented approximately 13% and 16% of its trade accounts receivable, net as of April 3, 2005 and September 30, 2004, respectively.

Approximately 46% of the Company's sales occur outside of North America. These sales and related receivables are subject to varying degrees of credit, currency, and 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 has stock option and other stock-based compensation plans, which are fully described in the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2004. The Company accounts for its stock-based compensation plans using the intrinsic value method, under the principles prescribed by Accounting Principles Board (APB) No. 25, "*Accounting for Stock Issued to Employees*," and related interpretations. For stock options granted, no employee compensation cost is reflected in the Company's results of operations, as all options granted under the plans have an exercise price equal to the market value of the underlying common stock at the grant date.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "*Accounting for Stock-Based Compensation*," as amended by SFAS Statement No. 148, "*Accounting for Stock-Based Compensation—Transition and Disclosure.*" Had compensation cost for stock options granted been determined based on the fair value at the grant date for such awards consistent with an alternative method prescribed by SFAS No. 123, the Company's net income and earnings per share would have reflected the pro forma amounts indicated below:

	Three Months		Six Months	
	2005	2004	2005	2004
Net (loss) income, As reported	$(1,931)	$ 2,602	$25,998	$24,801
Add: Stock-based compensation expense included in reported net income, net of tax	1,426	1,152	2,746	1,708
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of tax	(1,853)	(2,291)	(3,675)	(3,806)
Net (loss) income, Pro forma	$(2,358)	$ 1,463	$25,069	$22,703
Basic earnings per share:				
Net (loss) income, As reported	$ (0.04)	$ 0.08	$ 0.67	$ 0.76
Net (loss) income, Pro forma	$ (0.05)	$ 0.04	$ 0.65	$ 0.70
Diluted earnings per share:				
Net (loss) income, As reported	$ (0.04)	$ 0.08	$ 0.64	$ 0.74
Net (loss) income, Pro forma	$ (0.05)	$ 0.04	$ 0.62	$ 0.67

In December 2004, SFAS No. 123 (Revised 2004), "*Share-Based Payment*" was issued. SFAS No. 123(R) provides investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123(R) replaces SFAS No. 123, and supersedes APB 25. SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in APB No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. The Company is required to apply SFAS No. 123(R) in fiscal year end 2006, which is the first fiscal year that begins after June 15, 2005.

Beginning in the fourth quarter of fiscal 2004, the Company ceased issuing stock options to employees. Restricted stock, the cost of which is required to be recognized as expense, is now issued to employees. As a result, the adoption of SFAS No. 123(R) is not expected to have a significant impact on the Company's overall results of operations or financial position.

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.

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, net ("AOCI") and as a 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 and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. Pretax derivative losses from such hedges recorded as an adjustment to Interest expense were $600 and $1,426 during the three and six months ended April 3, 2005, respectively, and $1,315 and $2,531 during the three and six months ended March 28, 2004, respectively. The pretax adjustment to Interest expense for ineffectiveness from such hedges included in the amounts above, was a loss of $11 and $109 during the three and six months ended April 3, 2005, respectively, and $68 and $64 during the three and six months ended March 28, 2004, respectively. At April 3, 2005 and September 30, 2004, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 3.974% for a notional principal amount of $70,000 through October 2005 and 3.799% for a notional principal amount of $100,000 through November 2005. The derivative net loss on these contracts recorded in AOCI at April 3, 2005 was $50, net of tax benefit of $29. The derivative net loss on these contracts recorded in AOCI at September 30, 2004 was $1,375, net of tax benefit of $843.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecast third party payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling or Canadian Dollars. These foreign exchange contracts are cash flow hedges of forecast product or raw material purchases. Until the forecast purchase is recognized, the fair value of the related hedges is recorded in AOCI and as a hedge asset or liability, as applicable. At the time the forecast purchase is recognized, the fair value of the related hedges is reclassified as an adjustment to purchase price variance in Cost of goods sold. Pretax derivative (losses) from such hedges recorded as an adjustment to Cost of good sold were $(69) for both the three and six months ended April 3, 2005. No pretax derivative losses from such hedges were recorded as an adjustment to Cost of goods sold during the three and six months ended March 28, 2004. Following the purchase, subsequent changes in the fair value of the derivative hedge contracts are recorded as a gain or loss in earnings as an offset to the change in value of the related liability recorded in the Condensed Consolidated Balance Sheet (unaudited). Pretax derivative (losses) from such hedges recorded as an adjustment

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

to earnings in Other income, net were $(89) for both the three and six months ended April 3, 2005. No pretax derivative (losses) from such hedges were recorded as an adjustment to earnings in Other income, net during the three and six months ended March 28, 2004. At April 3, 2005 and September 30, 2004, the Company had $28,280 and $0, respectively, of such foreign exchange derivative contracts outstanding. The pretax derivative adjustment to earnings for ineffectiveness from these contracts at April 3, 2005 and September 30, 2004 was immaterial.

The Company periodically enters into forward and swap foreign exchange contracts to hedge the risk from third party and intercompany payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling or Canadian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the Condensed Consolidated Balance Sheet (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. Pretax derivative (losses) gains from such hedges recorded as an adjustment to earnings in Other income, net were $(466) and $(528) during the three and six months ended April 3, 2005, respectively, and $23 and $118 during the three and six months ended March 28, 2004, respectively. At April 3, 2005 and September 30, 2004, the Company had $35,821 and $480, respectively, of such foreign exchange derivative contracts outstanding. The pretax derivative adjustment to earnings for ineffectiveness from these contracts at April 3, 2005 and September 30, 2004 was immaterial.

The Company is exposed to risk from fluctuating prices for raw materials, including zinc, urea and diammonium phosphates used in its manufacturing processes. The Company hedges a portion of the risk associated with these materials through the use of commodity swaps. The swaps 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 swaps is reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. Pretax derivative gains of $1,173 and $1,379 were recorded as an adjustment to Cost of goods sold for swap contracts settled at maturity during the three and six month periods ended April 3, 2005 and $636 and $868 for the three and six month periods ended March 28, 2004, respectively. The hedges are generally highly effective, however, a derivative loss of $75 was recorded as an adjustment to Cost of goods sold during the three and six month periods ended April 3, 2005. No such amounts were recorded for hedging ineffectiveness during the three and six month periods ended March 28, 2004. At April 3, 2005 and September 30, 2004, the Company had a series of such swap contracts outstanding through October 2005 with a contract value of $10,989 and $15,234, respectively. The derivative net gain on these contracts recorded in AOCI at April 3, 2005 was $1,986, net of tax expense of $1,155. The derivative net gain on these contracts recorded in AOCI at September 30, 2004 was $1,109, net of tax expense of $655.

3 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income, net of tax, for the three and six months ended April 3, 2005 and March 28, 2004 are as follows:

	Three Months		Six Months	
	2005	2004	2005	2004
Net (loss) income	$ (1,931)	$ 2,602	$25,998	$24,801
Other comprehensive income:				
Foreign currency translation	(10,160)	(2,627)	13,209	7,202
Adjustment of additional minimum pension liability	110	133	1,188	133
Net unrealized (loss) gain on derivative instruments	(396)	29	1,099	1,702
Net change to derive comprehensive income for the period	(10,446)	(2,465)	15,496	9,037
Comprehensive (loss) income	$(12,377)	$ 137	$41,494	$33,838

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Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders' equity. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three and six months ended April 3, 2005 and March 28, 2004 were primarily attributable to the impact of translation of the net assets of our European operations, primarily denominated in Euros and Pounds Sterling.

4 NET INCOME PER COMMON SHARE

Net income per common share for the three and six months ended April 3, 2005 and March 28, 2004 is calculated based upon the following number of shares:

	Three Months		Six Months	
	2005	2004	2005	2004
Basic	43,222	33,096	38,709	32,637
Effect of restricted stock and assumed conversion of options	—	1,373	1,609	1,066
Diluted	43,222	34,469	40,318	33,703

For the three months ended April 3, 2005, the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

5 INVENTORIES

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

	April 3, 2005	September 30, 2004
Raw materials	$ 118,240	$ 47,882
Work-in-process	35,899	31,382
Finished goods	327,490	185,462
	$ 481,629	$ 264,726

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6 GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	North America	Europe/ROW	Latin America	United	Total
Goodwill:					
Balance as of September 30, 2004	$130,173	$ 105,414	$ 84,990	$ —	$ 320,577
Goodwill recognized during period	—	6,737	(1,063)	790,605	796,279
Purchase price allocation during period	—	—	(21,685)	—	(21,685)
Effect of translation	9	3,388	2,116	—	5,513
Balance as of April 3, 2005	$130,182	$ 115,539	$ 64,358	$790,605	$1,100,684
Intangible Assets:					
Trade Names Not Subject to Amortization					
Balance as of September 30, 2004, net	$159,000	$ 161,753	$ 85,125	$ —	$ 405,878
Additions	—	—	—	316,900	316,900
Purchase price allocation during period	—	—	21,685	—	21,685
Effect of translation	—	6,774	1,444	—	8,218
Balance as of April 3, 2005, net	$159,000	$ 168,527	$108,254	$316,900	$ 752,681
Technology Assets, Customer Relationships and Trade Names Subject to Amortization					
Balance as of September 30, 2004, gross	$ 1,385	$ 14,061	$ —	$ —	$ 15,446
Less: Accumulated amortization	(434)	(1,071)	—	—	(1,505)
Balance as of September 30, 2004, net	951	12,990	—	—	13,941
Additions	—	—	—	185,800	185,800
Amortization during period	(44)	(597)	—	(2,347)	(2,988)
Effect of translation	—	744	—	—	744
Balance as of April 3, 2005, net	$ 907	$ 13,137	$ —	$183,453	197,497
Pension Intangible Assets					
Balance as of April 3, 2005	$ 2,116	$ —	$ —	$ —	$ 2,116
Total Intangible Assets, net	$162,023	$ 181,664	$108,254	$500,353	$ 952,294

The carrying value of technology assets was $38,869, net of accumulated amortization of $1,980 at April 3, 2005 and $12,149, net of accumulated amortization of $1,076, at September 30, 2004. The trade names subject to amortization relate to United. The carrying value of these trade names was $8,450, net of accumulated amortization of $374 at April 3, 2005. Remaining intangible assets subject to amortization include customer relationship intangibles. Of the intangible assets acquired in the United acquisition, customer relationships have been assigned a 12 1/2 year life, technology assets have been assigned a 12 year life and other intangibles have been assigned lives of 1 year to 4 years. The pension intangible asset totaled $2,288 at September 30, 2004.

The Company completed the acquisitions of Ningbo and Microlite during 2004 and the acquisition of United during 2005. During 2005, the Company allocated a portion of the Microlite and United purchase price to unamortizable intangible assets. The allocation consisted of $21,685 (using exchange rates in effect as of September 30, 2004) to the trade name in Brazil, $290,800 to United trade names, and $26,100 to United license agreements.

The purchase price allocation for the United acquisition is based on preliminary estimates and is pending finalization of the valuation of property, plant and equipment, inventory and intangibles. The purchase price allocation for the Microlite acquisition will be finalized upon completion of the valuation of certain fixed assets

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and intangibles. Future allocations of the United and Microlite purchase prices may impact the amount and segment allocation of goodwill. See also footnote 11, "Acquisitions," for additional information on the United, Ningbo and Microlite acquisitions.

Amortization expense for the three and six months ended April 3, 2005 and March 28, 2004 is as follows:

	Three Months		Six Months	
	2005	2004	2005	2004
Proprietary technology amortization	$ 719	$199	$ 904	$366
Customer relationships amortization	1,652	59	1,710	108
Trade names amortization	374	—	374	—
	$2,745	$258	$2,988	$474

The Company estimates annual amortization expense for the next five fiscal years will approximate $18,000 per year, excluding the effect of the acquisition of Tetra (see footnote 14, "Subsequent Events," where the Tetra acquisition is further described).

7 DEBT

Debt consists of the following:

	April 3, 2005		September 30, 2004	
	Amount	Rate(A)	Amount	Rate(A)
Senior Subordinated Notes, due February 1, 2015	$ 700,000	7.4%	$ —	—
Senior Subordinated Notes, due October 1, 2013	350,000	8.5%	350,000	8.5%
Term Loan, US Dollar, expiring February 6, 2012	540,000	4.8%	—	—
Term Loan, Canadian Dollar, expiring February 6, 2012	51,600	4.7%	—	—
Term Loan, Euro, expiring February 6, 2012	147,783	4.7%	—	—
Term C Loan, expiring September 30, 2009	—	—	257,000	4.2%
Euro Term C Loan, expiring September 30, 2009	—	—	141,845	5.1%
Revolving Credit Facility, expiring February 6, 2011	106,200	5.7%	—	—
Revolving Credit Facility, expiring September 30, 2008	—	—	37,000	5.7%
Other notes and obligations	17,612	—	20,530	—
Capitalized lease obligations	27,372	—	23,522	—
	1,940,567		829,897	
Less current maturities	29,337		23,895	
Long-term debt	$1,911,230		$806,002	

(A) Interest rates on Senior Credit Facilities represent the weighted average rates on balances outstanding.

On February 7, 2005, the Company completed it acquisition of United. In connection with that acquisition, the Company completed its offering of $700,000 aggregate principal amount of its 7 3/8% Senior Subordinated Notes due 2015 and its tender offer for United's 9 7/8% Senior Subordinated Notes due 2009, retired United's senior credit facilities and replaced the Company's Senior Credit Facilities with new Senior Credit Facilities. At

the time of the refinancing, the outstanding amount of the Revolving Credit Facility was $34,000, the outstanding amount of the Euro denominated Term C Loan was $132,738, and the outstanding amount of the U.S. Term C Loan was $241,344. Additionally, in connection with the refinancing the Company assumed $10,205 of United's senior subordinated notes which were subsequently repurchased on April 1, 2005. The Company also assumed $3,441 of United capital leases in connection with the acquisition. In connection with the refinancing and the issuance of the new Senior Subordinated Notes, the Company incurred approximately $28,000 in new debt issuance costs, which are being amortized over the life of the debt using the effective interest method. In addition, the Company expensed approximately $12,000 in remaining debt issuance costs associated with the old Senior Credit Facilities. This amount is included in Interest expense in the Condensed Consolidated Statement of Operations (unaudited).

The Company's Senior Credit Facility includes aggregate Term Loan facilities of $738,000 consisting of a $540,000 U.S. Dollar Term Loan which replaced the pre-existing outstanding amount $257,000 Term C Loan (USD), a €114,000 Term Loan ($147,783 at April 3, 2005) which replaced the pre-existing outstanding amount €102,500 Term Loan, a CAD $62,400 Term Loan (USD $51,600 at April 3, 2005), and a new Revolving Credit Facility of $300,000 which replaced the pre-existing $120,000 Revolving Credit Facility and the €40,000 Revolving Credit Facility of which $34,000 and €0, respectively, were outstanding. The new Revolving Credit Facility includes foreign currency sublimits equal to the U.S. Dollar equivalent of €25,000 for borrowings in Euros and the U.S. Dollar equivalent of £10,000 for borrowings in Pounds Sterling, and the equivalent of borrowings in Chinese Yuan of $35,000.

Approximately $166,000 remains available under the Revolving Credit Facility as of April 3, 2005, net of approximately $28,000 of outstanding letters of credit.

Including the refinancing mentioned above, during the six months ended April 3, 2005, the Company made gross payments of $610,774 on the prior Term Loans, Revolving Credit Facilities and Senior Subordinated Notes, $79,005 on the new Term Loans, Revolving Credit Facilities and assumed Senior Subordinated Notes, and $3,441 on capital leases and other notes and obligations. Additionally, during the same period the Company's borrowings included $169,000 under the prior Revolving Credit Facility and $1,622,630 under the new Term Loans, new Revolving Credit Facilities and new Senior Subordinated Notes.

The interest and fees per annum are calculated on a 365-day basis for Base Rate loans and loans denominated in Pounds Sterling. For all other denominations, interest and fees per annum are calculated on the basis of a 360-day year. The interest rates per annum applicable to the Senior Credit Facility are the Eurocurrency Rate plus the Applicable Margin, or at the Company's option in the case of advances made in U.S. Dollars, the Base Rate plus the Applicable Margin. The fees associated with these facilities were capitalized and are being amortized over the term of the facilities.

In addition to principal payments, the Company is required to pay a quarterly commitment fee of 0.50% on the unused portion of the Revolving Credit Facility.

The new Senior Credit Facility contains financial covenants with respect to borrowings, which include maintaining minimum interest coverage and maximum leverage ratios. In accordance with the Fourth Agreement (and consistent with the Third Agreement), the limits imposed by such ratios become more restrictive over time. In addition, the Fourth Agreement restricts the Company's ability to incur additional indebtedness, create liens,

make investments or specified payments, give guarantees, pay dividends, make capital expenditures, and enter into a merger or acquisition or sell assets. Indebtedness under these facilities (i) is secured by substantially all of the assets of the Company, and (ii) is guaranteed by certain of the Company's subsidiaries.

The terms of both the $350,000 and $700,000 Senior Subordinated Notes permit the holders to require the Company to repurchase all or a portion of the notes in the event of a customary event of default, including a change of control. In addition, the terms of the notes restrict or limit the ability of the Company and its subsidiaries to, among other things: (i) pay dividends or make other restricted payments, (ii) incur additional indebtedness and issue preferred stock, (iii) create liens, (iv) enter into mergers, consolidations, or sales of all or substantially all of the assets of the Company, (v) make asset sales, (vi) enter into transactions with affiliates, and (vii) issue or sell capital stock of wholly owned subsidiaries of the Company. Payment obligations of the notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's domestic subsidiaries.

The Company was in compliance with all covenants associated with the Senior Credit Facilities and Senior Subordinated Notes that were in effect as of and during the period ended April 3, 2005.

On April 29, 2005, the Company acquired all of the outstanding equity interests of Tetra Holding GmbH ("Tetra") for a purchase price of approximately $544,000, net of cash acquired and inclusive of debt related fees. The acquisition utilized approximately $500,000 of an incremental Term Loan Facility and approximately $44,000 of the Revolving Credit Facility (see footnote 14, "Subsequent Events," where the Tetra acquisition is further described).

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. Plans generally provide benefits of stated amounts for each year of service. The Company's practice is to fund pension costs at amounts within the acceptable ranges established by the Employee Retirement Income Security Act of 1974, as amended.

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.

The Company also has various nonqualified deferred compensation agreements with certain of its employees. Under certain of these agreements, the Company has agreed to pay certain amounts annually for the first 15 years subsequent to retirement or to a designated beneficiary upon death. It is management's intent that life insurance contracts owned by the Company will fund these agreements. Under the remaining agreements, the Company has agreed to pay such deferral 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 established a rabbi trust to fund these agreements.

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

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The Company's results of operations for the three and six months ended April 3, 2005 and March 28, 2004, respectively, reflect the following pension and deferred compensation benefit costs.

Components of net periodic pension benefit and deferred compensation cost	Three Months		Six Months	
	2005	2004	2005	2004
Service cost	$ 353	$ 465	$ 758	$ 929
Interest cost	1,104	992	2,142	1,984
Expected return on assets	(573)	(546)	(1,095)	(1,093)
Amortization of prior service cost	48	72	137	144
Amortization of transition obligation	11	11	22	22
Loss on curtailments	—	—	—	—
Recognized net actuarial loss	142	193	288	386
Net periodic benefit cost	$1,085	$1,187	$ 2,252	$ 2,372

Pension and deferred compensation contributions	Three Months		Six Months	
	2005	2004	2005	2004
Contributions made during period	$216	$686	$479	$1,193

9 SHAREHOLDERS' EQUITY

The following table details activity in shareholders' equity for the six months ended April 3, 2005:

	Common Stock								
	Number of Shares	Share Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net	Notes Receivable from Officers/ Shareholders	Treasury Stock	Unearned Compensation	Total Shareholders' Equity
Balances at September 30, 2004	34,683	$ 642	$ 224,962	$ 220,483	$ 10,621	$ (3,605)	$(130,070)	$ (6,989)	$ 316,044
Net income	—	—	—	25,998	—	—	—	—	25,998
Adjustment of additional minimum pension liability	—	—	—	—	1,188	—	—	—	1,188
Cumulative translation adjustment	—	—	—	—	13,209	—	—	—	13,209
Other unrealized gains and losses	—	—	—	—	1,099	—	—	—	1,099
Issuance of restricted stock, net of forfeitures	1,228	13	41,633	—	—	—	—	(41,646)	—
Exercise of stock options	1,108	11	25,976		—	—	—	—	25,987
Treasury shares issued, net	13,709	—	378,819	—	—	—	59,266	—	438,085
Note payments from officers/shareholders	—	—	—	—	—	2,650	—	—	2,650
Amortization of unearned compensation	—	—	—	—	—	—	—	4,508	4,508
Balances at April 3, 2005	50,728	$ 666	$ 671,390	$ 246,481	$ 26,117	$ (955)	$ (70,804)	$ (44,127)	$ 828,768

The Company granted approximately 1,231 shares of restricted stock during the six months ended April 3, 2005. Of these grants, approximately 527 shares will vest over a three-year period, with fifty percent of the shares vesting on a pro rata basis over the three-year period and the remaining fifty percent vesting based on the Company's performance during the three-year period. Approximately 317 shares granted will be 100% vested on February 7, 2008 if specified performance targets are met. If those performance targets are not met, the shares will vest on February 7, 2012. The remaining 387 shares vest at varying dates through 2009, including 253 that vest in 2008. All vesting dates are subject to the recipient's continued employment with the Company. The total

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market value of the restricted shares on the date of grant was approximately $41,646 which has been recorded as unearned restricted stock compensation, a separate component of Shareholders' equity. Unearned compensation is being amortized to expense over the appropriate vesting period.

Also during the six months ended April 3, 2005, the Company issued approximately 1,108 shares of common stock resulting from the exercise of stock options with an aggregate cash exercise value of approximately $17,101. The Company recognized a tax benefit of approximately $8,889 associated with the exercise of these stock options, which was accounted for as an increase in Additional paid-in capital.

In addition, the Company issued 13,750 shares of common stock from treasury as partial consideration for the United acquisition (see footnote 11, "Acquisitions," where the United acquisition is further described). The value of these shares was calculated at a share price of $31.94. The share price of $31.94 was based on a five-day average beginning on December 30, 2004.

10 SEGMENT RESULTS

The Company manages operations in four reportable segments, including three based primarily upon geographic area (North America, Latin America and Europe/ROW) and the fourth ("United") based on its acquisition of United Industries. North America includes the United States and Canada; Latin America includes Mexico, Central America, South America and the Caribbean; Europe/Rest of World ("Europe/ROW") includes the United Kingdom, continental Europe, China, Australia and all other countries in which the Company conducts business.

Net sales and Cost of goods sold to other 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 reportable segment profits do not include interest expense, interest income, and income tax expense. Also not included in the reportable segments are corporate expenses including purchasing expense, corporate general and administrative expense, certain research and development expense, and restructuring and related charges. All depreciation and amortization included in Operating income is related to reportable segments or corporate. Costs are identified to reportable segments or corporate, according to the function of each cost center.

The reportable segment assets do not include cash, deferred tax benefits, investments, long-term intercompany receivables, most deferred charges, and miscellaneous assets. All capital expenditures are related to reportable segments. Variable allocations of assets are not made for segment reporting.

Segment information for the three and six months ended April 3, 2005 and March 28, 2004, and at April 3, 2005 and September 30, 2004 is as follows:

	Three Months		Six Months	
	2005	2004	2005	2004
Net sales from external customers				
North America	$ 112,568	$ 114,501	$ 328,382	$ 348,305
Europe/ROW	144,291	132,676	366,563	316,657
Latin America	49,624	30,846	102,307	67,071
United	228,028	—	228,028	—
Total segments	$ 534,511	$ 278,023	$ 1,025,280	$ 732,033

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	Three Months		Six Months	
	2005	2004	2005	2004
Intersegment net sales				
North America	$10,886	$29,652	$ 21,427	$ 53,184
Europe/ROW	3,250	5,130	7,774	8,237
Latin America	1,355	3	1,386	95
United	—	—	—	—
Total segments	$15,491	$34,785	$ 30,587	$ 61,516

	Three Months		Six Months	
	2005	2004	2005	2004
Segment profit				
North America	$22,693	$19,728	$ 63,975	$ 53,595
Europe/ROW	19,409	20,328	55,369	53,134
Latin America	3,594	3,676	9,355	6,110
United[(A)]	13,945	—	13,945	—
Total segments	59,641	43,732	142,644	112,839
Corporate expense	23,774	17,394	45,543	35,729
Restructuring and related charges	157	3,795	157	4,895
Interest expense[(B)]	38,966	16,073	55,922	33,424
Other income, net	(18)	(471)	(24)	(1,733)
Minority interest	(113)	—	(143)	—
(Loss) income from continuing operations before income taxes	$ (3,125)	$ 6,941	$ 41,189	$ 40,524

(A) The three and six month periods ended April 3, 2005 include a charge to Cost of goods sold of $27,695 related to the fair value adjustment, required under generally accepted accounting principles in the United States of America, that was applied to United's acquired inventory.

(B) The three and six month periods ended April 3, 2005 include $12,033 in debt issuance costs written off in connection with the debt refinancing that occurred at the time of the United acquisition.

	April 3, 2005	September 30, 2004
Segment assets		
North America	$ 596,607	$ 645,396
Europe/ROW	605,672	599,158
Latin America	299,204	295,926
United	1,659,441	—
Total segments	3,160,924	1,540,480
Corporate	313,430	95,489
Total assets at period end	$3,474,354	$ 1,635,969

11 ACQUISITIONS

Acquisition of United

On February 7, 2005, the Company completed the acquisition of all of the outstanding equity interests of United, a leading manufacturer and marketer of products for the consumer lawn and garden care and household

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insect control markets in North America and a leading supplier of quality products to the pet supply industry in the United States. United has approximately 2,800 employees throughout North America and is organized under three operating divisions: U.S. Home & Garden, Nu-Gro Corporation and United Pet Group. The acquisition of United allows the Company to gain significant presence in several new consumer products markets, including categories that will significantly diversify the Company's revenue base.

The results of United's operations since February 7, 2005 are included in the Company's Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended April 3, 2005. The financial results of the United acquisition are reported as a separate segment. United contributed $228,028 in net sales and recorded operating income of $13,945 for the three and six months ended April 3, 2005.

The aggregate purchase price was approximately $1,504,000, which includes cash consideration of approximately $1,043,000, common stock of the Company totaling approximately $439,000, acquisition related expenditures of approximately $22,000, plus assumed debt of approximately $14,000. Cash acquired and included in current assets consisted of approximately $22,000. The value of common stock was determined based on 13,750 shares at $31.94 per share. The share price of $31.94 used in the calculation of the purchase price is based on a five-day average beginning on December 30, 2004.

The Company is currently finalizing the valuation of intangible assets and property, plant and equipment acquired, which may impact the estimates of the fair value of net assets acquired in the transaction. The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	At February 7, 2005 ($000s)
Current assets	$ 414
Property, plant and equipment	89
Intangible assets	503
Goodwill	791
Other assets	136
Total assets acquired	1,933
Current liabilities	(141)
Total debt	(14)
Long-term liabilities	(274)
Total liabilities assumed	(429)
Net assets acquired	$1,504
Less: Cash acquired	(22)
Payments for acquisition	$1,482

Acquisition of Microlite

On May 28, 2004, the Company completed the acquisition of 90.1% of the outstanding capital stock, including all voting stock, of Microlite, a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. of Brazil. Microlite operates two battery-manufacturing facilities in Recife, Brazil and has several sales and distribution centers located throughout Brazil. Microlite manufactures and sells both alkaline and zinc carbon batteries as well as battery-operated lighting products. Microlite has operated as an independent company since 1982. The acquisition of Microlite consolidates the Company's rights to the Rayovac brand name in Latin America.

The results of Microlite's operations are included in the Company's Condensed Consolidated Statement of Operations (unaudited) for the three and six months ended April 3, 2005. The financial results of the Microlite

acquisition are reported as part of the Latin America segment. Microlite contributed $15,972 and $30,467 in net sales, and recorded operating income of $1,452 and $2,256 for the three and six months ended April 3, 2005, respectively.

The total cash paid for Microlite was approximately $30,000, which includes approximately $21,100 in purchase price, acquisition related expenditures of approximately $1,900, plus approximately $8,000 of assumed debt. Cash acquired totaled approximately $200. Prepaid contingent consideration totaling $7,000 (recorded in Prepaid expenses and other in the Condensed Consolidated Balance Sheet (unaudited) as of April 3, 2005) is included in the $30,000 cash paid. This consideration will be earned by the seller, Tabriza, upon the attainment by Microlite of certain earnings targets to be achieved through June 30, 2005. During 2005, the Company completed the valuation of the Microlite trade name. Approximately $21,685 (using exchange rates in effect as of September 30, 2004) was assigned to the value of this trade name in Brazil. Goodwill was reduced by the same amount in fiscal 2005. The Company is currently finalizing the valuation of assets acquired, which may impact the Company's estimates of the net assets acquired in the transaction.

Acquisition of Ningbo

On March 31, 2004, the Company acquired an 85% equity interest in Ningbo. During the current quarter, in March 2005, the Company signed an agreement to purchase the remaining 15% equity interest for approximately $2,900. Ningbo, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM, and private label customers.

The results of Ningbo's operations are included in the Company's Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended April 3, 2005. The financial results of the Ningbo acquisition are reported as part of Europe/ROW segment. Ningbo contributed $5,454 and $10,587 in net sales for the three and six months ended April 3, 2005, and recorded an operating loss of $578 and $832 for the three and six months ended April 3, 2005.

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(Amounts in thousands, except per share figures)

The total cash paid for Ningbo was approximately $17,000, which includes approximately $16,000 in purchase price, direct acquisition related expenditures of approximately $600, plus approximately $14,000 of assumed debt. Cash acquired totaled approximately $5,500.

Supplemental Pro Forma information: The following reflects the Company's pro forma results had the results of the United and Microlite businesses been included for all periods beginning after September 30, 2003. Adjustments to the number of shares used to calculate earnings per share have also been made to present shares as if the 13,750 treasury shares issued in connection with the United acquisition were outstanding on October 1, 2003. The results of Ningbo are not included in the pro forma results as the acquisition is not material.

	Three Months		Six Months	
	2005	2004	2005	2004
Net sales				
Reported net sales	$ 534,511	$ 278,023	$ 1,025,280	$ 732,033
United pro forma adjustments	71,829	287,812	217,551	422,209
Microlite pro forma adjustments	—	12,433	—	29,129
Pro forma net sales	$ 606,340	$ 578,268	$ 1,242,831	$ 1,183,371
(Loss) income from continuing operations				
Reported (loss) income from continuing operations	$ (1,931)	$ 4,303	$ 25,998	$ 25,125
United pro forma adjustments	(13,615)	20,103	(23,773)	109,323
Microlite pro forma adjustments	—	(3,725)	—	(7,297)
Pro forma (loss) income from continuing operations	$ (15,546)	$ 20,681	$ 2,225	$ 127,151
Pro forma basic earnings per share				
(Loss) income from continuing operations	$ (0.04)	$ 0.09	$ 0.54	$ 0.54
United pro forma adjustments	(0.28)	0.43	(0.49)	2.36
Microlite pro forma adjustments	—	(0.08)	—	(0.16)
Pro forma (loss) income from continuing operations	$ (0.32)	$ 0.44	$ 0.05	$ 2.74
Pro forma diluted earnings per share				
(Loss) income from continuing operations	$ (0.04)	$ 0.09	$ 0.52	$ 0.53
United pro forma adjustments	(0.28)	0.42	(0.48)	2.30
Microlite pro forma adjustments	—	(0.08)	—	(0.15)
Pro forma (loss) income from continuing operations	$ (0.32)	$ 0.43	$ 0.04	$ 2.68

The pro forma results of operations include certain charges and other items related to the United acquisition that are not expected to recur. For the quarter ended April 3, 2005, these charges include approximately $28,000 charged to Cost of goods sold related to the fair value adjustment applied to United's acquired inventory, the write-off of approximately $12,000 of debt issuance costs charged to Interest expense related to the debt refinancing that occurred in connection with the acquisition, approximately $12,000 of transaction related costs incurred by United and approximately $1,000 of amortization expense related to intangible assets. For the quarter ended January 2, 2005, these charges include approximately $3,000 incurred by United related to its acquisition of United Pet Group and approximately $1,000 of amortization expense related to intangible assets. For the quarter ended December 28, 2003, these items include a reduction of income tax expense of approximately $104,000, reflecting a full reversal of United's valuation allowance originally established against the tax deductible goodwill deduction and certain net operating loss carryforwards that were generated in 1999 through 2003. Lastly, consolidated interest expense in all periods presented is expected to be reduced due to the Company's retirement of United debt at the date of acquisition.

The pro forma results of operations also include certain charges incurred by Microlite that are not expected to recur. These charges include interest expense which will be reduced as a result of the Company's recapitalization of assumed debt, and lowered interest rates and hedging costs as a result of the recapitalized debt

and access to more efficient capital markets. In addition, the pro forma results include charges related to the establishment of valuation allowances for certain deferred tax assets prior to acquisition.

12 RESTRUCTURING AND RELATED CHARGES

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

The Company currently has assets held for sale totaling approximately $6,163 included in Prepaid expenses and other in the accompanying Condensed Consolidated Balance Sheet (unaudited). Assets included in this balance include the Madison, Wisconsin manufacturing facility, the Remington facility in Bridgeport, Connecticut and various properties held for sale in the Dominican Republic and Venezuela.

2004 Restructuring and Related Charges

In 2004, in connection with the September 2003 acquisition of Remington, the Company committed to and announced a series of initiatives to position itself for future growth opportunities and to optimize the global resources of the combined Remington and Rayovac companies. These initiatives include: integrating all of Remington's North America administrative services, marketing, sales, and customer service functions into the Company's North America headquarters in Madison, Wisconsin; moving Remington's Bridgeport, Connecticut manufacturing operations to the Company's Portage, Wisconsin manufacturing location; creation of a global product development group in the Company's technology center in Madison, Wisconsin; closing Remington's Service Centers in the United States and the United Kingdom; consolidating distribution centers; and moving the Company's corporate headquarters to Atlanta, Georgia. The Company also announced the integration of its sales and marketing organizations throughout continental Europe. The following table summarizes the remaining accrual balance associated with the 2004 initiatives and activity that occurred during fiscal 2005:

2004 Restructuring Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual Balance at September 30, 2004	$ 1,946	$2,007	$ 3,953
Cash expenditures	(1,529)	(618)	(2,147)
Accrual Balance at April 3, 2005	$ 417	$1,389	$ 1,806

All activities associated with the 2004 restructuring activities have been completed, and the remaining cash payments and the disposition of impaired assets will be substantially completed in the current fiscal year.

SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)

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

13 COMMITMENTS AND CONTINGENCIES

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of approximately $5,077 which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations, or cash flow of the Company.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. Such litigation includes legal proceedings with Philips in Europe with respect to trademark or other intellectual property rights and patent infringement claims by the Gillette Company and its subsidiary Braun Gmbh. In the opinion of management, it is either not likely or premature to determine whether such contingent liabilities will have a material adverse effect on the financial condition, results of operations, or cash flow of the Company.

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

	Affiliate	Other
Remainder 2005	$ 1,173	$ 14,055
2006	2,408	24,162
2007	1,890	21,245
2008	1,248	18,706
2009	870	16,391
Thereafter	1,104	59,193
Total minimum lease payments	$ 8,693	$ 153,752

All of the operating leases expire during the years 2005 through 2021.

The Company is the lessee of several operating facilities from Rex Realty, Inc., a company owned by certain of the Company's stockholders and operated by a former United executive and past member of United's Board of Directors. These affiliate leases expire at various dates through December 31, 2010. The Company has options to terminate the leases by giving advance notice of at least one year. The Company also leases a portion of its operating facilities from the same company under a sublease agreement expiring on December 31, 2005 with minimum annual rentals of $700. The Company has two five-year options to renew this lease, beginning January 1, 2006.

14 SUBSEQUENT EVENTS

Corporate Name Change

On May 2, 2005, the Company changed its corporate name from Rayovac Corporation to Spectrum Brands, Inc. This change was approved by the Company's shareholders at the Company's annual meeting on April 27, 2005. The Company's stock now trades on the New York Stock Exchange under the symbol SPC. The Company believes this new name better reflects the Company's growth strategy of expanding the Company's portfolio of world-class consumer product brands in a broad array of growth categories.

Acquisition of Tetra

On April 29, 2005, the Company acquired all of the outstanding equity interests of Tetra Holding GmbH ("Tetra") for a purchase price of approximately $544,000, including estimated working capital and net of cash

acquired. The acquisition was financed with additional borrowings under an Incremental Term Loan Facility and existing Revolving Credit Facility. Headquartered in Melle, Germany, Tetra manufactures, distributes and markets a comprehensive line of foods, equipment and care products for fish and reptiles, along with accessories for home aquariums and ponds. This acquisition extends the Company's leading position in the rapidly growing North American specialty pet supplies category to a global presence. Tetra currently operates in over 90 countries worldwide and holds leading market positions in Germany, the United States, Japan and the United Kingdom. Tetra has approximately 700 employees and generates approximately $232,000 in annual net sales.

15 NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 109-1, *"Application of FASB Statement No. 109, "Accounting for Income Taxes" ("SFAS No. 109") to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004"* ("FSP 109-1"). The American Jobs Creation Act of 2004 (the "Jobs Act"), enacted October 22, 2004, provides a tax deduction for income from qualified domestic production activities. FSP 109-1 provides the treatment for the deduction as a special deduction as described in SFAS No. 109. FSP 109-1 is effective prospectively as of January 1, 2005. The Company is currently evaluating the effect, if any, that the manufacturer's deduction may have on future results.

In December 2004, the FASB issued Staff Position FAS 109-2, *"Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*." This Act provides for a special one-time deduction of 85% of certain foreign earnings that are repatriated to a U.S. taxpayer. Given the lack of clarification of certain provisions within the Act, this Staff Position allowed companies additional time to evaluate the financial statement implications of repatriating foreign earnings. The Company is in the process of evaluating how much, if any, of the undistributed earnings of foreign subsidiaries should be repatriated and the financial statement and cash flow implications of any decision. The range of possible amounts that the Company is considering for repatriation under this provision is between zero and the maximum amount of dividends eligible for the one time deduction under the Act. The related range of income tax effects of such repatriation cannot be reasonably estimated at this time. The Company is awaiting final guidance from the Internal Revenue Service and intends to complete its evaluation in late 2005.

16 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

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**SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)
AND SUBSIDIARIES**

**Condensed Consolidating Balance Sheets
April 3, 2005
(Unaudited)
(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 17,064	$ 8,293	$ 18,909	$ —	$ 44,266
Receivables, net	72,797	432,790	250,273	(314,691)	441,169
Inventories	118,219	170,943	192,752	(285)	481,629
Prepaid expenses and other	30,569	24,308	48,178	1,755	104,810
Total current assets	238,649	636,334	510,112	(313,221)	1,071,874
Property, plant and equipment, net	73,764	58,391	140,328	—	272,483
Goodwill	844,621	64,299	191,764	—	1,100,684
Intangible assets, net	247,334	500,400	204,748	(188)	952,294
Deferred charges and other	33,143	74,302	4,248	(73,616)	38,077
Debt issuance costs, net	38,942	—	—	—	38,942
Investments in subsidiaries	1,768,817	584,265	—	(2,353,082)	—
Total assets	$3,245,270	$1,917,991	$ 1,051,200	$(2,740,107)	$3,474,354
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 175,239	$ 307	$ 17,904	$ (164,113)	$ 29,337
Accounts payable	136,163	152,463	112,431	(120,316)	280,741
Accrued liabilities	39,627	29,321	107,323	—	176,271
Total current liabilities	351,029	182,091	237,658	(284,429)	486,349
Long-term debt, net of current maturities	1,884,475	643	125,790	(99,678)	1,911,230
Employee benefit obligations, net of current portion	29,811	—	40,857	—	70,668
Other	148,269	(33,560)	62,630	—	177,339
Total liabilities	2,413,584	149,174	466,935	(384,107)	2,645,586
Shareholders' equity:					
Common stock	666	(6)	385	(379)	666
Additional paid-in capital	672,294	1,456,870	481,187	(1,938,961)	671,390
Retained earnings	240,594	298,156	96,602	(388,871)	246,481
Accumulated other comprehensive income, net	34,018	13,797	6,091	(27,789)	26,117
Notes receivable from officers/shareholders	(955)	—	—	—	(955)
	946,617	1,768,817	584,265	(2,356,000)	943,699
Less treasury stock, at cost	(70,804)	—	—	—	(70,804)
Less unearned restricted stock compensation	(44,127)	—	—	—	(44,127)
Total shareholders' equity	831,686	1,768,817	584,265	(2,356,000)	828,768
Total liabilities and shareholders' equity	$3,245,270	$1,917,991	$ 1,051,200	$(2,740,107)	$3,474,354

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SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)
AND SUBSIDIARIES

Condensed Consolidating Statement of Operations
Three Months Ended April 3, 2005
(Unaudited)
(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$106,420	$ 217,289	$ 229,819	$ (19,017)	$ 534,511
Cost of goods sold	60,872	161,410	142,282	(19,556)	345,008
Gross profit	45,548	55,879	87,537	539	189,503
Operating expenses:					
Selling	22,706	34,737	48,272	(89)	105,626
General and administrative	19,917	7,644	13,367	—	40,928
Research and development	5,978	698	406	—	7,082
Restructuring and related charges	51	—	106	—	157
	48,652	43,079	62,151	(89)	153,793
Operating income	(3,104)	12,800	25,386	628	35,710
Interest expense	38,008	(698)	1,656	—	38,966
Other income, net	(24,839)	(12,964)	8,093	29,692	(18)
Minority interest	—	—	(113)	—	(113)
Income (loss) from continuing operations before income taxes	(16,273)	26,462	15,750	(29,064)	(3,125)
Income tax (benefit) expense	(13,713)	5,814	6,705	—	(1,194)
Net loss	$ (2,560)	$ 20,648	$ 9,045	$ (29,064)	$ (1,931)

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SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)
AND SUBSIDIARIES

Condensed Consolidating Statement of Operations
Six Months Ended April 3, 2005
(Unaudited)
(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$305,739	$ 241,000	$ 522,920	$ (44,379)	$1,025,280
Cost of goods sold	177,273	184,410	319,661	(43,924)	637,420
Gross profit	128,466	56,590	203,259	(455)	387,860
Operating expenses:					
Selling	63,162	35,035	107,935	(186)	205,946
General and administrative	42,722	2,556	26,315	—	71,593
Research and development	11,597	698	925	—	13,220
Restructuring and related charges	51	—	106	—	157
	117,532	38,289	135,281	(186)	290,916
Operating income	10,934	18,301	67,978	(269)	96,944
Interest expense	53,929	(698)	2,691	—	55,922
Other income, net	(54,058)	(52,211)	(4,666)	110,911	(24)
Minority interest	—	—	(143)	—	(143)
Income from continuing operations before income taxes	11,063	71,210	70,096	(111,180)	41,189
Income tax (benefit) expense	(15,347)	6,637	23,901	—	15,191
Net income	$ 26,410	$ 64,573	$ 46,195	$ (111,180)	$ 25,998

**SPECTRUM BRANDS, INC. (FORMERLY RAYOVAC CORPORATION)
AND SUBSIDIARIES**

**Condensed Consolidating Statement of Cash Flows
Six Months Ended April 3, 2005
(Unaudited)
(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided by continuing operating activities	$ (4,559)	$ (6,152)	$ 28,516	$ (6,693)	$ 11,112
Cash flows from investing activities:					
Purchases of property, plant and equipment, net	(3,614)	(3,543)	(13,563)	—	(20,720)
Payment for acquisitions, net of cash acquired	(1,041,250)	—	(1,641)	—	(1,042,891)
Intercompany investments	(42,503)	(4,300)	4,300	42,503	—
Net cash used by investing activities	(1,087,367)	(7,843)	(10,904)	42,503	(1,063,611)
Cash flows from financing activities:					
Reduction of debt	(689,280)	—	(3,940)	—	(693,220)
Proceeds from debt financing	1,781,630	—	—	—	1,781,630
Debt issuance costs	(28,026)	—	—	—	(28,026)
Proceeds from exercise of stock options	17,101	—	—	—	17,101
Cash repayment of notes receivable from officers/shareholders	2,650	—	—	—	2,650
Proceeds from (advances related to) intercompany transactions	14,291	70,548	100	(84,939)	—
Net cash provided (used) by financing activities	1,098,366	70,548	(3,840)	(84,939)	1,080,135
Effect of exchange rate changes on cash and cash equivalents	8,630	(48,313)	(8,605)	49,129	841
Net increase (decrease) in cash and cash equivalents	15,070	8,240	5,167	—	28,477
Cash and cash equivalents, beginning of period	1,994	53	13,742	—	15,789
Cash and cash equivalents, end of period	$ 17,064	$ 8,293	$ 18,909	$ —	$ 44,266

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

Introduction

We are a global branded consumer products company with leading market positions in seven major product categories: consumer batteries; lawn and garden; electric shaving and grooming; pet supplies; household insect control; electronic personal care products; and portable lighting. We are a leading worldwide manufacturer and marketer of alkaline, zinc carbon and hearing aid batteries, a leading worldwide designer and marketer of rechargeable batteries and battery-powered lighting products and a leading worldwide designer and marketer of electric shavers and accessories, grooming products and hair care appliances. We are also a leading North American manufacturer and marketer of lawn fertilizers, herbicides, aquariums and aquatic supplies, pet health, grooming and food products, and insecticides and repellents.

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers ("OEMs") and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Spectracide, Cutter, 8-in-1 and various other brands. We have 52 manufacturing and product development facilities located in the United States, Europe, China and Latin America. We manufacture alkaline and zinc carbon batteries, zinc air hearing aid batteries, lawn fertilizers, herbicides, pet supplies and insecticides and repellents in our company operated manufacturing facilities. Substantially all of our rechargeable batteries and chargers, electric shaving and grooming products, electric personal care products and portable lighting products are manufactured by third party suppliers, primarily located in China and Japan.

On February 7, 2005, we completed the acquisition of all of the outstanding equity interests of United Industries Corporation ("United"), a leading manufacturer and marketer of products for the consumer lawn and garden and household insect control markets in North America and a leading supplier of quality pet supplies in the United States. The aggregate purchase price was approximately $1,504 million, which includes cash consideration of approximately $1,043 million, our common stock totaling approximately $439 million, acquisition related expenditures of approximately $22 million, plus assumed debt of approximately $14 million. United has approximately 2,800 employees throughout North America and is organized under three operating divisions: U.S. Home & Garden, Nu-Gro Corporation and United Pet Group. The acquisition of United gives us a significant presence in several new consumer products markets, including categories that will significantly diversify our revenue base. Subsequent to the acquisition, the financial results of United are reported as a separate segment within our condensed consolidated results. For the second quarter ended April 3, 2005, United contributed approximately $228 million in net sales and recorded operating income of $13.9 million.

On May 28, 2004, we completed the acquisition of 90.1% of the outstanding capital stock, including all voting stock, of Microlite S.A. ("Microlite"), a Brazilian battery company, from VARTA of Germany and Tabriza of Brazil. The total cash paid was approximately $30 million, including approximately $21 million in purchase price, approximately $7 million of prepaid contingent consideration and approximately $2 million of acquisition related expenditures, plus approximately $8 million of assumed debt. Tabriza will earn the contingent consideration upon Microlite's attainment of certain earnings targets through June 30, 2005. Upon the calculation of the total contingent consideration due to Tabriza, which may exceed the $7 million of contingent consideration paid at closing, Tabriza will transfer Microlite's remaining outstanding capital stock to us. Microlite operates two battery-manufacturing facilities in Recife, Brazil and has several sales and distribution centers located throughout Brazil. The acquisition of Microlite consolidates our rights to the Rayovac brand in Latin America. In addition, Microlite's manufacturing facilities will support our business throughout the South American region, resulting in more efficient product sourcing with lower unit costs. Subsequent to the acquisition, the financial results of Microlite are reported as part of our condensed consolidated results in our Latin America segment. Microlite, herein after referred to as our Brazilian operations, contributed approximately $16 million and $30 million in net sales, and recorded operating income of $1 million and $2 million for the second quarter and six months ended April 3, 2005, respectively.

On March 31, 2004, we completed the acquisition of an 85% equity interest in Ningbo Baowang Battery Company, Ltd. (“Ningbo”) of Ninghai, China for approximately $17 million, including $16 million in purchase price and approximately $1 million of direct acquisition related expenditures, plus approximately $14 million of assumed debt. Subsequently in March 2005, we signed an agreement to purchase the remaining 15% equity interest in Ningbo for $2.9 million. Ningbo, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM and private label customers within China. Ningbo also exports its batteries to customers in North and South America, Europe and Asia. Subsequent to the acquisition, the financial results of Ningbo are reported as part of our condensed consolidated results in our Europe/ROW segment. Ningbo, herein after referred to as our Chinese operations, contributed approximately $5 million and $11 million in net sales, and recorded an operating loss of $0.6 million and $0.8 million for the second quarter and six months ended April 3, 2005, respectively.

Our financial performance is influenced by a number of factors including: general economic conditions, foreign exchange fluctuations, and trends in consumer markets; our overall product line mix, including sales prices and gross margins which vary by product line and geographic market; and our general competitive position, especially as impacted by our competitors’ promotional activities and pricing strategies.

Fiscal Quarter and Fiscal Six Months Ended April 3, 2005 Compared to Fiscal Quarter and Fiscal Six Months Ended March 28, 2004

Year over year historical comparisons are influenced by our acquisition of United, Microlite and Ningbo, which are included in our current year Condensed Consolidated Statements of Operations (unaudited) but not in prior year results. See footnote 11 to our Condensed Consolidated Financial Statements filed with this report, “Acquisitions,” for supplemental pro forma information providing additional year over year comparisons of the impacts of the acquisitions.

During the six months ended March 28, 2004 (the “Fiscal 2004 Six Months”), we initiated the closing of the Remington Service Centers in the United States and United Kingdom, accelerating an initiative Remington began several years previously. The United States and United Kingdom store closings were completed during Fiscal 2004. Consequently, the results of the Remington Service Centers for the three months ended March 28, 2004 (the “Fiscal 2004 Quarter”) and Fiscal 2004 Six Months are reflected in our Condensed Consolidated Statements of Operations (unaudited) as a discontinued operation. See footnote 2 to our Condensed Consolidated Financial Statements filed with this report, “Significant Accounting Policies—Discontinued Operations.” As a result, and unless specifically stated, all discussions regarding our Fiscal 2004 Quarter and Fiscal 2004 Six Months reflect results for our continuing operations.

Net Sales. Our net sales for the three months ended April 3, 2005 (the “Fiscal 2005 Quarter”) increased to $535 million from $278 million in the Fiscal 2004 Quarter reflecting a 92% increase. Net sales for the six months ended April 3, 2005 (the “Fiscal 2005 Six Months”) increased to $1,025 million from $732 million in the Fiscal 2004 Six Months reflecting a 40% increase. For the Fiscal 2005 Quarter and Fiscal 2005 Six Months, United operations contributed $228 million in net sales. For the Fiscal 2005 Quarter and Fiscal 2005 Six Months, our Brazilian operations contributed approximately $16 million and $30 million in net sales, respectively, and our Chinese operations contributed approximately $5 million and $11 million in net sales, respectively. Favorable foreign exchange rates contributed approximately $11 million and $31 million to the increase during the Fiscal 2005 Quarter and Fiscal 2005 Six Months, respectively.

Consolidated net sales by product line for the Fiscal 2005 Quarter, Fiscal 2004 Quarter, Fiscal 2005 Six Months and Fiscal 2004 Six Months are as follows (in millions):

	Fiscal Quarter		Fiscal Six Months	
	2005	2004	2005	2004
Product line net sales				
Batteries	$223	$201	$ 523	$469
Lights	21	20	47	45
Shaving and grooming	37	36	148	164
Personal care	26	21	79	54
Lawn and garden	150	—	150	—
Household insect control	32	—	32	—
Pet products	46	—	46	—
Total revenues from external customers	$535	$278	$1,025	$732

Gross Profit. Our gross profit margins for the Fiscal 2005 Quarter decreased to 35.4% from 44.2% in the Fiscal 2004 Quarter. Our gross profit margins for the Fiscal 2005 Six Months decreased to 37.8% from 43.2% in the Fiscal 2004 Six Months. These declines were primarily driven by charges recognized related to inventory acquired as part of the United acquisition. In accordance with generally accepted accounting principles in the United States of America, this inventory was revalued as part of the purchase price allocation. This accounting treatment resulted in an increase in acquired inventory of $29 million. During the current quarter, approximately $28 million of the inventory write-up was recognized in cost of goods sold. The remaining amount is expected to be amortized to cost of goods sold in our third quarter and will have an unfavorable impact on that quarter's gross profit. The inventory valuation has no impact on our cash flow.

Our gross profit margins in the Fiscal 2005 Quarter also declined due to the inclusion of United's operations, which historically generate gross margins approximating 38%, slightly lower than our legacy business. Lastly, our Chinese and Brazilian operations contributed to the decline in gross margins. Although both these businesses are showing improvement, they currently operate at gross margins significantly lower than the rest of our businesses.

Operating Income. Despite declines in our gross profit margins in the Fiscal 2005, our operating income for Fiscal 2005 Quarter increased to $36 million from $23 million in the Fiscal 2004 Quarter and increased to $97 in the Fiscal 2005 Six Months from $72 million in Fiscal 2004 Six Months. The increases primarily reflect the inclusion of United, which contributed approximately $14 million in operating income in both the Fiscal 2005 Quarter and the Fiscal 2005 Six Months. In addition, results for the Fiscal 2005 Six Months reflect improved profitability in all geographies as we have recognized the benefits of cost improvement initiatives, coupled with the inclusion of a $1.6 million gain on the sale of our idle Mexico City manufacturing facility, offset by a $1.1 million charge associated with final remediation costs at our Madison, WI manufacturing facility, closed in fiscal 2003. Favorable foreign exchange rates contributed approximately $1 million and $8 million to operating income during the Fiscal 2005 Quarter and Fiscal 2005 Six Months, respectively.

Income from Continuing Operations. Our loss from continuing operations for the Fiscal 2005 Quarter was $2 million compared to income of $4 million in the same period last year. Our income from continuing operations for the Fiscal 2005 Six Months increased slightly to $26 million from income of $25 million in the same period last year. In addition to the $28 million inventory charge discussed above, Fiscal 2005 Quarter and Fiscal 2005 Six Months results include the write-off of $12 million in debt issuance costs related to the refinancing of our bank credit facility in connection with the United acquisition.

Discontinued Operations. There were no discontinued operations in the Fiscal 2005 Quarter and Six Months. Losses from discontinued operations of $1.7 million in Fiscal 2004 Quarter and $0.3 million in the Fiscal 2004 Six Months reflect the operating results of our Remington Service Centers.

Segment Results. We currently manage operations in four reportable segments including three based upon geographic area (North America, Latin America and Europe/ROW) and the fourth ("United") based on our acquisition of United Industries. North America includes the United States and Canada; Latin America includes Mexico, Central America, South America and the Caribbean; Europe/ROW includes continental Europe, the United Kingdom, China, Australia and all other countries in which we conduct business.

Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives. Each segment has a general manager responsible for all the sales and marketing initiatives for all product lines within that region. Financial information pertaining to our business segments is contained in footnote 10 to our Condensed Consolidated Financial Statements filed with this report, "Segment Results."

We evaluate segment profitability based on income from operations before corporate expense and restructuring and related charges. Corporate expense includes expense associated with purchasing, corporate general and administrative areas and research and development.

North America

	Fiscal Quarter		Six Months	
	2005	2004	2005	2004
Net sales to external customers	$ 113	$ 115	$ 328	$ 348
Segment profit	$ 23	$ 20	$ 64	$ 54
Segment profit as a % of net sales	20.3%	17.4%	19.5%	15.5%
Assets as of April 3, 2005 and September 30, 2004	$ 597	$ 645	$ 597	$ 645

Our net sales to external customers in the Fiscal 2005 Quarter decreased to $113 million from $115 million in Fiscal 2004 Quarter. Our net sales to external customers in the Fiscal 2005 Six Months decreased to $328 million from $348 million for Fiscal 2004 Six Months. The 2% and 6% decrease for the Fiscal 2005 Quarter and Fiscal 2005 Six Months, respectively, were primarily due to a decline in the electric shaving category and slight declines in our battery business, offset by over 50% growth in sales of our personal care products.

Our operating profitability in the Fiscal 2005 Quarter increased to $23 million from $20 million in Fiscal 2004 Quarter and for the Fiscal 2005 Six Months increased to $64 million from $54 million in Fiscal 2004 Six Months. The increase in profitability primarily reflects the favorable impact from restructuring and cost improvement initiatives associated with the Remington acquisition, which contributed to lowered operating expenses as a percentage of sales. Our profit margin for Fiscal 2005 Quarter increased to 20.3% from 17.4% in the same quarter last year and to 19.5% for the Fiscal 2005 Six Months from 15.5% for the Fiscal 2004 Six Months.

Our assets in the Fiscal 2005 Six Months decreased to $597 million from $645 million at September 30, 2004. The decrease in assets is primarily attributable to seasonal changes in receivables and inventories due to the impacts of our holiday sales. Intangible assets at April 3, 2005 are approximately $292 million and primarily relate to the Remington acquisition.

Europe/ROW

	Fiscal Quarter		Six Months	
	2005	2004	2005	2004
Net sales to external customers	$ 144	$ 133	$ 367	$ 317
Segment profit	$ 19	$ 20	$ 55	$ 53
Segment profit as a % of net sales	13.2%	15.0%	15.0%	16.7%
Assets as of April 3, 2005 and September 30, 2004	$ 606	$ 599	$ 606	$ 599

Our net sales to external customers in the Fiscal 2005 Quarter increased to $144 million from $133 million the previous year representing an 8% increase. Our Chinese operations contributed approximately $5 million to net sales with the balance of the increase attributable to the favorable impact of foreign currency. Our net sales to external customers in the Fiscal 2005 Six Months increased to $367 million from $317 million the previous year representing a 16% increase. Our Chinese operations contributed approximately $11 million to net sales with the balance of the increase primarily attributable to increased sales of Remington shaving, grooming and personal care products and the favorable impact of foreign currency.

Our operating profitability in the Fiscal 2005 Quarter decreased to $19 million from $20 million in the Fiscal 2004 Quarter and increased to $55 million for the Fiscal 2005 Six Months from $53 million in the previous comparable period. The profitability decrease in the Fiscal 2005 Quarter was driven by increased investments in marketing. The profitability increase in the Fiscal 2005 Six Months was primarily driven by the impact of gross profit margin expansion reflecting a favorable product line mix and the favorable impact of foreign currency exchange rates. Segment profitability as a percentage of sales for Fiscal 2005 Quarter decreased to 13.2% from 15.0% in the same quarter last year and to 15.0% for the Fiscal 2005 Six Months from 16.7% for the Fiscal 2004 Six Months as a result of increased investments in marketing and advertising.

Our assets in the Fiscal 2005 Six Months increased to $606 million from $599 million at September 30, 2004. The increase is primarily due to foreign currency translation, which added approximately $39 million to total assets in the Fiscal 2005 Six Months. Intangible assets approximate $297 million of our total assets at April 3, 2005 and primarily relate to the VARTA and Ningbo acquisitions. In March 2005, we signed an agreement to purchase the remaining 15% equity interest in Ningbo for approximately $2.9 million.

Latin America

	Fiscal Quarter		Six Months	
	2005	2004	2005	2004
Net sales to external customers	$ 50	$ 31	$ 102	$ 67
Segment profit	$ 4	$ 4	$ 9	$ 6
Segment profit as a % of net sales	8.0%	12.9%	8.8%	9.0%
Assets as of April 3, 2005 and September 30, 2004	$ 299	$ 296	$ 299	$ 296

Our net sales to external customers in the Fiscal 2005 Quarter increased to $50 million from $31 million in the Fiscal 2004 Quarter reflecting a 61% increase. This increase primarily reflects the acquisition of our Brazilian operations, which contributed approximately $16 million in net sales for the quarter, and the favorable impact of foreign currency exchange rates. Our net sales to external customers in the Fiscal 2005 Six Months increased to $102 million from $67 million in the Fiscal 2004 Six Months reflecting a 52% increase. This increase reflects the impact of the acquisition of our Brazilian operations, which contributed approximately $30 million in net sales, and the favorable impact of foreign currency exchange rates.

Our profitability in the Fiscal 2005 Quarter was flat at $4 million as compared to the Fiscal 2004 Quarter and for the Fiscal 2005 Six Months increased to $9 million from $6 million in the previous year. This increase for the Fiscal 2005 Six Months is due to a $2 million positive contribution from our Brazilian operations and a gain on the sale of an idle Mexican manufacturing facility. Our profitability margins in the Fiscal 2005 Quarter decreased to 8.0% from 12.9% in the same period last year and to 8.8% in the Fiscal 2005 Six Months from 9.0% in the previous year primarily as a result of higher Fiscal 2005 Quarter operating expenses in Mexico and raw material price increases in the region.

Our assets in the Fiscal 2005 Six Months increased to $299 million from $296 million at September 30, 2004 and reflect intangible assets of approximately $173 million. The increase primarily reflects the impact of foreign currency translation. The purchase price allocation for the Microlite acquisition has not yet been finalized and future allocations could impact the amount and segment allocation of goodwill and other intangible assets.

United

	2005 Three & Six Months
Net sales to external customers	$ 228
Segment profit	$ 14
Segment profit as a % of net sales	6.1%
Assets as of April 3, 2005	$ 1,659

Our net sales to external customers in the eight week period subsequent to the acquisition were $228 million, representing growth of 7% percent from United's 2004 results assuming the business of Nu-Gro Corporation and United Pet Group were included in the comparable eight week period. Contributing to this growth were our lawn and garden segment which grew 5%, our household insect segment which grew 10%, and our pet division which grew 13%, compared to the comparable periods prior to our ownership.

Our operating profitability in the Fiscal 2005 Quarter and Six Months was $14 million and was impacted by the previously discussed inventory valuation charge of approximately $28 million. Segment profitability as a percentage of sales for Fiscal 2005 Quarter and Six Months was 6.1%.

Our assets as of April 3, 2005 were $1,659 million. Intangible assets approximate $1,291 million of our total assets at April 3, 2005 and primarily resulted from the United acquisition on February 7, 2005 which is described in more detail in previous sections of this report. Amounts assigned to United's intangible assets may change when valuation reports are finalized.

Corporate Expense. Our corporate expense in the Fiscal 2005 Quarter increased to $24 million from $17 million in the previous year. The increase was primarily due to increases in research and development, legal expenses and costs associated with Sarbanes-Oxley Section 404 compliance. Our corporate expense as a percentage of net sales in the Fiscal 2005 Quarter decreased to 4.4% from 6.3% in the previous year.

Our corporate expenses in the Fiscal 2005 Six Months increased to $46 million from $36 million in the previous year. The increase in expense is primarily due to increased research and development, legal, and compensation expenses and final remediation costs associated with an asset held for sale. Our corporate expense as a percentage of net sales in the Fiscal 2005 Six Months decreased to 4.4% from 4.9% in the previous year.

Restructuring and Related Charges. In 2004, we implemented a series of restructuring initiatives associated with our Remington integration. Restructuring and related charges of $0.2 million incurred during Fiscal 2005 Quarter and Fiscal 2005 Six Months were related to the acquisition of United. The Fiscal 2004 Quarter and Fiscal 2004 Six Months reflect restructuring and related charges related to executive compensation agreements with certain Remington employees.

Interest Expense. Interest expense in the Fiscal 2005 Quarter increased to $39 million from $16 million in the Fiscal 2004 Quarter and increased to $56 million in the Fiscal 2005 Six Months from $33 million in the previous year. These increases were primarily due to the $12 million write-off of debt issuance costs related to the refinancing of our credit facility and increased debt levels, both associated with the United acquisition.

Income Tax Expense. Our effective tax rate on income from continuing operations was 37% for the Fiscal 2005 Quarter and Fiscal 2005 Six Months compared to 38% in the previous year.

Liquidity and Capital Resources

Operating Activities

For the Fiscal 2005 Six Months, continuing operating activities provided $11 million in net cash, a decrease of $72 million from last year. This decrease was principally a result of an increase in working capital in the Fiscal 2005 Six Months driven by working capital requirements primarily associated with the United business as well as differences in the timing of accrued liability payments, including approximately $30 million of accrued interest. Seasonal working capital requirements for United peak in the second quarter of our fiscal year.

Investing Activities

Net cash used by investing activities was $1.1 billion for the Fiscal 2005 Six Months as compared to $10.6 million for the Fiscal 2004 Six Months. The increase is directly attributable to the cash investment of approximately $1 billion associated with our acquisition of United. Capital expenditures for Fiscal 2005 are expected to be approximately $65 million.

Equity Financing Activities

We granted approximately 1.2 million shares of restricted stock during the six months ended April 3, 2005. Of these grants, approximately 0.5 million shares will vest over a three-year period, with fifty percent of the shares vesting on a pro rata basis over the three-year period and the remaining fifty percent vesting based on our performance during the three-year period. Approximately 0.3 million shares granted will be 100% vested on February 7, 2008 if specified performance targets are met. If those performance targets are not met, the shares will vest on February 7, 2012. The remaining 0.4 million shares vest at varying dates through 2009, including 0.3 million that vest in 2008. All vesting dates are subject to the recipient’s continued employment with us. The total market value of the restricted shares on the date of grant was approximately $42 million which has been recorded as unearned restricted stock compensation, a separate component of Shareholders’ equity. Unearned compensation is being amortized to expense over the appropriate vesting period.

In addition, we issued 13.75 million shares of common stock from treasury as partial consideration for the United acquisition. The value of these shares was calculated at a share price of $31.94. The share price of $31.94 was based on a five-day average beginning on December 30, 2004.

During the Fiscal 2005 Six Months we also issued approximately 1.1 million shares of common stock associated with the exercise of stock options with an aggregate cash exercise value of approximately $17 million. We recognized a tax benefit of approximately $8.9 million associated with the exercise of these stock options, which was accounted for as an increase in Additional paid-in capital and included as a non cash adjustment in cash flows from operating activities.

Debt Financing Activities

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

On February 7, 2005, we completed our acquisition of United. In connection with that acquisition, we completed our offering of $700 million aggregate principal amount of our $7\frac{3}{8}\%$ Senior Subordinated Notes due 2015 and our tender offer for the majority of United’s $9\frac{7}{8}\%$ Senior Subordinated Notes due 2009, retired United’s senior credit facilities and replaced our Senior Credit Facilities with new Senior Credit Facilities. At the time of the refinancing, the outstanding amount of the Revolving Credit Facility was $34 million, the outstanding amount of the Euro denominated Term C Loan was approximately $133 million, and the outstanding amount of the U.S. Term C Loan was approximately $241 million. Additionally, in connection with the refinancing we assumed and repurchased the remaining approximately $10 million of United’s senior subordinated notes on April 1, 2005.

In connection with the refinancing and the issuance of the new Senior Subordinated Notes, we incurred approximately $28 million in new debt issuance costs, which are being amortized over the life of the debt using the effective interest method. In addition, we expensed approximately $12 million in remaining debt issuance costs associated with the old Senior Credit Facilities. This amount is included in Interest expense in the Condensed Consolidated Statement of Operations (unaudited).

Our Senior Credit Facilities include a U.S. $540 million Term Loan, a €114 million Term Loan ($148 million at April 3, 2005); a CAD $62 million Term Loan (USD $52 million at April 3, 2005); and a Revolving Credit Facility of $300 million. The Revolving Credit Facility includes foreign currency sublimits equal to the U.S. Dollar equivalent of €25 million for borrowings in Euros, the U.S. Dollar equivalent of £10 million for borrowings in Pounds Sterling, and the equivalent of borrowings in Chinese Yuan of $35 million

As of April 3, 2005, the following amounts were outstanding under these facilities: $540 million under the U.S. Term Loan, $148 million under the Euro denominated Term Loan, $52 million under the Canadian Dollar denominated Term Loan, and $106 million under the Revolving Credit Facility. In addition, approximately $28 million of the remaining availability under the Revolving Credit Facility was utilized for outstanding letters of credit. Approximately $166 million remains available under this facility as of April 3, 2005.

In addition to principal payments, we have annual interest payment obligations of approximately $30 million associated with our debt offering of the $350 million 8 1/2% Senior Subordinated Notes due in 2013 and annual interest payment obligations of approximately $52 million associated with our debt offering of the $700 million 7 3/8% Senior Subordinated Notes due in 2015. We also incur interest on our borrowings associated with the Senior Credit Facilities, and such interest would increase borrowings under the Revolving Credit Facilities if cash were not otherwise available for such payments. Based on amounts currently outstanding under the Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect as of April 3, 2005, we estimate annual interest payments of approximately $41 million would be required assuming no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps.

The Fourth Restated Agreement (which is consistent with the Third Agreement), as amended, to the Senior Credit Facilities (“the Fourth Agreement”) contains financial covenants with respect to borrowings, which include maintaining minimum interest coverage and maximum leverage ratios. In accordance with the Fourth Agreement, the limits imposed by such ratios become more restrictive over time. In addition, the Fourth Agreement restricts our ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures, and enter into a merger or acquisition or sell assets. Indebtedness under these facilities (i) is secured by substantially all of these assets, and (ii) is guaranteed by certain of our subsidiaries.

The terms of both the $350 million and $700 million Senior Subordinated Notes permit the holders to require us to repurchase all or a portion of the notes in the event of a change of control. In addition, the terms of the notes restrict or limit our ability to, among other things: (i) pay dividends or make other restricted payments, (ii) incur additional indebtedness and issue preferred stock, (iii) create liens, (iv) incur dividend and other restrictions affecting subsidiaries, (v) enter into mergers, consolidations, or sales of all or substantially all of our assets, (vi) make asset sales, (vii) enter into transactions with affiliates, and (viii) issue or sell capital stock of our wholly owned subsidiaries. Payment obligations of the notes are fully and unconditionally guaranteed on a joint and several basis by all of our domestic subsidiaries.

We were in compliance with all covenants associated with our Senior Credit Facilities and our Senior Subordinated Notes that were in effect as of and during the period ended April 3, 2005.

On April 29, 2005, we acquired all of the outstanding equity interests of Tetra Holding GmbH (“Tetra”) for a purchase price of approximately $544 million, net of cash acquired and inclusive of debt related fees. The acquisition utilized approximately $500 million of an incremental Term Loan Facility and approximately $44 million of the Revolving Credit Facility.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements other than our operating lease obligations detailed below 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

The following table summarizes our contractual obligations as of April 3, 2005 and the effect such obligations are expected to have on our liquidity and cash flow in future periods. The table excludes other obligations we have reflected on our Condensed Consolidated Balance Sheet (unaudited), such as pension obligations (see footnote 8 to our Condensed Consolidated Financial Statements filed with this report, "Employee Benefit Plans") (in millions):

	Contractual Obligations						
	Payments due by Fiscal Year						
	Remainder 2005	2006	2007	2008	2009	Thereafter	Total
Debt, excluding capital lease obligations	$ 24	$ 9	$ 9	$ 9	$ 9	$ 1,853	$1,913
Capital lease obligations, including executory costs and imputed interest	2	2	2	2	2	18	28
	26	11	11	11	11	1,871	1,941
Operating lease obligations	15	27	23	20	17	60	162
Purchase obligations[(A)]	192	55	50	7	—	—	304
Total Contractual Obligations	$ 233	$91	$84	$38	$ 28	$ 1,931	$2,407

(A) Purchase obligations consist primarily of obligations to purchase specified quantities of raw materials and finished products.

Other Commercial Commitments

The following table summarizes our other commercial commitments as of April 3, 2005, consisting primarily of standby letters of credit which back the performance of certain of our entities under various credit facilities and lease arrangements (in millions):

	Other Commercial Commitments						
	Amount of Commitment Expiration by Fiscal Year						
	Remainder 2005	2006	2007	2008	2009	Thereafter	Total
Letters of credit	$ 28	$—	$—	$—	$—	$ —	$ 28
Total Other Commercial Commitments	$ 28	$—	$—	$—	$—	$ —	$ 28

Critical Accounting Policies and Critical Accounting Estimates

Our condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present the financial position and results of operations of the Company. There have been no significant 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, 2004.

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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 footnote 2 to our Condensed Consolidated Financial Statements 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 affects 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 and Brazilian Reals. 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, urea and diammonium phosphates 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 April 3, 2005, 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 $1.3 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 $5.7 million.

As of April 3, 2005, 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 $6.4 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of $1.7 million.

As of April 3, 2005, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of $1.4 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of $1.6 million.

Forward Looking Statements

We have made or implied certain forward-looking statements in this Quarterly Report on Form 10-Q. All statements, other than statements of historical facts included in this Quarterly Report, including the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our business strategy, future operations, financial 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, 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, 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:

- competitive promotional activity or spending by competitors or price reductions by competitors;
- the loss of, or a significant reduction in, sales to a significant retail customer;
- difficulties or delays in the integration of operations of acquired businesses;
- 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, fluctuation in raw material and labor costs, and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;
- our ability to develop and successfully introduce new products and protect our intellectual property;
- our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the impact of unusual items resulting from the implementation of new business strategies, acquisitions and divestitures or current and proposed restructuring activities;
- the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental regulations);
- changes in accounting policies applicable to our business;
- interest rate and exchange rate fluctuations; and
- the effects of political or economic conditions or unrest in international markets.

Some of the above-mentioned factors are described in further detail in the section which follows entitled "Risk Factors." You should assume the information appearing in this Quarterly Report on Form 10-Q is accurate only as of April 3, 2005 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 U.S. Securities and Exchange Commission (the "SEC"), we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise to reflect actual results or changes in factors or assumptions affecting such forward-looking statement.

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RISK FACTORS

The following risk factors include risks resulting from our acquisitions of United on February 7, 2005 and of Tetra on April 29, 2005. As used in this "Risk Factors" section, unless specified otherwise or the context requires, the terms "Spectrum," "we," "us," "our" and other similar terms refer to Spectrum and its consolidated subsidiaries, giving effect to the acquisitions of United and Tetra and, therefore, include United and Tetra.

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 Gillette), Energizer and Panasonic (a brand of Matsushita). In the lawn and garden and household insect control markets, our principal national competitors are The Scotts Company, Central Garden & Pet Company, The Clorox Company, Bayer A.G. and S.C. Johnson. In the electric shaving and grooming and electric personal care product markets, our primary competitors are Braun (a brand of Gillette), Norelco (a brand of Philips), Vidal Sassoon, Revlon and Hot. In the pet supplies market, our primary competitors are The Hartz Mountain Corporation and Central Garden & Pet Company. In each of our markets, we also compete with numerous other competitors.

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 resources, greater overall market share and fewer regulatory burdens 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 and other promotional incentives.
- Product improvements or effective advertising campaigns by competitors may weaken consumer demand for our products.
- Consumer preferences may change to products other than those we market.

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

During the past decade, retail sales of the consumer products we market have been increasingly consolidated into a small number of regional and national mass merchandisers and warehouse clubs. This trend towards consolidation is occurring on a worldwide basis. As a result of this consolidation, a significant percentage of our sales are attributable to a very limited group of retailer customers, including Wal-Mart, The Home Depot, Carrefour, Target, Lowe's, PETsMART, Canadian Tire, PetCo and Gigante. Prior to our acquisition of Tetra, Wal-Mart Stores, Inc., our largest retailer customer, accounted for approximately 18% of our pro forma consolidated net sales in fiscal 2004. Our sales generally are made through the use of individual purchase orders, consistent with industry practice. 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 demand, which could in the future require us to carry additional inventories and increase our working capital and related financing requirements. Furthermore, we primarily sell branded products and a move by one of our customers to sell significant quantities of private label products which directly compete with our products could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that United and Tetra will be successfully integrated.

If we cannot successfully integrate the operations of United, including the operations of United Pet Group and Nu-Gro, and Tetra we may experience material adverse consequences to our business, financial condition and results of operations. The integration of separately-managed companies operating in distinctly different markets involves a number of risks, including, but not limited to, the following:

- the risks of entering markets in which we have no prior experience;
- the diversion of management's attention from the management of daily operations to the integration of operations;
- demands on management related to the significant increase in our size after the acquisition of United and Tetra;
- difficulties in the assimilation and retention of employees;
- difficulties in the assimilation of different corporate cultures and practices, and of broad and geographically dispersed personnel and operations;
- difficulties in the integration of departments, information technology systems, accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards and controls, including internal accounting controls, procedures and policies; and
- expenses of any undisclosed or potential legal liabilities.

Prior to the acquisitions of United and Tetra, Spectrum, United and Tetra operated as separate entities. In addition, United Pet Group and Nu-Gro operated as separate entities until acquired by United in 2004. We may not be able to maintain the levels of revenue, earnings or operating efficiency that any one of these entities had achieved or might achieve separately. The unaudited pro forma condensed consolidated financial results of operations of Rayovac and United previously filed cover periods during which they were not under the same management and, therefore, may not be indicative of our future financial condition or operating results. Successful integration of each company's operations will depend on our ability to manage those operations, realize opportunities for revenue growth presented by strengthened product offerings and expanded geographic market coverage and, to some degree, eliminate redundant and excess costs. The anticipated savings opportunities are based on projections and assumptions, all of which are subject to change. We may not realize any of the anticipated benefits or savings to the extent or in the time frame anticipated, if at all, or such benefits and savings may require higher costs than anticipated.

We may fail to identify suitable acquisition candidates, our acquisition strategy may divert the attention of management and our acquisitions may not be successfully integrated into our existing business.

We intend to pursue increased market penetration and expansion of our current product offerings through additional strategic acquisitions. We may fail to identify suitable acquisition candidates, and even if we do, acquisitions may not be completed on acceptable terms or successfully integrated into our existing business. Any acquisition we make could be of significant size and involve either domestic or international parties. The acquisition and integration of a separate organization would divert management attention from other business activities. Such a diversion, together with other difficulties we may encounter in integrating an acquired business, could have a material adverse effect on our business, financial condition and results of operations. In addition, we may borrow money or issue additional stock to finance acquisitions. Such funds might not be available on terms as favorable to us as our current borrowing terms and could increase our leveraged position.

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.

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 introduce, market and manufacture new products or 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.

Both we and our competitors make significant investments in research and development. If our competitors successfully introduce new or enhanced products that eliminate technological advantages our products may have in a certain market segment 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 us 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 constraints on our research and development activity may also limit our ability to introduce products that are competitive on a performance basis.

Our foreign 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 foreign markets are subject to a number of special risks. These risks include, but are not limited to:

- economic and political destabilization, governmental corruption and civil unrest;
- restrictive actions by foreign governments (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;
- changes in the economic conditions in these markets; and
- difficulty in obtaining distribution and support.

In many of the developing countries in which we operate, there has not been significant governmental regulation relating to the environment, occupational safety, employment practices or other business matters routinely regulated in the United States. As such economies develop, it is possible that new regulations may increase the expense of doing business in such 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 with closing manufacturing facilities.

We may face a number of risks related to foreign currencies.

Our foreign sales and certain of our expenses are transacted in foreign currencies. With the exception of purchases of Remington products, which are denominated entirely in U.S. dollars, substantially all third-party materials purchases are transacted in the currency of the local operating unit. In fiscal 2004, on a pro forma basis, after giving effect to the acquisition of United (but excluding Tetra's net sales), approximately 38% of our net sales and 33% of our operating expenses were denominated in currencies other than U.S. dollars. Our recent results benefited from increases in the value of the Euro against the U.S. dollar. Significant increases in the value of the U.S. dollar in relation to foreign currencies could have a material adverse effect on our business, financial condition and results of operations. While we generally hedge a portion of our foreign currency exposure, we are still vulnerable to the effects of currency exchange rate fluctuations. Changes in currency exchange rates may also affect our sales to, purchases from and loans to our subsidiaries as well as sales to, purchases from and bank lines of credit with our customers, suppliers and creditors that are denominated in foreign currencies. We 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 our exposure to risks associated with foreign currencies could increase accordingly.

Sales of our products are seasonal and may cause our quarterly operating results and working capital requirements to fluctuate; adverse business or economic conditions could adversely affect our business.

Sales of our battery, electric shaving and grooming, lawn and garden and household insect control products are seasonal. A large percentage of net sales for our battery and electric personal care products occur during the

fiscal quarter ending on or about December 31, due to the impact of the December holiday season, and a large percentage of our net sales for our lawn and garden and household insect control products occur during the spring and summer. As a result of this seasonality, our inventory and working capital needs relating to these businesses 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. Furthermore, adverse business or economic conditions during those applicable periods could materially adversely affect our business, financial condition and results of operations.

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 patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual covenants. The measures we take to protect our intellectual property rights may prove inadequate to prevent misappropriation of our technology or other 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 any 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 intellectual property rights to the same extent as do the laws 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 this technology were licensed to a competitor, it could have a material adverse effect on our business, financial condition and results of operations.

Third-party intellectual property infringement claims against us could adversely affect our business.

From time to time we have been subject to 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. For example, we are a defendant in a patent infringement lawsuit in which Braun, a subsidiary of Gillette, has alleged our “Smart System” shaving system infringes two of Braun’s U.S. patents and we are also involved in a number of legal proceedings with Philips with respect to trademarks owned by Philips relating to the shape of the head portion of Philips’ three-head rotary shaver. 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. Our business will be harmed if we cannot obtain a necessary or desirable license, can obtain such a license only on terms we consider to be unattractive or unacceptable, or if we are unable to redesign or re-brand our products or redesign our processes to avoid actual or potential intellectual property infringement. 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. There can be no assurance that we would prevail in any intellectual property infringement action, will be able to obtain a license to any third party intellectual property on commercially reasonable terms, successfully develop non-infringing alternative technology, trademarks, or trade dress on a timely basis, or license non-infringing alternatives, if any exist, on commercially reasonable terms. Any significant intellectual property impediment to 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 located in Asia and one of our U.S. facilities for many of our electric shaving and grooming and electric personal care products makes us vulnerable to a disruption in the supply of our products.

Substantially all of our electric shaving and grooming and electric personal care products are manufactured by suppliers located in China and Japan. Although we have long-standing relationships with many of these suppliers, we do not have long-term contracts with them. Any adverse change in any of the following could have a material adverse effect on our business, financial condition and results of operations:

- relationships with 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 and molds possessed by such supplier.

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 one of our facilities. Damage to this facility, or prolonged interruption in the operations of this facility for repairs or other reasons, would have a material adverse effect on our ability to manufacture and sell our shaving products.

Our dependence on, and the price of, raw materials may adversely affect our profits.

The principal raw materials used to produce our products—including zinc powder, electrolytic manganese dioxide powder, steel and granular urea—are sourced on a global or regional basis, and the prices of those raw materials are susceptible to price fluctuations due to supply/demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. We regularly engage in forward purchase and hedging transactions in an attempt to effectively manage our raw materials costs for the next six to twelve months. These efforts may not be effective and, if we are unable to pass on raw materials price increases to our customers, our future profitability may be materially adversely affected.

In addition, we have exclusivity arrangements and minimum purchase requirements with certain of our suppliers for our lawn and garden business, which increases our dependence upon and exposure to those suppliers. Also, certain agreements we have with our suppliers for our lawn and garden business are scheduled to expire in 2005 and 2006. Some of those agreements include caps on the price we pay for our supplies from the relevant supplier. In certain instances, these caps have allowed us to purchase materials at below market prices. Any renewal of those contracts may not include or reduce the effect of those caps and could even impose above market prices in an attempt by the applicable supplier to make up for any below market prices it had received from 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.

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 our business, financial condition and results of operations.

Weather conditions in North America have a significant impact on the timing of sales of certain of our household products in the spring selling season and our overall annual sales. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides and fertilizers. In addition, an abnormally cold spring throughout North America could adversely affect both fertilizer and insecticide sales and therefore 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 current executive officers and we will likely depend on the senior management of any business we acquire in the future. Our business, financial condition and results of operations could be materially adversely affected by the loss of any of these persons or if we are unable to attract and retain qualified replacements.

Class action lawsuits, 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 lawsuits. Regardless of their subject matter or the merits, class action lawsuits may result in significant cost to us, which may not be covered by insurance, 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 defendants in lawsuits involving product liability claims. In some of these proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. These 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, we cannot assure you that our insurance policies will provide coverage for any claim against us or will 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 and foreign 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. 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, including without limitation, the effect of the generation and disposal of wastes such as manganese, cadmium and mercury, which are or may be considered hazardous, and releases from underground storage tanks. We have not conducted invasive testing to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, there can be no assurance that material liabilities will not 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. There can be no assurance that our liabilities in respect of investigative or remedial projects at our facilities will not be material.

We have been, and in the future may be, subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are responsible as a result of our relationship with such other parties. These proceedings are under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") or similar state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. While we currently have no pending CERCLA or similar state matters, we may be named as a potentially responsible party at sites in the future and the costs and liabilities associated with these sites may be material.

Compliance with various public health, consumer protection, consumer product 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 the Company's products and facilities are regulated by the United States Environmental Protection Agency (the "EPA"), the United States Food and Drug Administration or other federal consumer protection and product safety regulations, as well as similar registration, approval and other requirements under State and foreign laws and regulations. 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. The 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. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act 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 Act, the EPA is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products continue to be evaluated by the EPA as part of this exposure. 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. For example, in 2000, Dow AgroSciences L.L.C., an active ingredient registrant, voluntarily agreed to a withdrawal of virtually all residential uses of chlorpyrifos, an active ingredient United used in its lawn and garden products under the name Dursban™ until January 2001. This had a material adverse effect on United's operations resulting in a charge of $8.0 million in 2001. 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 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 or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), or that users post notices on properties to which products have been or will be applied, notification to individuals in the vicinity that products will be applied in the future, may provide that the product cannot be applied for aesthetic purposes, or may ban the use of certain ingredients. Compliance with public health regulations could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

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 lawn and garden and household insecticide and repellent products, 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. Public perception that 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.

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 Rule 13a-15(c) 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 provide reasonable assurance that information required to be disclosed by us in 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.

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.

Part II. Other Information

Item 1. Legal Proceedings

There have been no material developments in the status of our legal proceedings since the filing of our Annual Report on Form 10-K for the fiscal year ended September 30, 2004, other than the settlement of the proceedings with Norelco Consumer Products Company, the terms of which are not material to our business or financial condition.

Item 6. Exhibits

Please refer to the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 13, 2005

SPECTRUM BRANDS, INC.

By: /S/ RANDALL J. STEWARD

Randall J. Steward
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit 2.1	Purchase Agreement, dated February 21, 2004, by an 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 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 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 March 18, 2005).
Exhibit 3.1	Amended and Restated Articles of Incorporation of Spectrum Brands, Inc., as amended on May 2, 2005.*
Exhibit 3.2	Amended and Restated By-laws of Spectrum Brands, Inc.*
Exhibit 4.1	Indenture dated as of February 7, 2005 by and among Rayovac Corporation, certain of Rayovac Corporation's domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 4.2	Supplemental Indenture dated as of May 3, 2005 to the Indenture dated as of February 7, 2005 by and among Spectrum Brands, Inc., certain of Spectrum Brands, Inc.'s domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on May 5, 2005).
Exhibit 4.3	Indenture, dated September 30, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Vestar Shaver Corp., Vestar Razor Corp., Remington Products Company, L.L.C., Remington Capital Corporation, Remington Rand Corporation, Remington Corporation, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on October 15, 2003).
Exhibit 4.4	Supplemental Indenture, dated October 24, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Remington Products Company, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.3 to the Registration Statement on Form S-4 filed with the SEC on November 6, 2003).
Exhibit 4.5	Third Supplemental Indenture dated as of February 7, 2005 to the Indenture dated as of September 30, 2003 by and among Rayovac Corporation, certain of Rayovac Corporation's domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 4.6	Fourth Supplemental Indenture dated as of May 3, 2005 to the Indenture dated as of September 30, 2003 by and among Spectrum Brands, Inc., certain of Spectrum Brands, Inc.'s domestic subsidiaries and U.S. Bank National Association (filed by incorporation by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on May 5, 2005).

Exhibit 4.7	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 10.1	Amended and Restated Employment Agreement, effective as of October 1, 2004, by and between Rayovac Corporation and David A. Jones (incorporated by reference to Exhibit 10.1 to the Annual Report on Form 10-K for the fiscal year ended September 30, 2002, filed with the SEC on December 14, 2004).
Exhibit 10.2	Amended and Restated Employment Agreement, dated as of April 1, 2005, by and between Rayovac Corporation 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 10.3	Amended and Restated Employment Agreement, dated as of April 1, 2005, by and between the Company and Kenneth V. Biller (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 7, 2005).
Exhibit 10.4	Amended and Restated Registered Director's Agreement, dated April 1, 2005, by and between Rayovac Europe GmbH and Remy Burel (filed by incorporation by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on April 7, 2005).
Exhibit 10.5	Separation Agreement and Release between the Company and Lester Lee dated April 13, 2005 (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 19, 2005).
Exhibit 10.6	Building Lease between Rayovac Corporation and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987 (filed by incorporation by reference to the Registration Statement on form S-1 filed with the SEC on December 13, 1996).
Exhibit 10.7	Amendment, dated December 31, 1998, between Rayovac Corporation and SPG Partners, to the Building Lease, between Rayovac Corporation and SPG Partners, dated May 14, 1985 (filed by incorporation by reference to Exhibit 10.12 to the Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, filed with the SEC on February 17, 1999).
Exhibit 10.8	Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Gerätebatterie GmbH, as Tenant, and ROSATA Grudstücks-Vermietungsgesellschaft mbH and Co. object Dischingin KG, as Landlord, as amended (filed by incorporation by reference to Exhibit 10.15 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 10.9	Addendum No. 2 to Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Gerätebatterie GmbH, as Tenant, and ROSATA Grudstücks-Vermietungsgesellschaft mbH and Co. object Dischingin KG, as Landlord, as amended (filed by incorporation by reference to Exhibit 10.16 to the Registration Statement on Form S-4 filed with the SEC on November 6, 2003).
Exhibit 10.10	Fourth Amended and Restated Credit Agreement dated February 7, 2005 between Rayovac Corporation, the Subsidiary Borrowers named therein, Bank of America, N.A., Citicorp North America, Inc., Merrill Lynch Capital Corporation, the other lenders party thereto, Banc of America Securities LLC, Citigroup Global Markets Inc., and Merrill Lynch, Pierce, Fenner & Smith (filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.11	Amendment No. 1, dated April 29, 2005, to the Fourth Amended and Restated Credit Agreement dated as of February 7, 2005, among Rayovac Corporation, Varta Consumer

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	Batteries GmbH & Co. KGaA, Rayovac Europe Limited, each lender from time to time party thereto, Citicorp North America, Inc., Merrill Lynch Capital Corporation, LaSalle Bank National Association and Bank of America, N.A. filed by incorporation by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 5, 2005).
Exhibit 10.12	Security Agreement, dated February 7, 2005, between the Grantors referred to therein and Bank Of America, N.A. (filed by incorporation by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.13	ROV Guarantee, dated as of February 7, 2005 from the ROV Guarantors named therein and the Additional ROV Guarantors named therein in favor of the Secured Parties referred to in the Credit Agreement referred to therein (filed by incorporation by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.14	KGaA Guarantee dated as of February 7, 2005 from the KGaA Guarantors named therein and the Additional KGaA Guarantors referred to therein in favor of the Lenders referred to in the Credit Agreement referred to therein (filed by incorporation by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.15	UK Guarantee dated as of February 7, 2005 from the UK Guarantors named therein and the Additional UK Guarantors referred to therein in favor of the Lenders referred to in the Credit Agreement referred to therein (filed by incorporation by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.16	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 10.17	Standstill Agreement by and between Rayovac Corporation, Thomas H. Lee Equity Fund IV, L.P., THL Equity Advisors IV, LLC, Thomas H. Lee Partners, L.P., and Thomas H. Lee Advisors, L.L.C. (filed by incorporation by reference to Exhibit 10.7 to the Current Report on Form 8-K filed with the SEC on February 11, 2005).
Exhibit 10.18	Joint Venture Agreement, dated July 28, 2002, by and among Rayovac Corporation, VARTA AG and ROV German Limited GmbH, as amended (filed by incorporation by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on October 16, 2002).
Exhibit 10.19	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 10.20	Lease by and between Rex Realty Co., Lessor, and United Industries Corporation, Lessee, effective December 1, 1995 (filed by incorporation by reference to Exhibit 10.16 to the Form S-4 of United Industries Corporation (SEC file # 333-76055) filed with SEC on April 9, 1999).
Exhibit 10.21	Lease and Agreement between LGH Investment, L.L.C., as Landlord, and Chemical Dynamics, Inc. d/b/a Schultz Company, as Tenant, dated January 18, 2000.*
Exhibit 10.22	Lease Agreement between Pursell Holdings, LLC, as Lessor, and Sylorr Plant Corp., as Lessee, dated October 3, 2002.*
Exhibit 10.23	Trademark License and Manufacturing and Supply Agreement by and between United Industries Corporation and Home Depot U.S.A., Inc. effective as of January 1, 2004 (filed by incorporation by reference to Exhibit 10.50 to the Quarterly Report on Form 10-Q of United Industries Corporation (SEC file # 333-76055) for the quarterly period ended March 31, 2004, filed with the SEC on May 14, 2004).

Exhibit 10.24	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 10.25	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 10.26	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 10.27	Form of Award Agreements 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 10.28	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 10.29	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 10.30	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 10.31	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 10.32	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 10.33	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 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

Exhibit 3.1

RESTATED ARTICLES OF INCORPORATION
OF
RAYOVAC CORPORATION

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

ARTICLE I

The name of the Corporation is RAYOVAC CORPORATION.

ARTICLE II

The period of existence of the Corporation shall be perpetual.

ARTICLE III

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

ARTICLE IV

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

ARTICLE V

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

ARTICLE VI

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

ARTICLE VII

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

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

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

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

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

ARTICLE VIII

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

ARTICLE IX

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

ARTICLE X

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

ARTICLE XI

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

ARTICLE XII

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

ARTICLES OF AMENDMENT
OF
RAYOVAC CORPORATION

A. The name of the corporation (prior to the change effected by this amendment) is “RAYOVAC CORPORATION”.

B. The amendment adopted is to amend Article I of the articles of incorporation of the corporation to change the name of the corporation to “SPECTRUM BRANDS, INC.”, so that, as amended, Article I reads as follows:

“ARTICLE I

The name of the Corporation is SPECTRUM BRANDS, INC.”

C. The date of adoption of the amendment was April 27, 2005.

D. The amendment was proposed by the Board of Directors and adopted by the shareholders of corporation in accordance with Section 180.1003 of the Wisconsin Business Corporation Law.

E. The amendment shall become effective at 12:01 a.m. C.D.T. on May 2, 2005.

DULY EXECUTED and delivered by the undersigned on April 28, 2005.

RAYOVAC CORPORATION

By: /s/ James T. Lucke

Name: James T. Lucke
Title: Senior Vice President, Secretary and General Counsel

Exhibit 3.2

AMENDED AND RESTATED BY-LAWS

OF

SPECTRUM BRANDS, INC.

(hereinafter called the "Corporation")

ARTICLE I. OFFICES

I.1 Principal and Business Offices. The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

I.2 Registered Office. The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the Corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

II.1 Annual Meeting. The annual meeting of shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meeting the shareholders shall elect directors, and transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each shareholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

II.2 Special Meeting. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or the Articles of Incorporation, may be called only by (i) the Chairman of the Board of Directors, if there be one, (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of a majority of the Board of Directors. Shareholders shall not be entitled to call a Special Meeting of the shareholders, nor to require the Board of Directors to call such a special meeting. Special meetings of the shareholders may be held on any date, at any time and at any place within or without the State of Wisconsin as shall be determined by the Board of Directors. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote at such meeting.

II.3 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the State of Wisconsin, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the Corporation in the State of Wisconsin or such other suitable place in the county of such principal office as may be designated by the person calling such meeting, but any meeting may be adjourned to reconvene at any place designated by the holders of a majority of the votes represented thereat.

II.4 Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other

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

II.5 Voting Records. The officer or agent having charge of the stock transfer books for shares of the Corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, and indicating the address of each shareholder, the number of shares of each class of capital stock of the Corporation entitled to vote registered in the name of such shareholder and the total number of votes to which each shareholder is entitled. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for any purpose germane to the meeting.

The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such record or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

II.6 Quorum. Except as otherwise provided in the Articles of Incorporation, a quorum shall exist at a meeting of shareholders if shares of the Corporation holding a majority of the votes entitled to be cast at such meeting are represented in person or by proxy at such meeting of shareholders, but in no event shall a quorum consist of less than one-third of the shares entitled to vote at the meeting. If a quorum is present, the affirmative vote of the holders of a majority of the votes represented at the meeting in person or by proxy voting together as a single class shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation. If a quorum shall fail to attend any meeting, the presiding officer at the meeting may adjourn the meeting to another place, date or time. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

II.7 Conduct of Meeting. The Chairman of the Board, and in his absence, the President, and in their absence, any person chosen by the shareholders present shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary of the Corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

II.8 Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. Unless otherwise provided in the proxy, a proxy may be revoked

at any time before it is voted, either by written notice filed with the Secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy shall not of itself constitute a revocation. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

II.9 Voting of Shares. Each outstanding share shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders, except to the extent that voting rights of the shares of any class or classes are enlarged, limited or denied by the Articles of Incorporation.

II.10 Voting of Shares by Certain Holders.

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

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

notice to this Corporation, given in writing to the Secretary of this Corporation, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

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

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

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

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

(g) Joint Tenants. Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals

if either (i) no other such individual or his legal representative is present and claims the right to participate in the voting of such shares or prior to the vote files with the Secretary of the Corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be voted or (ii) all such other individuals are deceased and the Secretary of the Corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

II.11 Waiver of Notice by Shareholders. Whenever any notice whatsoever is required to be given to any shareholder of the Corporation under the Articles of Incorporation or By-Laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of the meeting, by the shareholder entitled to such notice, shall be deemed equivalent to the giving of such notice; provided that such waiver in respect to any matter of which notice is required under any provision of the Wisconsin Business Corporation Law, shall contain the same information as would have been required to be included in such notice, except the time and place of meeting.

II.12 No Action by Consent of Shareholders in Lieu of Meeting. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly constituted annual or special meeting of such shareholders and may not be effected by any consent in writing by such shareholders.

II.13 Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election as directors of the Corporation may be made at a meeting of shareholders only (i) by or at the direction of the Board of Directors, (ii) by any nominating committee or person appointed by the Board of Directors or (iii) by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.13. Such nominations, other than those made by or at the

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

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

II.14 Other Business. To be properly brought before a meeting of shareholders, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth with respect to each matter the shareholder proposes to bring before the meeting, (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder and others known by such shareholder to support the proposal of such business and (iv) any material interest of such shareholder and other supporters referred to in the preceding clause (iii) in such proposed business.

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

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

ARTICLE III. BOARD OF DIRECTORS

III.1 General Powers and Number. The business and affairs of the Corporation shall be managed by its Board of Directors. The number of directors shall be fixed from time to time by the Board of Directors, but in no event shall the number be greater than twelve (12) nor fewer than five (5).

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

III.3 Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Wisconsin. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors and, unless required by resolution of the Board of Directors, without notice. Special meetings of the Board of Directors may be called

by the Chairman of the Board of Directors, the Vice Chairman, if there be one, or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

III.4 Quorum. Except as otherwise provided by law or by the Articles of Incorporation or these By-Laws, a majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a majority of the directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

III.5 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the Articles of Incorporation or these By-Laws.

III.6 Conduct of Meetings. The Chairman of the Board, and in his absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other persons present to act as secretary of the meeting.

III.7 Vacancies. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of

any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be duly elected and shall duly qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director; provided that in case of a vacancy created by the removal of a director by vote of the shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof in accordance with the Articles of Incorporation.

III.8 Compensation. The Board of Directors, by affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the Corporation.

III.9 Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

III.10 Committees. The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors then in office may designate one or more committees, each committee to consist of three or more directors elected by the Board of Directors, which, to the extent provided in said resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the Corporation, except action in respect to dividends to shareholders, election of the principal officers or the filling of vacancies in the Board of Directors or committees created pursuant to this section. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board or upon request by the chairman of such meeting. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

III.11 Unanimous Consent Without Meeting. Any action required or permitted by the Articles of Incorporation or By-Laws or any provision of law to be taken by the Board of Directors at a meeting or by resolution may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors then in office.

III.12 Telephonic Meetings. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.14 shall constitute presence in person at such meeting.

ARTICLE IV. OFFICERS

IV.1 Number. The principal officers of the Corporation shall be a Chairman of the Board, a President, a number of Vice Presidents as shall be determined by the Board of Directors from time to time, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may from time to time elect or appoint such officers and assistant officers as may be deemed necessary. Any number of offices may be held by the same person.

IV.2 Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall be duly elected or until his prior death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Failure to elect officers shall not dissolve or otherwise affect the Corporation.

IV.3 Removal. Any officer or agent may be removed by the Board of Directors at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

IV.4 Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term.

IV.5 Chairman of the Board. The Chairman of the Board shall be elected or appointed by, and from the membership of the Board of Directors. He shall, when

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

IV.6 President. The President shall be the chief executive officer and chief operations officer of the Corporation and, subject to the control of the Board of Directors, shall in general determine the direction and goals of the Corporation and supervise and control all of the business, operations and affairs of the Corporation. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Corporation as he may deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He shall have authority, co-equal with the Chairman of the Board, to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or by the Board of Directors, he may authorize any Vice President or any

other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall perform all duties incident to the office of chief executive officer, chief operating officer and President and such other duties as may be prescribed by the Board of Directors from time to time.

IV.7 Vice Presidents. In the absence of the Chairman of the Board and the President or in the event of their deaths, inability or refusal to act, or in the event for any reason it shall be impracticable for the Chairman of the Board or President to act personally, the Vice President (or in the event thereby more than one Vice President, the Vice Presidents in the order designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the Chairman of the Board and/or President (as the case may be), and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board or President (as the case may be). Any Vice President may sign, with the Secretary or Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, President or Board of Directors. The execution of any instrument of the Corporation by any Vice President shall be conclusive evidence, as to third parties, of his authority to act in the stead of the Chairman of the Board and/or the President.

IV.8 Secretary. The Secretary shall: (a) keep the minutes of the meeting of the shareholders and the Board of Directors in one or more books provided for that purpose; (b) attest instruments to be filed with the Secretary of State; (c) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (d) be custodian of the corporate records; (e) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholders; (f) sign with the Chairman of the Board or the President, certificates for shares of the Corporation, the issuance of which shall have been

authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the office of the Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the President or by the Board of Directors.

IV.9 Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts from moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Corporation; and (c) in general perform all of the duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the Vice Chairman of the Board or the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

IV.10 Assistant Secretaries and Assistant Treasurers. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The Assistant Secretaries may sign with the Chairman of the Board or the President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman of the Board, the President or by the Board of Directors.

IV.11 Other Assistants; Acting Officers; Other Officers. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be an assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

IV.12 Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

ARTICLE V. CONTRACTS; SPECIAL CORPORATE ACTS

V.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Corporation shall be executed in the name of the Corporation by the Chairman of the Board or the President or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer of officers.

V.2 Voting of Securities Owned by this Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

VI.1 Certificates for Shares. Certificates representing shares of the Corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board and by the Secretary or an Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.6.

VI.2 Facsimile Signatures and Seal. The signature of the Chairman of the Board and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the Corporation itself or an employee of the Corporation. The Corporation shall have a corporate seal.

VI.3 Signature by Former Officers. In case any officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.

VI.4 Transfer of Shares. Prior to due presentment of a certificate for shares for registration of transfer, the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the Corporation had no duty to inquire into adverse claims or has discharged any such duty. The Corporation may require reasonable assurance that said endorsements are genuine and effective and in compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

VI.5 Lost, Destroyed or Stolen Certificates. Where the owner claims that his certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona fide purchaser, and (b) files with the Corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

VI.6 Consideration for Shares. The shares of the Corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be paid for shares may be paid in whole or in part, in money, in other

property, tangible or intangible, or in labor or services actually performed for the Corporation. When payment of the consideration for which shares are to be issued shall have been received by the Corporation, such shares shall be deemed to be fully paid and nonassessable by the Corporation. No certificate shall be issued for any share until such share is fully paid.

VI.7 Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VII. AMENDMENTS

VII.1 By Shareholders. Except as otherwise provided in the Articles of Incorporation, these By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the shareholders by affirmative vote of not less than a majority of the votes represented in person or by proxy entitled to be cast therefor at any annual or special meeting of the shareholders at which a quorum is in attendance.

VII.2 By Directors. Except as otherwise provided in the Articles of Incorporation, these By-Laws may also be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; but no By-Law adopted by the shareholders shall be amended or repealed by the Board of Directors if the By-Law so adopted so provides.

VII.3 Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the By-Laws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the By-Laws so that the By-Laws would be consistent with such action, shall be given the same effect as though the By-Laws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

ARTICLE VIII. INDEMNIFICATION

VIII.1 Certain Definitions. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in this Section 8.1 shall have the meaning set forth in Section 180.042 of the Statute. The following capitalized terms (including any plural forms thereof) used in this Article VIII shall be defined as follows:

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

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

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

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

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

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

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

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

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

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

indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

VIII.2 Mandatory Indemnification. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

VIII.3 Procedural Requirements.

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

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

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

(d) (i) If the Board does not authorize an Authority to determine the Director's or Officer's right to indemnification hereunder within such sixty-day period and/or (ii) if indemnification of the requested

amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Director or Officer immediately.

VIII.4 Determination of Indemnification.

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

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

(ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Madison, Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators, and (B) in all other respects, such panel shall be governed by the American Arbitration Association's then existing Commercial Arbitration Rules; or

(iii) A court pursuant to and in accordance with Section 180.051 of the Statute.

(b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make its determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.

(d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 8.5), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Section 8.4 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

VIII.5 Mandatory Allowance of Expenses.

(a) The Corporation shall pay or reimburse, within ten days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred; provided, the following conditions are satisfied:

(i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 8.5 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 8.4.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.5, such Director or Officer shall not be required to pay interest on such amounts.

VIII.6 Indemnification and Allowance of Expenses of Certain Others.

(a) The Corporation shall indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party thereto because he or she is or was a director or officer of the Affiliate.

(b) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify against Liabilities

incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

VIII.7 Insurance. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an employee or authorized agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article VIII.

VIII.8 Notice to the Corporation. A Director or Officer shall promptly notify the Corporation in writing when he or she has actual knowledge of a Proceeding which may result in a claim of indemnification against Liabilities or allowance of Expenses hereunder, but the failure to do so shall not relieve the Corporation of any liability to the Director or Officer hereunder unless the Corporation shall have been irreparably prejudiced by such failure (as determined by an Authority selected pursuant to Section 8.4(a)).

VIII.9 Severability. If any provision of this Article VIII shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VIII contravene public policy, this Article VIII shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

VIII.10 Nonexclusivity of Article VIII. The rights of a Director or Officer (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or advancement of Expenses which the Director

or Officer (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or advance Expenses to a Director or Officer under the Statute.

VIII.11 Contractual Nature of Article VIII; Repeal or Limitation of Rights. This Article VIII shall be deemed to be a contract between the Corporation and each Director and Officer and any repeal or other limitation of this Article VIII or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without limitation, the right to indemnification against Liabilities or allowance of Expenses for Proceedings commenced after such repeal or limitation to enforce this Article VIII with regard to acts, omissions or events arising prior to such repeal or limitation.

Exhibit 10.21

LEASE AND AGREEMENT

Between

LGH INVESTMENT, L.L.C.,
A MISSOURI LIMITED LIABILITY COMPANY

as Landlord

And

CHEMICAL DYNAMICS, INC. D/B/A
SCHULTZ COMPANY,
A MISSOURI CORPORATION

as Tenant

Dated January 18, 2000

LEASE AND AGREEMENT, dated as of January 18, 2000 between LGH Investment, L.L.C., (herein, called "Landlord"), having an address at 701 Emerson Road, Suite 500, St. Louis, MO 63141, and Chemical Dynamics, Inc. d/b/a Schultz Company, a Missouri corporation (herein, called "Tenant"), having an address at 13260 Corporate Exchange Dr., St. Louis, MO 63044-3720, (as defined herein).

1. **Demise of Premises.** In consideration of the rents and covenants herein stipulated to be paid and performed, Landlord hereby demises, lets to Tenant, and Tenant hereby lets from Landlord, for the terms herein described, the premises (herein called the "Premises") consisting of a building ("Building") containing approximately 153,265 square feet and commonly known as 13260 Corporate Exchange Dr., St. Louis, MO 63044-3720 which building is situated on a parcel of land which is improved with parking areas, landscaping and driveways (the "Land") described on Exhibit A.

2. **Use of Premises.**

(a) Tenant and any permitted sublessee or assignee may use and occupy the Premises as offices, warehouse and a manufacturing, storage and distribution center for horticultural products and other lawn and garden supplies and products. Additionally, Tenant and any permitted sublessee or assignee may use and occupy the Premises for any lawful use, provided that, in Landlord's reasonable judgment, such use (i) creates no detrimental environmental effects or increased environmental risks to the Premises or to other property and does not result in any increased risk of liability to Landlord, (ii) creates or requires no modifications be made by Landlord to the physical structure of any portion of the Premises except in accordance with the provisions of Section 11 of this Lease, (iii) creates no adverse tax consequences for Landlord, (iv) will not lessen the fair market value of the Premises to an amount which is below its fair market value immediately prior to the commencement of such use, (v) does not change the primary character of the Premises, and (vi) does not violate any other provisions of this Lease or any term of any other agreement or restriction to which the Premises are subject, or cause the Premises to be in violation of any laws, ordinances, rules, regulations, covenants, or requirements applicable thereto.

(b) Tenant shall not conduct its business operation in the Premises unless and until (and only during such time as) all necessary certificates of occupancy, permits, licenses registrations and consents from any and all appropriate governmental authorities have been obtained and are in full force and effect. Tenant shall have access to the Premises 24 hours per day, 7 days per week, 365 days per year during the Term (as hereinafter defined) of this Lease.

3. **Term.** The term ("Term") of this Lease is for fifteen (15) years and a partial month, commencing on January 18, 2000 (the "Commencement Date") and expiring at midnight on January 31, 2015 (the "Expiration Date").

4. **Rent.**

(a) Tenant covenants to pay to Landlord (or Mortgagee (as hereinafter defined) if directed by Landlord) in monthly installments, rent for the Premises (i) during the Term of this Lease, in the amount determined pursuant to Exhibit B hereto (herein called the "Basic Rent") on the dates set forth in said Exhibit (herein called the "Basic Rent Payment Dates"), and to pay the same in lawful money of the United States of America to the Landlord at and/or to such other person or such other place or account as Landlord and Mortgagee, if any, from time to time may designate to Tenant in writing. The Basic Rent for any partial month at commencement of the Term shall be a prorated amount of the monthly Basic Rent payable during the first year of the Lease.

(b) Tenant covenants that all other amounts, liabilities and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof, shall constitute additional rent hereunder (herein called "Additional Rent"). In the event of any failure by Tenant to pay or discharge any Additional Rent, Landlord shall have all rights, powers and remedies provided herein or by law in the case of nonpayment of Basic Rent. Tenant also covenants to pay to Landlord on demand an amount equal to five percent (5%) of the payment amount then due, on all overdue installments of Basic Rent or Additional Rent not paid within five (5) days after its due date. In addition, Tenant further covenants to pay to Landlord on demand interest at the rate of fifteen percent (15%) per annum (or at the maximum rate not prohibited by applicable law, whichever is less) on all obligations which Landlord shall have paid on behalf of Tenant from the date of such payment by Landlord until Landlord is paid in full.

(c) Except as expressly provided herein, Basic Rent, Additional Rent and all other sums payable hereunder by Tenant, shall be paid without notice (except as expressly provided herein), demand, setoff, counterclaim, abatement, suspension, deduction or defense.

(d) Tenant agrees that it will remain obligated under this Lease in accordance with its terms, and that it will not take any action to terminate, rescind or avoid this Lease, notwithstanding (i) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, or winding-up or other proceeding affecting Landlord or its successors in interest or (ii) any action with respect to this Lease which may be taken by any trustee or receiver of Landlord or its successors in interest or by any court in any such proceeding.

5. **Security Deposit.** As security for the full and faithful performance of every covenant and condition of this Lease to be performed by Tenant, Tenant has paid to Landlord a security deposit in the amount of Eighty-Five Thousand, Seven Hundred Eight and 33/100 Dollars ($85,708.33) (the "Security Deposit"), receipt of which is hereby acknowledged. If Tenant shall breach or default with respect to any covenant or condition of this Lease, including but not limited to the payment of Basic Rent, Landlord may apply all or any part of the Security Deposit to the payment of any sum in default or any damage suffered by Landlord as a result of

such breach or default, or other sum which Landlord may be required to spend or incur by reason of Tenant's breach or default or any other such sum which Landlord may in its reasonable discretion deem necessary to spend or issue by reason of Tenant's breach or default, and in such event, Tenant shall upon demand deposit with Landlord the amount so applied so that Landlord shall have the full Security Deposit on hand at all times during the term of this Lease. If Tenant shall have fully complied with all of the covenants and conditions of this Lease, and not otherwise, such sum shall be repaid to Tenant, within sixty (60) days after the expiration or earlier termination of this Lease. In the event of Tenant's default, Landlord's right to apply and/or retain the Security Deposit shall be in addition to all other fights available to Landlord at law or in equity for Tenant's default, and Landlord's retention of the Security Deposit shall not be construed as a payment of liquidated damages. Landlord shall deposit the Security Deposit into an interest bearing money market account. Landlord shall instruct the financial institution holding the deposit to pay to Tenant any interest paid on the Security Deposit, less any handling charges or fees, annually, within 30 days after the annual anniversary of the Commencement Date; provided Tenant is not then in default with respect to any covenant or condition of this Lease, in which case such interest payment shall be suspended until such default is cured.

6. **Taxes and Assessments.**

(a) Tenant shall pay, as Additional Rent, for each calendar year, an amount ("Imposition Adjustment") equal to the Impositions for the Building and Land (hereinafter defined) for such Adjustment Year. Tenant shall pay the amount of all Impositions directly to the imposing authority.

(b) If Tenant defaults with respect to any covenant or condition of this Lease beyond any applicable cure period, then, after notice from Landlord, Tenant shall make payments ("Estimated Imposition Payments") on account of the Imposition Adjustment effective as of the first day of the term of this Lease and of the first day of each subsequent Adjustment Year. So long as Tenant is not in default with respect to any covenant or condition of this Lease beyond any applicable cure period, Tenant shall not be required to make Estimated Imposition Payments. Landlord may, prior to each Adjustment Year or from time to time during the Adjustment Year, deliver to Tenant a written notice or notices ("Projection Notice") setting forth Landlord's reasonable estimate of the Impositions for such Adjustment Year and Tenant's Estimated Payments for such Adjustment Year. Until such time as Landlord notifies Tenant of the Estimated Imposition Payments for an Adjustment Year, Tenant shall, at the time of each payment of monthly installment of annual rental, pay to Landlord a monthly installment of Estimated Imposition Payments equal to the latest monthly installment of Estimated Imposition Payments. On or before the first day of the next calendar month following Landlord's notice, and on or before the first day of each month thereafter, Tenant shall pay to Landlord one-twelfth (1/12) of the Estimated Imposition Payment shown in Landlord's notice. Within fifteen (15) days following receipt of Landlord's notice, Tenant shall also pay Landlord a lump sum equal to the Estimated Imposition Payment shown in the Projection Notice less (1) any previous payments on account of Estimated Imposition Payments made during such Adjustment Year and (2) monthly installments on account of Estimated Imposition Payments due for the remainder of such Adjustment Year.

(c) After Landlord shall have determined the actual amount of Impositions for such Adjustment Year, Landlord shall notify Tenant in writing ("Landlord's Tax Statement") of such Impositions for such Adjustment Year. If the Imposition Adjustment owed for such Adjustment Year exceeds the Estimated Imposition Payments paid by Tenant for such Adjustment Year, then within ten (10) days after receipt of Landlord's Statement, Tenant shall pay to Landlord an amount equal to the excess of the Imposition Adjustment over the Estimated Imposition Payments paid by Tenant for such Adjustment Year. If such Estimated Imposition Payments exceed the Imposition Adjustment owed for such Adjustment Year, then Landlord shall refund the difference to Tenant within fifteen (15) days after delivery of Landlord's Tax Statement.

(d) If the Term of this Lease commences on any day other than the first day of an Adjustment Year or ends on any day other than the last day of an Adjustment Year as the case may be, the Imposition Adjustment for such year payable by Tenant shall be prorated based on the number of days in such Adjustment Year included in the term of this Lease. Notwithstanding the foregoing, Tenant shall pay all Impositions for the calendar year 2000, without regard to the actual Commencement Date.

(e) Notwithstanding the foregoing provision of this paragraph 6, Tenant shall not be required to pay any franchise, corporate, estate, inheritance, succession, transfer (other than transfer taxes, recording fees, or similar charges payable in connection with a conveyance hereunder to Tenant), income, excess profits or revenue taxes of any Landlord hereunder other than any gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Basic Rent, Additional Rent or any other sums payable by Tenant hereunder or levied upon or assessed against the Premises, unless such taxes are in lieu of an income, profit or revenue tax of Landlord but only to the extent of such substitution and only to the extent that such tax, assessment or other charge would be payable if the Premises were the only property of Landlord subject thereto except such tax, assessment, charge or levy imposed or levied upon or assessed against Landlord in substitution for or in place of an Imposition. In the event that any special taxes or assessments included in Imposition which are levied or assessed against the Premises become due and payable during the Term hereof and may be legally and without penalty paid in installments, Tenant shall have the option to pay such special assessments or taxes in installments. In such event, Tenant shall be liable only for those installments that become due and payable during the Term.

(f) Tenant shall have the right to contest the Impositions pursuant to and in accordance with Section 18 hereof.

7. **Compliance with Law; Environmental Matters**.

(a) Tenant shall, at its expense, comply with and shall cause the Premises to comply with all governmental statues, laws, rules, orders, regulations and ordinances the failure to comply with which at any time would affect the Premises or any part thereof, or the use thereof, including those which require the making of any structural, unforeseen or extraordinary changes, whether or not any of the same involve a change of policy on the part of the body enacting the same, including, but not limited to the Americans With

Disabilities Act of 1990, 42 U.S.C. Section 12101 et seq. Tenant shall, at its expense, comply with all changes required in order to obtain the Required Insurance (as hereinafter defined), and with the provisions of all contracts, agreements, instruments and restrictions existing at the commencement of this Lease, including, without limitation, the Indentures for Corporate Exchange Phase Three recorded at Book 11086, Page 996 of the St. Louis County, Missouri records, or thereafter suffered or permitted by Tenant affecting the Premises or any past thereof or the ownership, occupancy or use thereof. The costs of any capital expenditures incurred by Tenant in complying with laws shall be borne by Tenant. Prior to incurring any capital expenditures to comply with laws during the last five (5) years of the term of this Lease, Tenant shall obtain the approval of Landlord to incur such expenses, which approval shall not be unreasonably withheld, delayed, or conditioned.

(b) Tenant shall:

(i) not cause, suffer or permit any Hazardous Material (as defined below) to exist on or discharge from the Premises, except in typical amounts used in the ordinary course of business and only in compliance with Environmental Laws (as hereinafter defined) arising from the existence or discharge of Hazardous Materials and shall promptly: (A) pay any claim against Tenant, Landlord, Mortgagee, or the Premises, (B) remove any charge or lien upon any of the Premises, and (C) defend, indemnify and hold Landlord and Mortgagee harmless from any and all claims, expenses, liability, loss or damage, (including all reasonable attorneys' fees and expenses) resulting from any Hazardous Material that Tenant, its employees, contractors, or agents cause or permit to exist on or allow to be discharged from or onto the Premises;

(ii) not cause, suffer or permit any Hazardous Material to exist on or discharge from any property owned or used by Tenant which would result in any charge or lien upon the Premises and shall promptly: (A) pay any claim against Tenant, Landlord, Mortgagee (as hereinafter defined) or the Premises; (B) remove any charge or lien upon the Premises and (C) defend, indemnify and hold Landlord and Mortgagee harmless from any and all claims, expenses, liability, loss or damage, resulting from the existence or discharge of any such Hazardous Material;

(iii) notify Landlord and Mortgagee in writing of any Hazardous Material that exists on (except those Hazardous Materials used by Tenant in the ordinary course of its business in compliance with Environmental Laws) or is discharged from or onto the Premises (whether originating thereon or migrating to the Premises from other property) within ten (10) days after Tenant first has knowledge of such existence or discharge;

(iv) comply, and cause the Premises to comply, with all statutes, laws, ordinances, rules and regulations of all local, county, state or federal authorities having authority over the Premises or any portion thereof or their use;

(v) “Hazardous Material” means any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Environmental Laws and includes petrochemicals, asbestos and polychlorinated biphenyl;

(vi) “Environmental Laws” means any applicable statute, law, ordinance, rule or regulation of any local, county, state or federal authority having jurisdiction over the Property or any portion thereof or its use, including but not limited to: (a) the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.) as amended; (b) the Federal Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.) as amended; (c) the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. §9601 et seq.) as amended; (d) the Toxic Substance Control Act (15 U.S.C. §2601 et seq.), as amended; (e) the Clean Air Act (42 U.S. §7401 et seq.), as amended; and (f) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. §135 et seq.); and

(vii) The Tenant’s obligations and liabilities under this subparagraph 7(b) shall survive the expiration of this Lease.

8. **Indemnification.** Tenant agrees to pay, and to protect, defend, indemnify and save harmless Landlord, Mortgagee and its employees and agents from and against any and all liabilities, losses, damages, costs, expenses (including all reasonable attorney’s fees and expenses of Landlord), causes of action, suits, claims, demands or judgments of any nature whatsoever (i) arising from any injury to, or the death of, any person or damage to property on the Premises or upon adjoining sidewalks, streets or right of ways, in any manner growing out of or connected with Tenant’s use, non-use, condition or occupation of the Premises, adjoining sidewalks, streets or right of ways, so long as not occasioned by the gross negligence of Landlord, Mortgagee, their agents, servants, employees or assigns and/or (ii) arising from violation by Tenant of any agreement or condition of this Lease, or any contract or agreement to which Tenant is a party or any restriction, law, ordinance or regulation, in each case affecting the Premises or any part thereof or the ownership, occupancy or use thereof, so long as not occasioned by negligence of Landlord, Mortgagee, its agents, servants, employees or assigns. If Landlord, Mortgagee or any agent or employee of Landlord or Mortgagee shall be made a party to any such litigation commenced against Tenant, Tenant shall pay all costs and reasonable attorneys’ fees and expenses incurred or paid by Landlord, Mortgagee or their agents in connection with such litigation. The Tenant’s obligations and liabilities under this paragraph 8 herein shall survive the expiration of this Lease. Tenant, upon notice from Landlord, will defend the claim at Tenant’s expense. Under such circumstances, Tenant shall have the authority to select counsel reasonably satisfactory to Landlord and to control the settlement of any such claims.

9. **Liens.** Tenant will not, directly or indirectly, create, suffer or permit to be created or to remain, and will promptly discharge, at its expense, any mortgage, lien, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to, the Premises or any part thereof or Tenant’s interest therein or the Basic Rent, Additional Rent or other sums payable by Tenant under this Lease, other than any encumbrances permitted by a Permitted Mortgage as defined in subparagraph 32(g). Nothing contained in this Lease shall be

construed as constituting the consent or request, expressed or implied, by Landlord to or for the performance of any labor or services or of the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Premises or any part thereof by any contractor, subcontractor, laborer, materialman or vendor. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding the Premises or any part thereof.

10. **Maintenance, Repair and Replacement; Net Lease.**

Tenant agrees that, at its expense, Tenant shall keep and maintain the Premises in good repair and appearance, except for ordinary wear and tear. Tenant shall also make promptly, all foreseen and unforeseen, structural and non-structural, ordinary and extraordinary changes, repairs and replacements of every kind or nature, including, without limitation, capital improvements, replacement of driveways, parking areas and sidewalks, roof, walls and floors, which may be required. It is the intent of Landlord and Tenant that the Basic Rent herein specified shall be absolutely net to Landlord throughout the term of this Lease, that all costs, expenses and obligations of every kind relating to the Premises shall be paid by Tenant. Tenant shall also keep the Premises orderly and free and clear of rubbish and comply with the Minimum Maintenance Requirement Schedule attached hereto as Exhibit C. If Tenant shall abandon the Premises, it shall give Landlord and any Mortgagee immediate notice thereof. Prior to incurring any capital expenditures to comply with this paragraph 10 during the last five years of the Term of this Lease, Tenant shall obtain the approval of Landlord to incur such expenses, which approval shall not be unreasonably withheld.

11. **Alterations.**

(a) Tenant may make exterior and interior alterations, additional installations, substitutions, improvements and decorations (collectively, “Alterations”) in and to the Premises, subject only to the following conditions:

(i) any Alterations shall be made at Tenant’s sole cost and expense;

(ii) the structural integrity of the Premises shall not be adversely affected thereby;

(iii) any Alterations shall be performed in a good workmanlike manner and in compliance with all applicable laws and requirements of governmental authorities having jurisdiction and applicable insurance requirements;

(iv) Tenant, at its sole cost and expense, shall cause its contractors to maintain builder’s risk insurance and such other insurance (including, without limitation, workers compensation insurance) as is then customarily maintained for such work, all with insurers licensed by the State of Missouri and provide Landlord with evidence of such coverage prior to the commencement of any improvements;

(v) At least ten (10) business days prior to Tenant’s commencement of (1) any Alterations affecting the structure or exterior of the Premises or (2) any

other Alterations costing in excess of Twenty-five Thousand Dollars ($25,000.00), the plans and specifications therefor shall be submitted to Landlord for Landlord's review and approval, which approval shall not be unreasonably withheld or delayed. If Landlord does not approve or reject the plans and specifications or request additional information from Tenant within ten (10) business days after Tenant delivers the same to Landlord, the plans and specifications shall be deemed approved;

(vi) Any installations by Tenant on the roof of the Building, or the subsequent removal of any such installation from the roof of the Building, must be accomplished in coordination with Landlord and Landlord's roofing contractor so as to preserve the roof warranty covering the Building; any costs arising from damage to the roof membrane resulting from the activities of Tenant shall be the responsibility of Tenant;

(vii) Tenant shall in no event be required to obtain Landlord's consent to the movement of non-structural workstations and partitions within the Premises; and

(viii) Tenant shall, at least five (5) business days prior to commencement of any work, provide Landlord with evidence of Tenant's ability to pay for the Alterations satisfactory in form and substance to Landlord.

(b) Except for those items listed on Schedule 11 attached hereto, all fixtures, equipment, improvements and appurtenances attached to, or built into, the Premises at the commencement of this Lease, or during the Term hereof at Landlord's expense, shall be deemed Landlord's property upon installation thereof and shall not be removed by Tenant. All fixtures, equipment, improvements and appurtenances attached to, or built into, the Premises after the Commencement Date at Tenant's expense, shall be Tenant's property until the termination of this Lease. The items listed on Schedule 11 and items installed at Tenant's expense after the Commencement Date, as well as all moveable partitions and business and trade fixtures and communication and office equipment which are installed in the Premises by Tenant, and all furniture, furnishings and other articles of moveable personal property owned by Tenant and located in the Premises (all of which are hereinafter referred to as "Tenant's Property") shall belong to Tenant, may be removed by Tenant at any time during the Term hereof, and may be removed by Tenant at the end of the Term hereof, whether as a result of the normal expiration of the Term of this Lease or of the early termination of this Lease pursuant to the terms hereof (as a result of Tenant's default hereunder or otherwise). Tenant may remove Tenant's Property during the thirty (30) day period after any termination of this Lease (other than the termination of the Lease upon the natural expiration of the Term on the date scheduled therefore) so long as Tenant pays in full all Basic Rent and Additional Rent due under the Lease for the period through and including the date of such removal. Tenant shall repair any damage resulting from removal of Tenant's Property, including, without limitation any holes in the floors of the Premises, and restore the Premises to its condition as existing prior to their installation, reasonable wear and tear excepted; provided, if Tenant fails to so restore, Landlord may perform any necessary restoration

work at Tenant's cost and expense. Any items of Tenant's Property not so removed shall be deemed abandoned and retained by Landlord as its property thereafter, provided that Landlord may remove all such Tenant's Property at Tenant's cost. Landlord shall not be required, however, to remove or store any Tenant's Property incorporated into the Premises, and the same shall become Landlord's property to the extent not timely removed by Tenant upon termination of this Lease.

Landlord waives any landlord or other lien it may have on Tenant's Property and shall not seek to enforce same, whether upon Tenant's default or otherwise.

12. **Insurance.**

(a) Tenant shall maintain, or cause to be maintained, at its sole expense, the following insurance on the Premises (herein called the "Required Insurance"):

(i) Property insurance naming the Landlord and Mortgagee as additional insureds and naming Landlord as loss payee, insuring the building and improvements for perils covered by the causes of loss - special form (all risk) and in addition, ordinance or law coverage, flood, earthquake and boiler and machinery (if applicable). Such insurance shall be written on a replacement cost basis with an agreed value equal to the full insurable replacement value of the foregoing.

(ii) Commercial general liability insurance naming the Landlord and Mortgagee as additional insureds against any and all claims as are customarily covered under a standard policy form routinely accepted by Mortgagee, reasonably acceptable to Landlord for bodily injury and property damage occurring in, or about the Premises arising out of Tenant's use and occupancy of the Premises. Such insurance shall have a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence with a Two Million Dollar ($2,000,000) aggregate limit and excess umbrella liability insurance in the amount of Ten Million Dollars ($10,000,000). Tenant shall be required to increase its insurance limits from time to time or as may reasonably be required by Landlord consistent with coverage on properties similarly constructed, occupied and maintained. Such liability insurance shall be primary and not contributing to any insurance available to Landlord and Landlord's insurance shall be in excess thereto. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this Lease.

(iii) Workers' compensation insurance in accordance with statutory law and employers' liability insurance with a limit of not less than $100,000 per employee and $500,000 per occurrence.

(iv) Builders risk insurance insuring perils covered by the causes of loss - special form (all risk) shall be purchased for the value of the alteration and/or additions made to the Premises when the work is not fully insured under the Tenant's property insurance policy.

(v) Rent loss insurance insuring Landlord from loss of rents during the period which the Premises are untenantable due to fire or other casualty (for a period of at least one year).

(vi) Such other insurance as Landlord may, from time to time, reasonably require, so long as such other insurance is customarily required to be carried on similar properties by institutional lenders in the industry.

(b) The policies required to be maintained by Tenant shall be with companies reasonably acceptable to Landlord. All policies of insurance shall contain commercially reasonable deductible limits. Tenant shall pay all deductible amounts for any claims made under any policies required to be maintained by Tenant hereunder. Certificates of insurance shall be delivered to Landlord and Mortgagee prior to the Commencement Date and annually thereafter at least thirty (30) days prior to the expiration date of the old policy. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Landlord and Mortgagee as required by this Lease. Each policy of insurance shall provide notification to Landlord and Mortgagee at least thirty (30) days prior to any cancellation or modification to reduce the insurance coverage.

(c) In the event Tenant does not purchase the insurance required to be kept by Tenant by this Lease or keep the same in full force and effect, Landlord may, but shall not be obligated, to purchase the necessary insurance and pay the premium. The Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain such insurance.

(d) Landlord or Mortgagee shall not be limited in the proof of any damages which Landlord or Mortgagee may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance, as provided above, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable under such insurance; but Landlord and Mortgagee shall also be entitled to recover as damages for such breach, the uninsured amount of any loss, due to Tenant's failure to maintain in force the Required Insurance and damages, costs and expenses of suit suffered or incurred by reason of or damage to, or destruction of the Premises, occurring during any period when the Tenant may have self-insured or failed or neglected to obtain the Required Insurance. Tenant shall indemnify, defend and hold harmless Landlord and Mortgagee for any liability incurred by Landlord or Mortgagee arising out of any deductibles for Required Insurance.

(e) Landlord and Tenant shall not be liable to the other or to any insurance company insuring the other party and hereby waive any and all loss, damage claims and rights of recovery that they or anyone claiming through them might have against the other to the extent that insurance proceeds are available with respect to such claims, directly or

by way of subrogation or otherwise, and agree to obtain confirmations of this agreement and similar waivers from their applicable insurance providers.

13. **Casualty.**

(a) If the Premises or any part of the Premises shall be damaged by fire or other casualty and if such damage does not render all or a substantial portion of the Premises untenantable, then Landlord shall use the insurance proceeds and diligently proceed to repair and restore the Premises to its prior existing condition, subject to reasonable delays for insurance adjustments, Tenant Delays and Unavoidable Delays and also subject to zoning laws and building codes then in effect, but in all events shall commence such repair and restoration within sixty (60) days after receipt of insurance proceeds. Landlord shall not be obligated to expend any amount for repair or restoration in excess of insurance proceeds received by Landlord. Any repair or restoration beyond the amount of insurance proceeds received by Landlord shall be at Tenant's option and Tenant's sole cost and expense; provided Tenant shall not be entitled to any rent abatement for any portion of the Premises not repaired or reconstructed due to a shortfall in the insurance proceeds. If any such damage renders all or a substantial portion of the Premises or the Building untenantable, Landlord shall, within sixty (60) days after the occurrence of such damage, estimate the length of time that will be required to substantially complete the repair and restoration of such damage and shall by notice advise Tenant of such estimate. Tenant, at Tenant's sole cost and expense, shall have the right to obtain an estimate of the length of time that will be required to substantially complete the repair and restoration of the damage. If it is so estimated that the amount of time required to substantially complete such repair and restoration will exceed two hundred seventy (270) days from the date such damage occurred, then Landlord or Tenant shall have the right to terminate this Lease as of the date of such damage upon giving notice to the other party at any time within twenty (20) days after Landlord gives Tenant the notice containing said estimate (it being understood that Landlord may, if it elects to do so, also give such notice of termination together with the notice containing said estimate). Unless this Lease is terminated as provided in the preceding sentence, Landlord shall use the insurance proceeds and diligently proceed to repair and restore the Premises to its prior condition, subject to reasonable delays for insurance adjustments, Tenant Delay and Unavoidable Delays, and also subject to zoning laws and building codes then in effect, but in all events shall commence such repair and restoration within sixty (60) days after receipt of insurance proceeds. Landlord shall not be obligated to expend any amount for repair or restoration in excess of insurance proceeds received by Landlord. Any repair or restoration beyond the amount of insurance proceeds received by Landlord shall be at Tenant's option and at Tenant's sole cost and expense; provided Tenant shall not be entitled to any rent abatement for any portion of the Premises not repaired or reconstructed due to a shortfall in the insurance proceeds.

(b) If Tenant shall dispute the estimate of time to substantially complete any repair and/or restoration, Landlord shall select an independent architect with at least 10 years of professional experience who is a member of the American Institute of Architects who shall render a written opinion as to the amount of time required to complete such repair and restoration and whose decision shall be binding upon the

parties. Landlord shall have no liability to Tenant, and Tenant shall not be entitled to terminate this Lease (except as hereinafter provided) if such repairs and restoration are not in fact completed within the time period estimated by Landlord, as aforesaid, or within said two hundred seventy (270) days, so long as Landlord shall proceed with reasonable promptness and due diligence. Notwithstanding anything to the contrary herein set forth: (i) if any such damage rendering all or a substantial portion of the Premises or Building untenantable shall occur during the last two (2) years of the Term and, in Landlord's good faith estimate, the length of time to substantially complete the repair or restoration shall exceed ninety (90) days from the date such damage occurred, then Landlord shall have the option to terminate this Lease by written notice to the Tenant within thirty (30) days after the date such damage occurred, and if such option is so exercised, this Lease shall terminate as of the date of such damage; (ii) Landlord shall have no duty pursuant to this Section 13 to repair or restore any portion of alterations, additions or improvements made by or on behalf of Tenant in the Premises or Building; and (iii) Landlord shall not be obligated (but may, at its option, so elect) to repair or restore the Premises if the estimated time to complete the repairs or restoration shall exceed two hundred seventy days (270) from the commencement of the repair and any mortgagee applies proceeds of insurance to reduce its loan balance and the remaining proceeds, if any, available to Landlord are not sufficient to pay for such repair or restoration in which event then Landlord shall have the option to terminate this Lease, unless Tenant pays the amount of any shortfall to the Landlord, by written notice to the Tenant within thirty (30) days after the date such damage occurred, and if such option is so exercised, this Lease shall terminate as of the date of such damage. To the extent Landlord receives payment from rent loss insurance during the period of such repair, restoration or rebuilding, up to and including the date that is two hundred seventy (270) days after the damage occurred, Basic Rent and Additional Rent shall be reduced or abated prorata based on the portion of the Premises which is not tenantable. If such repairs and restoration are not completed within said two hundred seventy (270) days, rent shall abate from the date that is two hundred seventy (270) days after such damage until the date that the repair and restoration is substantially completed, except to the extent and number of days such delay is caused by Tenant.

(c) In the event of any such fire or other casualty, and if this Lease is not terminated pursuant to the foregoing provisions of this Lease, Landlord shall have no responsibility for the repair or restoration of any alterations, additions or improvements made by or on behalf of Tenant in the Premises and during any such period of Tenant's repair and restoration following substantial completion of the repair and restoration work.

14. **Condemnation.**

(a) Subject to the rights of Tenant set forth in this paragraph 14, Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant may be or become entitled with respect to the taking of the Premises or any part thereof, by condemnation or other eminent domain proceedings pursuant to any law, general or special, or by reason of the temporary taking of the use or occupancy of the Premises or any part thereof, by any governmental authority, civil or military except, Tenant shall be entitled to separately assert or claim against the taking authority for all moving and

relocation expense, and to that portion of the award relating to the value of the Tenant's Property, including without limitation, the unamortized cost of any Alterations paid for by the Tenant as elsewhere provided herein, so long as such claim does not reduce or diminish Landlord's claim. Basic Rent and all Additional Rent to be paid by Tenant under this Lease shall terminate and be apportioned as of the date title vests in the taking authority.

(b) If during the term of this Lease all or substantially all of the Premises including, without limitation, a portion of the parking facilities or access (other than a temporary taking), which renders the Premises untenantable (other than a temporary taking), shall be taken by or on account of any actual or threatened condemnation or other eminent domain proceeding pursuant to any law, general or special rendering the remaining premises uneconomic for the continued use or occupancy in the business of the Tenant, in the good faith judgment of the Landlord, this Lease shall terminate as of the date of vesting of title in the taking authority.

(c) If during any Term (i) a portion of the Premises shall be taken by condemnation or other eminent domain proceedings, which taking is not sufficient to give Landlord the option to terminate or (ii) the use or occupancy of the Premises or any part thereof shall be temporarily taken by any governmental authority, then this Lease shall continue in full effect with an abatement of Basic Rent, Additional Rent and other sums payable by Tenant hereunder to the extent of such partial or temporary taking and Landlord, solely to the extent of the amount of the Net Award received from the condemning authority, shall repair and restore the Premises thereon. Landlord shall not be obligated to expend any amount for repair or restoration in excess of the Net Award received by Landlord. Any repair or restoration beyond the amount of the Net Award received by Landlord shall be at Tenant's option and at Tenant's sole cost and expense; provided Tenant shall not be entitled to any rent abatement for any portion of the Premises not repaired or reconstructed due to a shortfall in the Net Award.

(d) For the purposes of this Lease the term "Net Award" shall mean: (i) all amounts paid as a result of any condemnation or other eminent domain proceeding, less all expenses for such proceeding not otherwise paid by Tenant in the collection of such amounts plus (ii) all amounts paid pursuant to any agreement with any condemning authority (which agreement shall be deemed to be a taking) which has been made in settlement of or under threat of any condemnation or other eminent domain proceeding affecting the Premises, less all expenses incurred as a result thereof not otherwise used by Tenant and the collection of such amounts.

15. **Services.**

Landlord shall not be required to furnish any services to the Premises, such as, but not limited to, those pertaining or utilizing water, heat, gas electricity, light and other energy or energy producing sources. Tenant shall be solely responsible for, and shall promptly pay all Operating Expenses (as defined in Paragraph 32(f)) in connection with the Premises.

16. **Assignment and Subletting.**

(a) Tenant may not sublet the Premises or assign its rights and interests under this Lease without the consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Landlord's consent shall not be withheld in the event Tenant seeks to assign this Lease in connection with a merger, consolidation or sale of substantially all of Tenant's assets with or to an entity having a net worth of at least Five Million Dollars ($5,000,000.00). For purposes of this Lease, "net worth" shall be determined in accordance with GAAP less the book value of all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights and franchises. If Landlord consents to an assignment by Tenant of all its rights and interests under this Lease, the assignee under such assignment shall expressly assume all the obligations of Tenant hereunder in an instrument, approved by Landlord as to form and substance (which approval will not be unreasonably withheld or delayed), delivered to Landlord at the time of such assignment. No assignment or sublease made as permitted by this paragraph 16 shall affect or reduce any of the obligations of Guarantor (hereinafter defined) under the Guaranty (hereinafter defined) or the obligations of Tenant hereunder and the Tenant shall remain unconditionally liable, and all such obligations shall continue in full force and effect as obligations of a principal and not as obligations of a guarantor or surety, to the same extent as though no assignment or subletting had been made; provided that performance by any such assignee or sublessee of any of the obligations of Tenant under this Lease shall be deemed to be performance by Tenant. Neither this Lease nor the Term hereby demised shall be mortgaged, pledged or hypothecated by Tenant, nor shall Tenant mortgage or pledge the interest of Tenant in and to any sublease of the Premises or the rentals payable thereunder. Any mortgage, pledge, sublease or assignment made in violation of this paragraph 16 shall be void.

(b) Notwithstanding the provisions of subparagraph 16(a) hereof Tenant shall, by notice in writing, advise Landlord of its intention from, on and after a stated date (which shall not be less than thirty (30) days after the date of the giving of Tenant's notice to Landlord) to assign this Lease or sublet any part or all of the Premises for the balance or any part of the Term. Tenant's notice shall include the name and address of the proposed assignee or subtenant, a true and complete copy of the proposed assignment or sublease, and sufficient information as Landlord reasonably deems necessary to permit Landlord to determine the financial responsibility, experience and character of the proposed assignee or subtenant.

17. **Financial Statements.** The Tenant shall provide Landlord within ninety (90) days of the end of each fiscal year of Tenant, annual audited balance sheets, income statements and statements of cash flow for the Tenant. Tenant agrees that Landlord may deliver a copy of such statements to its Mortgagee but otherwise Landlord shall treat such statements and information contained therein as confidential.

18. **Permitted Contests.** Tenant shall not be required to (i) pay any Imposition; (ii) comply with any statute, law, rule, order, regulation or ordinance; (iii) discharge or remove any lien, encumbrance or charge or (iv) obtain any waivers or settlements or make any changes

to take any action with respect to any encroachment, hindrance, obstruction, violation or impairment, so long as Tenant shall contest, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damages caused thereby, or the extent of its liability therefor, by appropriate proceedings during the pendency of which there is prevented (A) the collection of, or other realization upon, the charge or lien, encumbrance or charge so contested; (B) the sale, forfeiture or loss of the Premises, or any part thereof, or the Basic Rent or any Additional Rent, or any portion thereof; (C) any interference with the use or occupancy of the Premises or any part thereof; and (D) any interference with the payment of the Basic Rent or any Additional Rent, or any portion thereof. While any such proceedings are pending, Landlord shall not have the right to pay, remove or cause to be discharged the charge or lien, encumbrance or charge thereby being contested. Tenant further agrees that each such contest shall be promptly prosecuted to a final conclusion. Tenant shall pay, indemnify and save Landlord and Mortgagee harmless against, any and all losses, judgments, decrees and costs (including all attorneys' fees, appearance costs and expenses) in connection with any such contest and shall, promptly after the final settlement, compromise or determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together will all penalties, fines, interests, costs and expenses thereof or in connection therewith, and perform all acts, the performance of which shall be ordered or decreed as a result thereof; provided, however, that nothing herein contained shall be construed to require Tenant to pay or discharge any lien, encumbrance or other charge created by any act or failure to act of Landlord or the payment of which by Tenant is not otherwise required hereunder. No such contest shall subject Landlord or any Mortgagee to the risk of any criminal liability. Tenant shall give such reasonable security to Landlord or such Mortgagee as may be demanded by Landlord or such Mortgagee to insure compliance with the foregoing provision of this paragraph 18. Landlord, at Tenant's expense, agrees to join in any contest to the extent necessary.

19. **Conditional Limitations; Default Provisions.**

(a) Any of the following occurrences or acts shall constitute an event of default (herein called an "Event of Default") under this Lease:

(i) If Tenant, at any time during the continuance of this Lease (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings, at law, in equity, or before any administrative tribunal, which have or might have the effect of preventing Tenant from complying with the terms of this Lease), shall (1) fail to make any payment of Basic Rent, Additional Rent or other sum herein required to be paid by Tenant hereunder and such failure continues for five (5) days after notice from Landlord, provided Landlord shall not be required to give Tenant such notice more than two times during any twelve calendar month period, or (2) fail to observe or perform any other provision hereof for thirty (30) days after notice to Tenant of such failure has been given (provided, that in the case of any default referred to in this Lease which cannot with diligence be cured within such 30-day period, then upon receipt by Landlord of a Tenant's Certificate stating the reason such default cannot be cured within thirty (30) days and providing that Tenant is continuously proceeding with due diligence to cure such default), the time within which such

failure may be cured shall be extended for such period as may be necessary to complete the curing of the same with diligence; provided Tenant provides Landlord with reasonable security to assure Tenant's cure of such default; or

(ii) if any representation or warranty of Tenant or Guarantor, set forth in any notice, certificate, demand, request or other instrument delivered pursuant to, or in connection with this Lease shall prove to be either false or misleading in any material respect as of the time when the name shall have been made and Tenant or Guarantor shall fail to correct or rectify the false or misleading item to the reasonable satisfaction of Landlord within thirty (30) days after Tenant or Guarantor makes such representation or warranty; provided Landlord did not rely on such representation or warranty to Landlord's detriment; or

(iii) if Tenant or Guarantor, if any, shall file a petition commencing a voluntary case under the Federal Bankruptcy Code or any other federal or state law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called "Bankruptcy Law") or if Tenant or Guarantor, if any, shall (A) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) of the Premises or any part thereof or of any substantial portion of Tenant's or Guarantor's property, or (B) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due, or (C) make a general assignment for the benefit of its creditors, or (D) fail to controvert in a timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against Tenant or Guarantor, if any or otherwise filed against Tenant or Guarantor, if any pursuant to any Bankruptcy Law, or (E) take any action in furtherance of any of the foregoing; or

(iv) if an order for relief against Tenant or Guarantor, if any, shall be entered in any involuntary case under the Federal Bankruptcy Code or any similar order against Tenant shall be entered pursuant to any other Bankruptcy Law, or if a petition commencing an involuntary case against Tenant or Guarantor, if any or proposing the reorganization of Tenant or Guarantor under any Bankruptcy Law shall be filed and not be discharged or denied within sixty (60) days after such filing, or if a proceeding or case shall be commenced in any court of competent jurisdiction seeking (A) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of Tenant or Guarantor, if any, or (B) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or any similar official) of the Premises or any part thereof or of Tenant or Guarantor, if any or of any substantial portion of Tenant's property, or (C) any similar relief as to Tenant or Guarantor, if any pursuant to any Bankruptcy Law, and any such proceeding or case shall continue undismissed or an order, judgement or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for sixty (60) days; or

(v) if the Premises shall remain vacant for a period of ten (10) consecutive days, unless Tenant provides security for the Premises reasonably satisfactory to Landlord.

(b) If an Event of Default shall have happened and be continuing, Landlord shall have, in its sole discretion, the following rights:

(i) To give Tenant written notice of Landlord’s intention to terminate the term of this Lease on a date specified in such notice which date shall be no earlier than five (5) days after the receipt by Tenant of said notice. Thereupon, the term of this Lease and the estate hereby granted shall terminate on such date as completely and with the same effect as if such date were the date fixed herein for the expiration of the term of this Lease, and all rights of Tenant hereunder shall terminate.

(ii) To (A) re-enter and repossess the Premises or any part thereof by force, summary proceedings, ejections or otherwise and (B) remove all persons and property therefrom, whether or not the Lease has been terminated pursuant to subparagraph 19(b)(i) above and store Tenant’s personal property at Tenant’s expense. Such re-entry and repossession shall not work a forfeiture of the rents or other charges to be paid and covenants to be performed by Tenant during the full term of this Lease. Except for the notices required under the terms of this Lease, Tenant hereby expressly waives any and all notices to quit, cure or vacate provided by current or any future law. Landlord shall have no liability by reason of any such re-entry, repossession or removal. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord’s part to terminate this Lease unless a written notice of such intention be given to Tenant pursuant to subparagraph 19(b)(i) above.

(iii) To (but shall be under no obligation to except to the extent required by law) relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord or otherwise, without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent) and for such uses Landlord, in its absolute discretion, may determine. Landlord may collect and receive any rents payable by reason of such reletting. Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon any such reletting.

(iv) To recover from Tenant, and Tenant shall pay to Landlord on demand, as and for liquidated and agreed final damages for Tenant’s default and in lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the value of the Basic Rent and Additional Rent and other sums provided herein to be paid by Tenant to Landlord for the remainder of the Term, less the fair rental value of the Premises for said period, which difference shall be

discounted to present value at a rate equal to 300 basis points plus the then-current yield for the U.S. Treasury security having a maturity closest to the Lease termination date in effect prior to such default. If any law shall limit the amount of such liquidated final damages to less than the amount above agreed upon, Landlord shall be entitled to the maximum amount allowable under such statute or rule of law.

(v) To continue this Lease in effect for so long as Landlord does not terminate Tenant's right to possession of the Premises and Landlord may enforce all of its rights and remedies hereunder including without limitation the right to recover all Basic Rent, Additional Rent and other sums payable hereunder as the same become due.

(c) No termination of this Lease pursuant to subparagraph 19(b)(i), and no repossession of the Premises or any part thereof pursuant to subparagraph 19(b)(ii) or otherwise, and no reletting of the Premises or any part thereof pursuant to subparagraph 19(b)(iii), shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or reletting.

20. **Additional Rights of Landlord and Tenant.**

(a) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. The failure of Landlord to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. A receipt by Landlord of any Basic Rent, any Additional Rent or any other sum payable hereunder with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord, as the case may be. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provision of this Lease, or to decree compelling performance of any of the covenants, agreement, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity.

(b) Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right or privilege which it or any of them may have under any present or future constitution, statute or rule of law to redeem the Premises or to have a continuance of this Lease for the term hereby demised after termination of Tenant's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease or after the termination of the term of this Lease as herein provided, and (ii) the benefits of any present or future constitution,

statute or rule of law which exempts property from liability for debt or for distress for rent.

(c) In the event of an emergency or if an Event of Default shall have occurred and be continuing, then, without thereby waiving such Event of Default, as applicable, Landlord may, but shall be under no obligation to, take all action, including, without limitation, entry upon the Premises, to perform the obligations of Tenant hereunder immediately and without notice in the case of any emergency and upon five (5) business days' notice to Tenant in other cases. All reasonable expenses incurred by Landlord in connection therewith, including, without limitation, reasonable attorneys' fees and expenses (including, without limitation, those incurred in connection with any appellate proceedings) shall constitute Additional Rent under this Lease and shall be paid by Tenant to Landlord upon demand.

(d) If Tenant shall be in default in the performance of any of its obligations hereunder, Tenant shall pay to Landlord, on demand, all reasonable expenses incurred by Landlord as a result thereof, including, without limitation, reasonable attorneys' fees and expenses (including, without limitation, those incurred in connection with any appellate proceedings). If Landlord shall be made a party to any litigation commenced against Tenant and Tenant shall fail to provide Landlord with counsel approved by Landlord (such approval not to be unreasonably withheld) and pay the expenses thereof, Tenant shall pay all costs and reasonable attorneys' fees and expenses incurred by Landlord in connection with such litigation (including, without limitation, reasonable fees and expenses incurred in connection with any appellate proceedings). In the event either Landlord or Tenant shall bring an action or proceeding to enforce the terms of or declare any rights under this Lease, the Prevailing Party (hereinafter defined) in any such action or proceeding shall be entitled to reasonable attorneys' fees and costs. The term "Prevailing Party" shall include, without limitation, the party who substantially obtains or defeats the relief sought.

21. **Notices, Demands and Other Instruments.** All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been properly given if (a) with respect to Tenant, sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telegram, overnight express courier, facsimile followed by overnight express delivery or delivered by hand, in each case addressed to Tenant as follows:

Schultz Company
Attn: Daniel Schultz, Ph.D.
13260 Corporate Exchange Drive
Bridgeton, Missouri 63044
Fax No. 314.209.9004

And to: Schultz Company
Attn: James Scheetz
13260 Corporate Exchange Drive
Bridgeton, Missouri 63044
Fax No. 314.298.2777

And to: Roger Herman, Esq.
Rosenblum, Goldenhersh, Silverstein & Zafft, P.C.
7733 Forsyth Blvd. – 4th Floor
St. Louis, Missouri 63105
Fax No. 314.726.6786

(b) with respect to Landlord, sent by registered or certified mail, postage prepaid, or sent by telegram, overnight express courier, facsimile followed by overnight express delivery or delivered by hand in each case, addressed to Landlord as follows:

LGH Investment, L.L.C.
c/o Mac Greeno
161 Charter Place
Lavergne, TN 37086
Fax No. (615) 778-0937

And to: LGH Investment, L.L.C.
c/o Paul Lorenzini
701 Emerson Road, Suite 500
St. Louis, Missouri 63141
Fax No. 314.997.1405

And to: Union Planters Bank, N.A.
14323 South Outer Road
Chesterfield, MO 63017-0264

Notices given in behalf of a party by its attorney shall be effective for and in behalf of such party and shall be binding on such party. Landlord and Tenant shall each have the right from time to time to specify as its address for purposes of this Lease any other address in the United States of America upon fifteen (15) days' written notice thereof, similarly given, to the other party. Notwithstanding the above, Tenant shall have no obligation to give any notice to Mortgagee unless Landlord has provided Tenant in writing with the address of Mortgagee.

22. **Estoppel Certificate; Subordination.**

(a) Tenant shall at any time and from time to time, upon not less than twenty (20) days' prior request by Landlord or Mortgagee, execute, acknowledge and deliver to Landlord or Mortgagee an executed Tenant's Certificate on the form attached hereto as Exhibit D, with such additional information as Landlord or Mortgagee may reasonably request. Any such certificate may be relied upon by any Mortgagee or prospective purchaser or prospective mortgagee of the Premises. Tenant shall be permitted to note

any exceptions to or innacuracies with respect to the matters described in the Tenant Certificate. If requested by Tenant, Landlord shall provide Tenant with a document certifying to Tenant the items contained in numbered paragraphs 2, 3 and 4 of Exhibit D or such additional information as Tenant may request.

(b) This Lease and all rights of Tenant are hereby subordinate to any lien of Mortgagee, now or hereinafter, in force against the Building or Land and to all advances made or thereafter to be made upon the security thereof; provided Mortgagee or a purchaser at foreclosure complies with paragraph 22(d) hereof and any non-disturbance agreement in effect.

(c) In the event of foreclosure, Tenant shall attorn to, and be liable to and recognize Mortgagee or such other party (or such person as Mortgagee or such other party may direct) as Tenant's new landlord for the balance of the Term of the Lease, upon and subject to all the terms and conditions of this Lease and any non-disturbance agreement between Tenant and any such Mortgagee. Such successor in interest will not be bound by:

(1) any payment of Basic Rent for more than one month in advance; or

(2) any amendment or modification of this Lease made without its written consent;

(3) or be liable to Tenant for any act or default on the part of the Landlord under the Lease of which Mortgagee, or its successors or assigns, did not receive notice of from Tenant prior to Mortgagee, or its successors or assigns, succeeding to the rights of Landlord under the Lease;

(4) or be required to indemnify Tenant under the terms of the Lease with respect to any claim arising out of a breach of warranty of the Landlord or any acts or defaults of Landlord prior to such successor in interest taking possession or any environmental conditions; and Tenant shall have no right to assert the same or any damages or claim for remedy arising therefrom as an offset or defense against Mortgagee, its successors or assigns;

(5) or be obligated or liable to Tenant for any security deposit or other sums deposited with any prior landlord (including the Landlord) under the Lease and not physically delivered to the Mortgagee;

(6) or be obligated or liable to Tenant with respect to the construction and completion of any improvements on the Premises for Tenant's use, enjoyment or occupancy;

(7) or subject to any offsets or defenses which the Tenant might have against any prior landlord (including the Landlord); or

(8) shall not be obligated to expend more than the proceeds of insurance to repair and rebuild the Premises in the event of a casualty.

(d) In the event of foreclosure, Tenant shall thereafter make payments of Basic Rent, Additional Rent and all other sums due hereunder to Mortgagee or such other party, and otherwise perform all of Tenant's obligations set forth in this Lease; PROVIDED THAT, in all cases (both before and after any Mortgagee succeeds to the rights of Landlord under this Lease), so long as Tenant shall pay when due, such rent and impositions and otherwise perform such other tenant obligations as set forth in this Lease, or so long as Tenant shall cure any failure to so pay or so to perform within the applicable grace periods, if any, set forth in this Lease after notice, if any is required under this Lease, then:

(1) Tenant shall not be joined as an adverse or party defendant in any action or proceeding which may be instituted or commenced by the Mortgagee to foreclose or enforce the mortgage;

(2) Tenant shall not be evicted from the Premises, nor shall any of Tenant's rights to use and possession under this Lease be affected in any way by reason of the subordination or any modification of or default under the Mortgage and, except to the extent expressly provided above, Tenant's rights and remedies under this Lease and the terms and provisions hereof shall not be affected or reduced; and

(3) Tenant's leasehold estate under this Lease shall not be terminated or disturbed during the Term of the Lease by reason of any default under the Mortgage.

(e) The provisions of Paragraphs (b), (c) and (d) above will be self-operative and no further instrument of subordination will be required in order to effect it. Nevertheless, Tenant will execute, acknowledge and deliver to Landlord, at any time and from time to time, upon demand by Landlord, such documents as may be reasonably requested by Landlord, any ground lessor or underlying lessor or any mortgagee, or any holder of a deed of trust or other instrument described in this Paragraph, to confirm or effect any such subordination, provided that such instrument also contains nondisturbance provisions in the form of subparagraph (d)(1), (2), and (3) or otherwise reasonably acceptable to Tenant.

Upon request by such successor in interest and without cost to Landlord or such successor in interest, Tenant will execute, acknowledge, and deliver such reasonable instrument or instruments which also contains nondisturbance provisions reasonably acceptable to Tenant and such successor in interest. The instrument of attornment and nondisturbance will also provide that, provided Tenant is not in default under the terms of this Lease, such successor in interest will not disturb Tenant in its use of the Premises in accordance with this Lease.

(f) So long as an Event of Default by Tenant under the terms of this Lease has not occurred, Landlord covenants that Tenant shall and may peaceably and quietly have, hold and enjoy the Premises, and all parts thereof, for the Term hereby granted, subject to the terms and provisions hereof.

23. **No Merger.** There shall be no merger of this Lease or the leasehold estate hereby created with the fee estate in the Premises or any part thereof by reason of the same person acquiring or holding, directly or indirectly, this Lease or the leasehold estate hereby created or any interest in this Lease or in such leaseholder estate as well as the fee estate in the Premises or any portion thereof

24. **Surrender.**

(a) Upon the termination of this Lease, Tenant shall peaceably surrender the Premises to Landlord in the same condition in which they were received from Landlord at the commencement of this Lease, except as altered as permitted or required by this Lease and except for ordinary wear and tear and damage due to condemnation and casualty. Provided that Tenant is not in default hereunder, Tenant shall remove from the Premises prior to such termination all property not owned by Landlord, and, at Tenant's expense, shall at such times of removal, repair any damage caused by such removal. Property not so removed shall become the property of Landlord. Landlord may thereafter cause such property to be removed and disposition and the cost of repairing any damage caused by such removal shall be borne by Tenant. Notwithstanding anything to the contrary contained herein, upon termination of this Lease, all fixtures, including, but not limited to, the heating, ventilation and air conditioning systems shall remain on the Premises and shall become the property of Landlord, except as provided in Paragraph 11 hereof.

(b) Tenant shall pay Landlord for each day Tenant retains possession of the Premises or any part thereof after termination of this Lease, by lapse of time or otherwise, an amount equal to one hundred fifty percent (150%) of the amount of rent for a day based on the annual rate of Basic Rent applicable under Section 5 on the last day of the immediately preceding term of this Lease. Nothing herein shall be construed or operate as a waiver of Landlord's right of re-entry or any other right of Landlord.

25. **Separability.** Each and every covenant and agreement contained in this Lease is separate and independent, and the breach of any thereof by Landlord shall not discharge or relieve Tenant from any obligation hereunder except as to the contrary provided herein. If any term or provision of this Lease or the application thereof to any person or circumstances shall at any time be invalid and unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances or at any time other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforced to the extent permitted by law.

26. **Savings Clause.** No provision contained in this Lease which purports to obligate the Tenant to pay any amount of interest or any fees, costs or expenses which are in excess of the maximum permitted by applicable law, shall be effective to the extent that it calls for payment of any interest or other sums in excess of such maximum.

27. **Binding Effect.** All of the covenants, conditions and obligations contained in this Lease shall be binding upon and inure to the benefit of the respective successors and assigns of Landlord, Tenant and Mortgagee.

28. **Memorandum of Lease.** If requested by Landlord, Tenant or Mortgagee, Landlord and Tenant shall enter into a memorandum of this Lease reasonably acceptable to both parties and record the same in the appropriate public records.

29. **Table of Contents, Headings.** The table of contents and headings used in this Lease are for convenient reference only and shall not to any extent have the effect of modifying, amending or changing the provisions of this Lease.

30. **Governing Law.** This Lease shall be governed by and interpreted under the laws of the state in which the Premises are located.

31. **Landlord's Liability.** It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that each and all of the representations, warranties, covenants, undertakings, and agreements herein made on the part of any Landlord while in form purporting to be the representations, warranties, covenants, undertakings, and agreements of such Landlord are nevertheless each and every one of them made and intended, not as personal representations, warranties, covenants, undertakings, and agreements by such Landlord or for the purpose or with the intention of binding such Landlord personally, but are made and intended for the purpose only of subjecting such Landlord's interest in the Premises to the terms of this Lease and for no other purpose whatsoever, and in case of default hereunder by any Landlord (or default through, under, or by its, or agents or representatives of said), the Tenant shall look solely to the interests of such Landlord in the Premises; that no Landlord nor its shall have any personal liability to pay any indebtedness accruing hereunder or to perform any covenant, either express or implied, herein contained. Notwithstanding anything to the contrary contained herein, any Landlord in possession of Tenant's Security Deposit shall be personally liable and responsible for the proper disposition thereof, unless and until such time as: (1) said Security Deposit is transferred to a successor Landlord; (2) the successor Landlord acknowledges in writing its receipt thereof; and (3) the successor Landlord assumes in writing to be responsible for the Landlord's obligations under this Lease with respect to the Security Deposit.

32. **Certain Definitions.**

(a) The term "Adjustment Year" means each calendar year all or any part of which falls within the Term of this Lease.

(b) The term "Guarantor" means Daniel J. Schultz and Steven Schultz.

(c) The term "Imposition" means:

(i) all taxes, assessments, (expressly excluding any development impact fees or assessments) levies, fees, water and sewer rents and charges, and all other governmental charges of every kind, general and special, ordinary and extraordinary, whether or not the same shall have been within the express contemplation of the parties hereto,

(ii) together with any interest and penalties thereon, which are, at any time, imposed or levied upon or assessed against (A) the Premises or any part

thereof, (B) any Basic Rent, any Additional Rent reserved or payable hereunder, (C) this Lease or the leasehold estate hereby created or which arise in respect of the operation, possession, occupancy or use of the Premises except as provided herein; all of which, Landlord agrees shall be payable over the maximum period or number of installments allowable without penalty.

(iii) any gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Basic Rent, Additional Rent or any other sums payable by Tenant hereunder or levied upon or assessed against the Premises; and

(iv) all sales and use taxes which may be levied or assessed against or payable by Landlord or Tenant on account of the acquisition, leasing or use of the Premises or any portion thereof

(d) The term “Lease” means:

this lease agreement as amended and modified from time to time together with any memorandum or short form of lease entered into for the purpose of recording.

(e) The term “Landlord” means:

the owner of the rights of the lessor under this Lease and any heirs, successors and assigns, and upon any assignment or transfer of such rights, except an assignment or transfer made as security for an obligation, the assignor or transferor shall be relieved of all future duties and obligations under this Lease (except as provided in Section 31) and the assignee or the transferee shall expressly agree in writing to be bound by and to assume all the covenants of Landlord hereunder.

(f) The term “Operating Expenses” means and includes:

All costs and expenses for operating, maintaining and repairing the Building and Land including without limitation the cost of: (i) maintenance and service requirements of or for alarm service, sprinkler system, snow removal, cleaning of common parking areas, driveways and sidewalks, (ii) cost of all utility service including, without limitation, electricity, telephone, sewer and water, power, gas, heating, light and air conditioning, garbage collection furnished to the Building, (iii) maintenance, repairs and replacement of the Building, landscaping, parking areas, driveways and sidewalks, and (iv) janitorial service.

(g) The term “Permitted Mortgagee” means:

any first mortgage, deed of trust, security agreement, assignment of lease or other security instrument relating to the Premises and this Lease,

subject to the rights of Tenant under this Lease, and securing a borrowing by Landlord.

(h) The term “Mortgagee” means:

holder of a Permitted Mortgage.

33. **Exhibits and Schedules.** The following are Exhibits A, B, C and D and Schedule 11 referred to in this Lease, which are hereby incorporated by reference herein and made a part thereof.

a) Exhibit A

To Lease: Survey of Premises

b) Exhibit B

To Lease: Basic Rent Payments

c) Exhibit C

To Lease: Minimum Maintenance Requirement Schedule

d) Exhibit D

To Lease: Tenant’s Certificate

e) Exhibit E Guaranty

f) Schedule 11 Tenant’s Property

34. **Inconsistent Actions.** Tenant and Landlord each intend that the Landlord is, and shall be treated as, the owner of the Premises for all purposes, and that Tenant’s interest in the Premises is solely that of a lessee pursuant to this Lease. Tenant shall not take any action and shall cause Tenant’s affiliates to take no action (including without limitation, the filing of any tax return) which would be inconsistent with the aforesaid.

35. **Brokerage.** Landlord and Tenant each represent to the other party hereto that he or it has not dealt with any broker in connection with this Lease or the transaction of which this Lease is a part, Landlord and Tenant shall each indemnify the other from and against any and all damages, claims and expenses (including, without limitation, reasonable attorneys’ fees) arising out of the breach on their respective parts of the representations contained in this Paragraph 35.

36. **Signage.** Tenant is hereby authorized, at Tenant’s cost and expense, to design, install and maintain:

(a) its corporate identification signs on the Premises; and

(b) such other interior and exterior signage on the Premises as Tenant shall desire.

All such Tenant signage shall be consistent with any valid, private subdivision restrictions (if any) applicable to the Premises, be in conformance with all applicable governmental zoning and building regulations, laws and ordinances and be submitted to Landlord for its prior written approval, which shall not be unreasonably withheld.

37. **ACKNOWLEDGEMENT OF WAIVER OF JURY TRIAL. LANDLORD AND TENANT AGREE THAT TO THE EXTENT PERMITTED BY LAW, EACH SHALL AND DOES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY E AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES OR ANY EMERGENCY OR STATUTORY REMEDY.**

38. **Guaranty.** Tenant agrees to deliver to Landlord upon the execution of this Lease a Guaranty of this Lease in the form attached hereto as Exhibit E ("Guaranty") from Daniel J. Schultz and Steven Schultz ("Guarantor").

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above set forth.

LANDLORD: LGH INVESTMENT, L.L.C.

By: THE LORENZINI FAMILY PARTNERSHIP, L.P., DATED JULY 25, 1996, Member

By: /s/ PAUL G. LORENZINI

Paul G. Lorenzini,
Managing Partner

TENANT: CHEMICAL DYNAMICS, INC. D/B/A SCHULTZ COMPANY

By: /s/ STEVE SCHOLTZ

Print Name: **Steve Scholtz**

Title: **President**

EXHIBIT "A"

SURVEY OF PREMISES

Reference is made to that certain ALTA/ACSM Land Title Survey prepared by Stock & Associates dated 8/24/99, Job No. 97-1348.03.

EXHIBIT “B”

BASIC RENT PAYMENTS

PERIOD	MONTHLY BASIC RENT
Lease Year: 1 – 5	70,833.33
Lease Year: 6 –10	77,916.67
Lease Year: 11-15	85,708.33

The Monthly Basic Rent shall be payable on the first day of each calendar month of the Term. If the first day of any calendar month falls on a holiday, Saturday or Sunday, rent for that month shall be due on the first business day of such month.

EXHIBIT “C”

MINIMUM MAINTENANCE REQUIREMENT SCHEDULE

Tenant shall keep in force a maintenance contract, in a form and with a contractor satisfactory to Landlord, providing for inspection at least once each calendar quarter of the heating, air conditioning and ventilating equipment, and providing necessary repairs thereto. Tenant shall furnish Landlord a copy of such contract prior to the Commencement Date

EXHIBIT “D”

TENANT ESTOPPEL CERTIFICATE

The undersigned, Chemical Dynamics, Inc. d/b/a Schultz Company (the “Tenant”) is the tenant under that certain Lease and Agreement (the “Lease”) dated January ____, 2000 between the Tenant and LGH Investment, L.L.C., as the landlord (the “Landlord”) of certain real property located in the County of St. Louis in the State of Missouri commonly known as 13260 Corporate Exchange Dr., Bridgeton, MO 63044-3720.

l. The Tenant is the owner and holder of all rights, title and interest in the leasehold estate created by the Lease and has no actual knowledge of any prior assignment of the Landlord’s interest in the Lease.

2. The Lease is in full force and effect and has not been modified, supplemented, canceled or amended in any respect except as stated above.

3. The term of the Lease commenced on ________________________ and continues through at least _________________. The Tenant is obligated to pay Basic Rent in monthly installments in an amount not less than $_____________, which rent obligation is continuing and is not past due or delinquent in any respect. No installment of rent has been or will be prepaid more than one month in advance.

4. To the best of Tenant’s knowledge, no event has occurred or is continuing which would constitute a default by either the Tenant or the Landlord under the Lease or would constitute such a default but for the requirement that notice be given or that a period of time elapse or both. No offset or credit exists with respect to any rents or other sums payable or to become payable by the Tenant under the Lease.

In witness whereof, the Certificate has been duly executed and delivered by the authorized officers of the undersigned as of _____________________, ___________________.

TENANT:

CHEMICAL DYNAMICS, INC. D/B/A
SCHULTZ COMPANY

By: ____
Name: ____
Its: ____

EXHIBIT E

GUARANTY

LEASE GUARANTY

THIS LEASE GUARANTY given this __________ day of January 2000, by Daniel J. Schultz and Steven D. Schultz ("Guarantors"), with an address at 13260 Corporate Exchange Drive, Bridgeton, Missouri 63044, to LGH INVESTMENT, L.L.C., a Missouri limited liability company, with an address of 161 Charter Place, Lavergne, Tennessee 37086, Attention: Malcolm L. Greeno ("LGH").

W I T N E S S E T H:

WHEREAS, LGH recently purchased from Chemical Dynamics, Inc., d/b/a The Schultz Company ("Schultz") a building located on a tract of land more commonly known as 13260 Corporate Exchange Drive, Bridgeton, Missouri 63044 (the "Premises"); and

WHEREAS, LGH, as Landlord and Schultz, as Tenant, thereafter entered into that certain Lease and Agreement of even date herewith (the "Lease") for the Premises; and

WHEREAS, Schultz has certain obligations, including, without limitation the payment of rent and performance of covenants under the Lease (collectively, the "Obligations"); and

WHEREAS, Guarantors are the principals of Schultz and as such will derive substantial benefit and other considerations as a result of LGH entering into the Lease with Schultz.

NOW, THEREFORE, in consideration of LGH's entering into the Lease with Schultz, Guarantors hereby agree as follows:

1. That Guarantors do hereby unconditionally and absolutely guarantee to LGH the full, prompt and complete payment by Schultz, and not just the collectibility, of (a) the amount of the Obligations after first taking into account any payments with respect to the Obligations made by Schultz to LGH which payments shall not reduce Guarantors' liability under this Guaranty, and (b) the amount of all costs, fees and expenses (including reasonable attorneys' fees) incurred by LGH in any action or proceeding of any kind in seeking payment under this Guaranty (the payment of the foregoing items being hereinafter sometimes collectively referred to as the "Amount Guaranteed"). Notwithstanding the foregoing, Guarantors shall be released from this Lease Guaranty: i) on the date that is seven (7) years after the Commencement Date (as defined in the Lease); ii) at any time after the date that is five (5) years after the Commencement Date, provided Schultz has provided LGH with audited annual financial statements prepared by a recognized firm of certified public accountants for the previous three (3) calendar years showing that Schultz has achieved a net worth of Seven Million Five Hundred Thousand Dollars ($7,500,000) in each of the previous three (3) fiscal years; or iii) Schultz, or any permitted assignee of Schultz under the Lease, provides LGH with an audited annual financial statement prepared by a recognized firm of certified public accountants during any Lease year showing that Schultz has achieved a net worth of Ten Million Dollars ($10,000,000); provided a release of Guarantors under items i) through iii) above is expressly conditioned on no outstanding notice of default having been given by LGH to Schultz under the Lease or by LGH to Guarantor under this Lease Guaranty which default remains uncured (release being effective upon cure of such default provided no further notice of default has been given). At such time as

any release becomes effective, Landlord shall provide, at Tenant's request, written confirmation of the release of Guarantors from further liability under this Lease Guaranty. For purposes of this Lease Guaranty, the net worth of Schultz shall be determined in accordance with GAAP less the book value of all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights and franchises.

2. That Guarantors does hereby waive: (a) notice of acceptance hereof and any and all other notices which by law or under the terms and provisions of the Lease are required to be given to Schultz; (b) any demand for or notice of default of the payment of sums payable by Schultz and the performance of all and singular the terms, covenants, obligations, conditions and provisions in the Lease required to be performed as the Obligations by Schultz; (c) any legal obligation, duty or necessity for LGH to proceed first against Schultz or to exhaust any remedy LGH may have against Schultz, it being agreed that in the event of default or failure of performance of the Obligations in any respect by Schultz under the Lease, LGH may proceed and have right of action solely against either Guarantors or Schultz or jointly against Guarantors and Schultz; and (d) any limitation or exculpation of liability on the part of the Schultz whether contained in the Lease or otherwise. In the event of a default by the Guarantors or Schultz, the Amount Guaranteed shall include interest at a rate per annum on the Amount Guaranteed equal to the current prime rate published by Union Planters Bank, commencing as of the due date thereof until paid.

3. That: (a) any modification, amendment, change or extension of any of the terms, covenants or conditions of the Lease which Schultz (which term shall include, without limitation, a trustee in bankruptcy) and LGH may hereafter make; or (b) any forbearance delay, neglect or failure on the part of LGH in enforcing any of the terms, covenants, conditions or provisions of the Lease; or (c) any assignment of the Lease by Schultz (whether voluntarily or by operation of law); or (d) any acceptance by LGH of any additional security or guarantees of any kind; or (e) any release, settlement or compromise of any claim of LGH against Schultz, shall not in any way affect, impair or discharge Guarantors' unconditional liability to LGH hereunder (and Guarantors shall be bound by any and all such modifications whether or not Guarantors have consented thereto or has knowledge thereof), nor shall Guarantors' liability hereunder be impaired, affected or discharged by any act done or omitted to be done or by any waiver by either LGH or Schultz, notwithstanding that Guarantors may not have consented thereto or may not have notice or knowledge thereof.

4. That Guarantors shall not be entitled to make any defense against any claim asserted by LGH in any suit or action instituted by LGH to enforce this Guaranty or the Lease or be excused from any liability hereunder which Schultz could not make or invoke, and Guarantors hereby expressly waive any defense in law or in equity which is not or would not be available to Schultz, it being the intent hereof that the liability of Guarantors hereunder is primary and unconditional. Without limiting the generality of the foregoing, the Guarantors will not assert against LGH any defense of waiver, release, discharge in bankruptcy, statute of limitation, res judicata, statute of frauds, fraud, ultra vires acts, illegality or unenforceability which may be available to the Schultz in respect to the Lease or any setoff available against LGH to the Schultz whether or not on account of a related transaction. The liability of the Guarantors shall not be affected or impaired by any voluntary or involuntary dissolution, sale or other disposition of all

or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of, or other similar event or proceeding affecting the Schultz or any of its assets and that upon the institution of any of the above actions, at LGH's sole discretion and without notice thereof or demand therefor, the Guarantors' obligations shall become due and payable and enforceable against the Guarantors, whether or not the Amount Guaranteed is then due and payable.

5. That all indebtedness, liability or liabilities now or at any time or times hereafter owing by Schultz to the Guarantors is hereby subordinated to the Amount Guaranteed and any payment of indebtedness of the Schultz to the Guarantors, if LGH so requests, shall be received by the Guarantors as trustee for LHG on account of the Amount Guaranteed.

6. That Guarantors hereby represents and warrants to LGH as follows as of the date hereof:

(a) Guarantors are not insolvent or bankrupt and there has been no (i) assignment made for the benefit of the creditors of Guarantors, (ii) appointment of a receiver of Guarantors or for the properties of Guarantors, or (iii) any bankruptcy, reorganization, or liquidation proceeding instituted by or against Guarantors.

(b) There has been no material, adverse change in the representations made or information heretofore supplied by or on behalf of Guarantors in connection with the Lease as to the composition, structure, finances, business operations, credit prospects or financial condition of Guarantors.

(c) There is no litigation, arbitration, or other proceeding or governmental investigation pending or, to the best of Guarantors' knowledge, threatened against or relating to the Guarantors or their property, assets, or business.

7. That this Guaranty shall be binding upon the successors and assigns of Guarantors and shall inure to the benefit of LGH and its successors and assigns.

8. This Guaranty is delivered in and made in and shall in all respects be construed pursuant to the laws of the State of Missouri.

9. THAT GUARANTORS AND LGH EACH HEREBY EXPRESSLY WAIVES TRIAL BY JURY IN THE STATE OF MISSOURI IN ANY ACTION OR PROCEEDING ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS GUARANTY. GUARANTORS OR LGH SHALL, IF DIRECTED BY THE OTHER PARTY, FILE EVIDENCE OF THIS WAIVER WITH A COURT OF COMPETENT JURISDICTION IN COMPLIANCE WITH MISSOURI SUPREME COURT RULE 69.01(b) AND IF GUARANTORS OR LGH, AS THE CASE MAY BE, FAILS TO SO FILE SUCH EVIDENCE WITHIN FIVE (5) DAYS AFTER THE OTHER PARTY'S REQUEST, GUARANTORS OR LGH AS THE CASE MAY BE, HEREBY GRANTS TO THE OTHER PARTY AN IRREVOCABLE POWER OF ATTORNEY (WHICH SHALL BE DEEMED TO BE COUPLED WITH AN INTEREST) TO FILE THIS GUARANTY OR EVIDENCE OF THIS

WAIVER WITH A COURT OF COMPETENT JURISDICTION IN ORDER TO EFFECT THIS WAIVER AS PROVIDED IN MISSOURI SUPREME COURT RULE 69.01(b).

10. Except as otherwise expressly provided in Paragraph 1 hereof, Guarantors further agree that no act or thing, except for payment in full of the Amount Guaranteed, which but for this provision might or could in law or in equity act as a release of the liabilities of the Guarantors hereunder shall in any way affect or impair this Guaranty, and the Guarantors agree that this shall be a continuing, absolute and unconditional Guaranty and shall be in full force and effect until the Amount Guaranteed has been paid in full. Notwithstanding the foregoing, but subject in all respects to the limitation on Guarantors' liability hereunder, the Guaranty shall be a continuing, absolute and unconditional Guaranty for: (i) Obligations that are delinquent (including any and all interest and penalties accrued thereon); and (ii) all reasonable costs incurred by LGH in connection with the recovery of any amounts from the Guarantors under this Guaranty.

Executed the date first above written.

GUARANTORS

____
Daniel Schultz

____
Steven Schultz

SCHEDULE 11

Tenant's Property

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") dated as of October 3, 2002 is made by and between PURSELL HOLDINGS, LLC, an Alabama limited liability company, having its principal office at Post Office Box 1187, Sylacauga, Alabama 35150, as lessor (the "Lessor", and SYLORR PLANT CORP., a Delaware corporation, having its principal place of business at 8825 Page Boulevard, St. Louis, Missouri 63114, as lessee (the "Lessee").

W I T N E S S E T H:

WHEREAS, Lessor and Lessee desire to enter into this Lease in connection with the consummation of the transactions specified in the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

1.1 Definitions.

For purposes of this Lease, capitalized terms used in this Lease and not otherwise defined herein shall have the meanings assigned to them in Appendix A attached hereto and incorporated herein by this reference. Unless otherwise indicated, references in this Lease to articles, sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in this Lease.

1.2 Interpretation.

The rules of usage set forth in Appendix A shall apply to this Lease.

ARTICLE II

2.1 Demised Premises.

Subject to the terms and conditions hereinafter set forth, Lessor hereby leases onto Lessee, and Lessee hereby leases from Lessor, the premises consisting of the real property as legally described in Exhibit "A" (attached hereto and incorporated herein), certain Equipment as described in Exhibit "B" (attached hereto and incorporated herein), and all improvements located thereon (together with all easements, rights and privileges appurtenant thereto) (the "Demised Premises").

2.2 Lease Term.

(a) The term of this Lease (the "Term" shall begin on the closing date (the "Closing") of the Asset Purchase Agreement (the "Commencement Date") (provided, however, that in the event the closing date under the Asset Purchase Agreement occurs after December 31, 2002 this Lease shall terminate and Lessor and Lessee shall be fully released from all obligations and liabilities hereunder), and shall end on the date four (4)

years after the Commencement Date, unless the Term is earlier terminated by Lessee as provided herein. Lessee shall have the right to terminate this Lease, for no reason or any reason, in its sole discretion, at any time after the date two years after the Commencement Date (including during any extension period) by providing written notice to Lessor of its intention to terminate the Lease not less than one hundred eighty (180) days prior to such termination date.

(b) If Lessee is not then in default hereunder and the Supply Agreement continues in full force and effect, Lessee shall have the option to extend the Term of this Lease for two (2) extension periods of two (2) years each, with Fixed Rent set and adjusted by the CPI Adjustment Method, by providing written notice of its election to exercise its option not less than ninety (90) days prior to expiration of the original Term or renewal Term, as applicable. For the sake of clarity, the Fixed Rent shall be adjusted by the CPI only once during each extension of the Lease.

(c) The obligations of the parties under this Lease are contingent upon the delivery to Lessor from (i) Pursell Industries, Inc. ("Pursell") of a Lease Termination Agreement in form and substance reasonably acceptable to Lessor and Lessee which provides, inter alia, that Pursell's possession of the Demised Premises shall terminate upon the Closing, and (ii) Lessee's counsel an opinion letter in counsel's standard form as to organization, corporate power, authorization, execution and delivery, in form and substance reasonably acceptable to Lessor and Lessee, to be delivered by Lessee at the closing of the transactions contemplated by the Asset Purchase Agreement, in no event later than October 15, 2002.

ARTICLE III

3.1 Rent.

(a) Lessee shall pay to Lessor during the term of this Lease and during any extension periods or renewals, an annual fixed rent ("Fixed Rent") of $600,000.00, payable in equal monthly installments of $50,000.00 each, in advance on the first day of the first calendar month during the Term and continuing throughout the balance of the Term, provided, however, that if the Commencement Date is not the first (1st) day of a calendar month, then on or before the Commencement Date, Lessee shall pay to Lessor as rent for the partial month a pro rata part of such monthly installment of rent.

(b) All payments of Fixed Rent (unless otherwise specified in this Lease as to certain payments of Supplemental Rent) shall be made to Lessor at Lessor's address set forth in Article XXIII, or to such other place as Lessor may specify from time to time by written notice delivered to Lessee in accordance with Article XXIII at least thirty (30) days in advance.

(c) Lessee shall make all payments of Rent prior to 12:00 Noon, Birmingham, Alabama time, on the applicable date for payment of such amount.

3.2 Supplemental Rent.

Lessee shall pay to the Person entitled thereto any and all Supplemental Rent when and as the same shall become due and payable, and if Lessee fails to pay any Supplemental Rent within ten (10) Business Days after notice that the same is due, Lessor shall have all rights, powers and remedies provided for herein in the case of nonpayment of Fixed Rent. In the event Supplemental Rent is due to Lessor, Lessor shall give Lessee written notice of the amount of Supplemental Rent due and shall state in the notice the due date for the same. Lessee shall pay to the appropriate Person, as Supplemental Rent due and owing to such Person, (a) any and all payment obligations (except for amounts payable as Fixed Rent) owing from time to time hereunder and (b) interest at the applicable Overdue Rate on any installment of Fixed Rent not paid when due for the period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded by the appropriate Person for the period from the due date or the date of any such demand, as the case may be, until the same shall be paid. The expiration or other termination of Lessee's obligations to pay Fixed Rent hereunder shall not limit or modify the obligations of Lessee with respect to Supplemental Rent incurred prior to the date of termination or expiration or due as a result of the occurrence of an Event of Default. Unless expressly provided otherwise in this Lease, in the event of any failure on the part of Lessee to pay and discharge any Supplemental Rent as and when due, Lessee shall also promptly pay and discharge any fine, penalty, interest or cost which may be assessed or added for nonpayment or late payment of such Supplemental Rent, all of which shall also constitute Supplemental Rent.

3.3 Performance on a Non-Business Day.

If any Fixed Rent or Supplemental Rent is due hereunder on a day that is not a Business Day, then such Fixed Rent or Supplemental Rent shall be due on the next succeeding Business Day.

ARTICLE IV

4.1 Real Estate Taxes.

(a) Lessee shall pay, as Supplemental Rent, directly to the appropriate tax authority all Taxes which become due and payable during the Term as set forth in this Section. For the purposes of this Lease, the term "Taxes" shall mean all real estates taxes and general assessments imposed upon the Demised Premises or any portion thereof during the Term. If any Taxes are payable in installments (regardless of whether or not interest accrues on the unpaid balance of such Taxes), Lessee shall have the right to pay such Taxes in installments and shall only be obligated to pay such installments which are due and payable during the Term when they become due and payable.

(b) Notwithstanding the foregoing, any such Taxes shall be pro-rated at the commencement and the expiration of the Term to take into account the time during which Lessee was not leasing the Demised Premises. If any parcel of real property included within the Demised Premises does not have a tax parcel identification number ("PIN') as of the Commencement Date or if the Demised Premises includes any portion of any

parcel of real property with a separate PIN, then Lessor shall use its best efforts to cause the PINs relating to the relevant parcels to be amended or new PINs to be created as soon as practicably possible so that the Demised Premises is covered by one or more separate PINs which do not include any additional real property.

(c) Lessor agrees to deliver to Lessee all original bills for Taxes promptly upon receipt by Lessor, and Lessee shall pay such Taxes when the same are due and payable to the taxing authority; provided, however, that Lessee shall not be required to pay interest or penalties resulting from Lessor's late delivery of such tax bills to Lessee.

(d) Lessee shall have the right to contest the amount or validity, in whole or in part, of any Taxes by appropriate proceedings diligently conducted in good faith, after paying the Taxes or funding reserves, in accordance with generally accepted accounting principles then in effect ("GAAP"), in an amount equal to such Taxes. Upon the termination of those proceedings, Lessee shall pay the amount of Taxes finally determined to be due and owing together with any costs, fees, interest, penalties or other related liabilities. Lessor shall not be required to join in any contest or proceedings unless the provisions of any Laws (as defined herein) then in effect require that the proceedings be brought by or in the name of Lessor. In that event, Lessor shall join in the proceedings or permit them to be brought in its name. Within a reasonable time after demand therefor, Lessor shall execute and deliver to Tenant any documents which are required to enable Lessee to prosecute any such proceeding. Lessor's failure, within a reasonable period of time, to execute and deliver to Lessee any such documents, or to take any other action or to supply any information (to the extent available) requested by the Lessee in writing and required in order to enable Lessee to prosecute any such proceeding shall relieve Lessee from its obligation to pay any increase in real estate taxes in respect of the tax period in question as compared to the real estate taxes for the prior tax period. If Lessee obtains a reduction or abatement of Taxes, Lessee shall be entitled to receive all reduction or abatement proceeds (after reimbursement of any costs and expenses incurred by Lessor, or to which Lessor is subject under this Section) relating to the tax years occurring during the Term of this Lease.

4.2 Utilities.

Lessee shall pay, as Supplemental Rent, for all utility services supplied to the Demised Premises and used or consumed by Lessee (the "Utilities"), including, without limitation, all water, gas, electricity, light, heat and telephone. Lessor shall use its best efforts to cause such Utilities to be billed directly to Lessee prior to the Commencement Date. Lessor agrees to deliver to Lessee any original bills for Utilities by Lessor promptly following such receipt.

ARTICLE V

5.1 Quiet Enjoyment.

Subject to the rights of Lessor contained in Sections 15.1, 15.2 and 15.3 of this Lease, Lessor warrants that Lessee shall peaceably and quietly have, hold and enjoy the Demised Premises for the applicable Term, free of any claim or other action by Lessor or anyone

rightfully claiming by, through or under Lessor (other than Lessee). Lessor will warrant and defend Lessee in peaceful and quiet enjoyment of the Demised Premises against the claims of all such persons claiming by, through or under Lessor (other than Lessee).

ARTICLE VI

6.1 Net Lease.

Lessee acknowledges and agrees that it is intended that this Lease provide net rental income to Lessor, clear of all Taxes and Utilities, and that Lessor will not be responsible during the Term for any Taxes and Utilities. Fixed Rent shall be paid absolutely net to Lessor or its designee of Taxes and Utilities, so that this Lease shall yield to Lessor the full amount thereof, without set off, deduction or reduction. Lessee shall pay all operating expenses arising out of the use, operation and/or occupancy of the Demised Premises by Lessee.

ARTICLE VII

7.1 Condition of the Demised Premises.

(a) Lessor and Lessee agree that the parties shall conduct a walk-through of the Demised Premises prior to the Commencement Date for the purpose of inspecting and determining the condition of the Demised Premises and the Equipment (the "WalkThrough"). Lessee and Lessor shall, no later than three (3) business days after the WalkThrough, agree upon a written inspection list describing the condition of the Demised Premises as it existed on the day of the Walk-Through (the "Inspection List").

(b) Upon the Commencement Date, Lessee acknowledges that it is leasing the Demised Premises "AS-IS WHERE-IS" AND WITH ALL FAULTS, WITHOUT REPRESENTATION, WARRANTY OR COVENANT (EXPRESS OR IMPLIED) AS TO THE PHYSICAL CONDITION OF THE DEMISED PREMISES AND EQUIPMENT.

7.2 Possession and Use of the Properties.

(a) At all times during the Term, the Demised Premises shall be used by Lessee in the ordinary course of its business as a Permitted Facility. Lessee shall not commit or permit any waste of the Demised Premises or any part thereof.

(b) Lessee will not attach or incorporate any item of Equipment to or in any other item of equipment or personal property or to or in any real property in a manner that could give rise to the assertion of any Lien on such item of Equipment by reason of such attachment or the assertion of a claim that such item of Equipment has become a fixture to other than the Demised Premises and is subject to a Lien in favor of a third party

(c) At all times during the Term, Lessee will comply with all obligations under and (to the extent no Event of Default exists and provided that such exercise will not impair the value, utility or remaining useful life of the Demised Premises) shall be

permitted to exercise all rights and remedies under, all operation and easement agreements and related or similar agreements applicable to the Demised Premises.

(d) Lessor acknowledges that Lessee has disclosed to Lessor its intended use of the Demised Premises as a manufacturing facility for lawn, garden and related products, and that such use in accordance with the terms hereof shall not be deemed an unpermitted use of the Demised Premises, under this Lease.

(e) Lessee shall not use on the Demised Premises the product commonly known as Atrazine without Lessor's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

7.3 Lessee Property.

The parties acknowledge and agree that certain personal property, equipment and rolling stock is owned by Lessee ("Lessee's Property") which is more particularly described on Exhibit "C", attached hereto and made a part hereof, and that such Lessee's Property shall not constitute Demised Premises for purposes of this Lease.

ARTICLE VIII

8.1 Compliance With Laws.

(a) Lessor represents and warrants to Lessee that, to Lessor's knowledge, as of the Commencement Date, and except as may have been previously disclosed in the Initial Phase I Report, the Demised Premises and all improvements and Equipment located thereon comply with all federal, state and local laws (including all common laws) regulations, codes and ordinances ("Laws").

(b) Subject to Section 9.2 of the Lease, Lessee, at its sole cost and expense, agrees to comply with all Laws relating to the performance of its obligations hereunder and its use and occupancy (or its employees, contractors, agents, licensees, or invitees) of the Demised Premises during the Term. Lessor agrees to comply with all Laws relating to the performance of its obligations hereunder and any use by Lessor (or its employees, contractors, agents, licensees, or invitees) of the Demised Premises during the Term. Lessee agrees to permit Lessor access to the Demised Premises to allow Lessor to comply with such requirements.

ARTICLE IX

9.1 Maintenance and Repair; Return.

(a) Lessee, at its sole cost and expense, shall maintain the Demised Premises in the same condition and repair (ordinary wear and tear excepted) as when delivered to Lessee on the Commencement Date as stated in the Inspection List, whether interior or exterior, structural or nonstructural on a basis consistent with the reasonable operation and maintenance of the Demised Premises by Lessee in connection with the operation of

its business from the Demised Premises, subject, however, to the provisions of Articles XIII and XN with respect to Casualty and Condemnation.

(b) Lessee shall not use or locate any component of the Equipment outside of the Approved State therefor. Lessee shall not move or relocate any component of any Equipment beyond the boundaries of the Demised Premises, except for the temporary removal of Equipment and other personal property for repair or replacement.

(c) If any component of the Equipment becomes worn out, lost, destroyed, damaged beyond repair or otherwise permanently rendered unfit for use, Lessee, at its own reasonable expense and within a reasonable time, will replace such component with a reasonable replacement component which is free and clear of all Liens (other than Lessor Liens) and has a value, utility and useful life at a reasonably equivalent value of the component replaced (assuming the component replaced had been maintained and repaired in accordance with the requirements of this Lease, normal wear and tear excepted). All components which are added to the Equipment shall immediately become the property of (and title thereto shall vest in) Lessor, and shall be deemed incorporated in such Equipment and subject to the terms of this Lease as if originally leased hereunder. Notwithstanding anything contained herein and in this Lease, Lessee may acquire and finance new equipment and personal property and acquire, finance, or repair any of Lessee's Property from time to time for use at the Demised Premises and the same shall not become the property of Lessor. Nothing contained herein shall require Lessee to upgrade or add to any of the Equipment unless Lessee elects to do so, in its reasonable business discretion, and the condition of the Equipment during the Term of this Lease is in all respects subject to normal wear and tear and obsolescence. Additionally, Lessor acknowledges and agrees that Lessee may use Lessee's Demised Premises in lieu of any Equipment during the Term of this Lease, and so long as Lessee removes Lessee's Demised Premises and replaces it with the Equipment (normal wear and tear excepted) prior to the end of the Term, such Lessee's Demised Premises shall not be deemed or become a part of the Equipment owned by Lessor.

(d) Upon reasonable prior written notice delivered to Lessee in no event less than twenty-four (24) hours in advance (except in case of an emergency), Lessor and its agents shall have the right to inspect the Demised Premises at any reasonable time during normal business hours but shall not, in the absence of an Event of Default, materially disrupt the business of Lessee. Lessor shall not unreasonably interfere with Lessee's business in connection with such entry which would result in any unreasonable work stoppage by Lessee.

(e) Lessee shall, upon the expiration or earlier termination of this Lease, surrender the Demised Premises to Lessor in substantially the same condition as existed on the Commencement Date and as stated in the Inspection List (normal wear and tear and damage from casualty and condemnation excepted). In the event Lessee fails to surrender the Demised Premises as aforesaid, Lessor shall have the right to exercise the applicable remedies upon the occurrence of an Event of Default. Lessee shall have the right, so long as it is not in default, upon the expiration of the term, to remove from the Demised Premises all of Lessee's Property, whether or not the same be attached to the

real estate, provided that Lessee shall reasonably restore and repair any damage to the Demised Premises caused by the removal of Lessee's Property. The term "ordinary wear and tear" as used herein shall not be construed as permitting any material broken, damaged or missing items or components of any item of Equipment. Upon redelivery, Lessee shall provide any additional documentation reasonably requested by Lessor relating to the redelivery of or Lessor's interest in each item of Equipment.

ARTICLE X

10.1 Modifications.

(a) At any time and from time to time during the Term, Lessee may, at its sole cost and expense, make modifications, alterations, renovations, Improvements and additions to the Demised Premises or any part thereof and substitutions and replacements therefor (collectively, "Modifications"), provided that: (i) no Modification shall materially impair the value, utility or useful life of the Demised Premises from that which existed at the Commencement Date; (ii) each Modification shall be done in a good and workmanlike manner; (iii) no Modification shall materially adversely affect the structural integrity of the Demised Premises; (iv) to the extent required by Article XII, Lessee shall maintain builders' risk insurance at all times when a Modification is in progress; (v) Lessee shall pay all costs and expenses and discharge any Liens arising with respect to any Modification; (vi) each Modification shall comply with the requirements of this Lease; and (vii) no Improvement shall be demolished or otherwise rendered materially unfit for use as a result of any such Modification.

(b) All Modifications shall immediately and without further action upon their incorporation into the Property (1) become property of Lessor, (2) be subject to this Lease and (3) be titled in the name of Lessor.

(c) Notwithstanding anything contained herein and this Lease, Lessee shall have the right to purchase and place on the Demised Premises, from time to time, during the Term the following, which may include but is not limited to, trade fixtures, business equipment, inventory and other personal property that will be Lessee's Property. Lessee will have the right to finance the purchase of such Lessee's Property as determined by Lessee, and Lessor shall claim no right, title or interest in and to the same and shall execute in favor of Lessee's lender a waiver of landlord's or other lien or claim with regard to such Lessee's Demised Premises. In the event any such Lessee's Property is or becomes affixed to the Demised Premises, Lessee shall have the right to remove the same at the expiration or termination of this Lease and shall reasonably restore and repair damage occasioned by such removal at Lessee's sole cost and expense and in a good and workmanlike manner. In the event Lessee does not remove any of Lessee's Property from the Demised Premises at the expiration or termination of this Lease, such Lessee's Property shall be considered abandoned (subject to any applicable laws regarding abandonment and shall automatically become the property of Lessor or Lessor shall have the right to remove the same at Lessee's cost and expense.

ARTICLE XI

11.1 Warranty of Title.

With respect to the Demised Premises Lessor hereby represents and warrants to Lessee that: (a) Lessor has good and marketable indefeasible fee simple title to the Demised Premises; (b) there are no mortgages, deeds of trust, liens, covenants, conditions, restrictions, easements or any other liens or encumbrances ("Liens") affecting the Demised Premises except (i) Liens which do not and could not unreasonably interfere with Lessee's use or occupancy of the Demised Premises and (ii) mortgages or deeds of trust in favor of lenders that have delivered non-disturbance and attornment agreements to Lessee in form and substance reasonably satisfactory to Lessee and Lessor's lender, (c) Lessor has not leased or otherwise granted to any person the right to use or occupy the Demised Premises or any portion thereof; and (d) there are no outstanding options, rights of first offer or rights of first refusal to lease the Demised Premises or any portion thereof or interest therein.

ARTICLE XII

12.1 Public Liability and Workers' Compensation Insurance.

During the Term, Lessee shall procure and carry, at Lessee's sole cost and expense, commercial general liability and umbrella liability insurance for claims for injuries or death sustained by persons or damage to property while on the Demised Premises or respecting the Equipment, and such other public liability coverages as are then customarily carried by similarly situated companies conducting business similar to that conducted by Lessee. Such insurance shall be on terms and in amounts that are no less favorable than insurance maintained by Lessee with respect to similar properties and equipment that it owns and are then carried by similarly situated companies conducting business similar to that conducted by Lessee, and in no event shall have a minimum combined single limit per occurrence coverage (a) for commercial general liability of less than $1,000,000.00 and (b) for umbrella liability of less than $15,000,000.00. The policies shall name Lessee as the insured and shall be endorsed to name Lessor as an additional insured. The policies shall also specifically provide that such policies shall be considered primary insurance which shall apply to any loss or claim before any contribution by any insurance which Lessor may have in force. In the operation of the Demised Premises, Lessee shall comply with applicable workers' compensation laws and protect Lessor against any liability under such laws.

12.2 Permanent Hazard and Other Insurance.

During the Term, Lessee shall, at Lessee's sole cost and expenses, keep the Demised Premises insured against all risk of physical loss or damage by fire and other risks and shall maintain builders' risk insurance during construction of any Modifications, in each case in amounts no less than the replacement cost of the Demised Premises from time to time, and on terms that (i) are no less favorable than insurance covering other similar properties owned by Lessee, and (ii) are then carried by similarly situated companies conducting business similar to that conducted by Lessee. The policies shall name Lessee as the insured and shall be endorsed to name Lessor as a named additional insured and loss payee, to the extent of its interests; provided,

so long as no Event of Default exists, any loss payable under the insurance policies required by this Section for losses up to $100,000.00 will be paid to Lessee.

12.3 Coverage.

(a) Upon written request by Lessor, the Lessee shall furnish Lessor with certificates prepared by the insurers or insurance broker of Lessee showing the insurance by Lessee to be in effect.

(b) All such insurance shall be provided by nationally recognized, financially sound insurance companies having an B+ or better rating by A.M. Best's Key Rating Guide.

(c) Lessee agrees that the insurance policies required by this Article shall include an appropriate clause pursuant to which any such policy shall provide that it will not be invalidated should Lessee waive, at any time, any or all rights of recovery against any party for losses covered by such policy or due to any breach of warranty, fraud, action, inaction or misrepresentation by Lessee or any person acting on behalf of Lessee. Lessee hereby waives any and all such rights against Lessor to the extent of payments made to any such person under any such policy.

(d) Neither Lessor nor Lessee shall carry separate insurance concurrent in kind or form or contributing in the event of loss with any insurance required under this Article XII, except that Lessor may carry separate liability insurance at Lessor's sole cost, so long as (i) Lessee's insurance is designated as primary and in no event excess or contributory to any insurance Lessor may have in force which would apply to a loss covered under Lessee's policy and (ii) each such insurance policy will not cause Lessee's insurance required under this Article to be subject to a coinsurance exception of any kind.

(e) Lessee shall pay as they become due all premiums for the insurance required by this Article, shall renew or replace such policy of insurance prior to the expiration date thereof, or otherwise maintain the coverage required by this Article without any lapse in coverage.

(f) Lessor agrees that it shall not have any right, title or interest in and to Lessee's property insurance covering Lessee's Property located on or within the Demised Premises or any proceeds therefrom.

(g) Lessor and Lessee and all parties claiming under them, mutually release and discharge each other from all claims and liabilities arising from or caused by any casualty or hazard, covered or required hereunder to be covered in whole or in part by insurance on the Demised Premises or in connection with property on or activities conducted on the Demised Premises, and waive any right of subrogation which might otherwise exist in or accrue to any person on account thereof. This waiver shall not be required if the insurance carrier charges an additional premium in order to provide such waiver and the party benefiting from the waiver does not agree to pay the additional premium.

ARTICLE XIII

13.1 Casualty.

In the event the Demised Premises is hereafter materially damaged or destroyed or rendered fully or partially untenantable for its accustomed use, by fire or other casualty, which cannot be repaired within one hundred twenty (120) days, then Lessee shall have the right to terminate this Lease effective thirty (30) days after delivery of written notice to Lessor. If Lessee does not elect to terminate this Lease, then Lessor shall, at its cost and expense, restore, within a reasonable period of time (not to exceed one hundred and twenty (120) days), the Demised Premises to a substantially similar condition as existed prior to such casualty. From the date of such casualty until the Demised Premises is so repaired and restored, all Fixed Rent and all other charges payable by Lessee hereunder shall abate in such proportion as the part of the Demised Premises thus destroyed or rendered untenantable bears to the total square footage of the Demised Premises. Further, if it is at any time anticipated that such casualty cannot be repaired within one hundred and twenty (120) days, then Lessee shall have the right to terminate this Lease, effective as of the date of the occurrence of such casualty, by delivering written notice thereof to Lessor within thirty (30) days of the time at which it becomes apparent that such damage cannot be repaired with such time frame. Upon any such notice by Lessee to terminate, this Lease shall terminate and Fixed Rent and all other charges payable by Lessee hereunder shall abate as aforesaid from the date of such casualty, and Lessor shall promptly repay to Lessee any Fixed Rent paid in advance which has not been earned as of the date of such casualty. From and after such date, Lessee shall be fully released the obligations to pay any Fixed Rent and Supplemental Rent hereunder.

ARTICLE XIV

14.1 Condemnation.

If by exercise of the right of condemnation or eminent domain or by conveyance made in response to the threat of the exercise of such right (a “Taking”), so much of the Demised Premises is taken that the Taking materially interferes with Lessee’s continued occupancy for the uses and purposes for which the Demised Premises is leased, then, this Lease shall terminate on the earlier of the vesting of title to the Demised Premises or the taking of possession of the Demised Premises by the Condemning Authority (the “Ending Date”, in which case all Fixed Rent shall be prorated to such Ending Date (on the basis of a 365 day calendar year), and the obligations of the parties hereunder shall terminate.

If any part of the Demised Premises shall be so taken and the remaining part of the Demised Premises is reasonably suitable and does not materially interfere with Lessee’s continued occupancy for the purposes and uses for which the Demised Premises are leased, then:

(a) this Lease shall end on the Ending Date as to the part of the Demised Premises which is taken and all Fixed Rent and other obligations of Lessee shall cease with respect to such part of the Demised Premises;

(b) beginning on the day after the Ending Date, rent for so much of the Demised Premises as remains shall be equitably adjusted and reduced relative to the Demised Premises before the Taking; and

(c) Lessor shall, at its cost and expense, restore, within a reasonable period of time, so much of the Demised Premises as remains in order to permit Lessee's operation of the business in substantially the same manner as Lessee conducted such business prior to such Taking.

(d) In connection with any Taking under this Section, Lessor shall be entitled to all proceeds or awards in connection with such Taking relating to its fee interest and Lessee shall be entitled to all proceeds or awards relating to its interest under this Lease, including any loss of Lessee's Property and moving expenses.

(e) Each party agrees to sign and deliver to the other all instruments that may be required to effectuate the provisions of this paragraph.

ARTICLE XV

15.1 Events of Default.

If any one (1) or more of the following events (each a "Event of Default") shall occur:

(a) Lessee shall fail to make payment of any Fixed Rent within ten (10) Business Days after the same has become due and payable;

(b) Lessee shall fail to make payment of any Supplemental Rent which has become due and payable within ten (10) Business Days after receipt of written notice from Lessor that such payment is due;

(c) Lessee shall fail to make payment of or fail to perform any term, covenant, obligation or condition pursuant to that certain Supply and Trademark Agreement between Lessor and United Industries Corporation dated as of November 1, 2002 (the "Supply Agreement") or the Supply Agreement has not become effective on or before November 1, 2002.

(d) Lessee shall fail to observe or perform any term, covenant, obligation or condition of Lessee under this Lease, other than those set forth in Sections 15.1(a), (b) or (c) hereof, and such failure shall continue for thirty (30) days after receipt of written notice from Lessor to Lessee, provided if any such failure other than those set forth in Sections 15.1(a), (b) (c) hereof is not capable of remedy within such thirty (30) day period but can be remedied with further diligence and if the Lessee diligently proceeds to cure such default;

(e) The filing by Lessee of a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the United States Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any other action of Lessee indicating its

consent to, approval of or acquiescence in, any such petition or proceeding; the application by Lessee for, or the appointment by consent or acquiescence of Lessee of a receiver, a trustee or a custodian of Lessee for all or a substantial part of its property; the making by Lessee of any assignment for the benefit of creditors;

(f) The filing of an involuntary petition against Lessee in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the United States Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing; or the involuntary appointment of a receiver, a trustee or a custodian of Lessee for all or a substantial part of its property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of Lessee, and the continuance of any of such events for ninety (90) days undismissed or undischarged;

(g) Lessee shall abandon the Demised Premises or cease operations at the Demised Premises for a period of ninety (90) days; then, in any such event, Lessor may, in addition to the other rights and remedies provided for in this Article and in Article 18.1, terminate this Lease by giving Lessee ten (10) days written notice of such termination, and this Lease shall terminate, and all rights of Lessee under this Lease shall cease. Lessee shall, to the fullest extent permitted by law, pay as Supplemental Rent, all reasonable costs and expenses incurred by or on behalf of Lessor, including without limitation reasonable fees and expenses of counsel, as a result of any Event of Default hereunder.

Notwithstanding an Event of Default, this Lease shall continue in effect for so long as Lessor does not terminate the Lease, and Lessor may enforce all of its rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. Acts of maintenance or preservation, efforts to relet the Demised Premises, the appointment of a receiver upon initiative of Lessor to protect the Lessor's interest under this Lease, or the termination of possession by lessee shall not constitute a termination of this Lease.

15.2 Surrender of Possession.

If a Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 15.1, Lessee shall, upon thirty (30) days written notice, surrender to Lessor possession of the Demised Premises. Lessor may enter upon and repossess the Demised Premises by such means as are available at law and in equity, and may remove Lessee and all other Persons and any and all personal property and Lessee's equipment and personalty and severable Modifications from the Demised Premises.

15.3 Reletting.

If an Event of Default shall have occurred and be continuing, and whether or not this Lease shall have been terminated pursuant to Section 15.1, Lessor may, but shall be under no obligation to, relet any or all of the Demised Premises, for the account of Lessee or otherwise, for such terms or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term) and on such conditions (which may include

concessions or temporary free rent) and for such purposes as Lessor may determine, and Lessor may collect, receive and retain the rents resulting from such reletting and Lessee shall receive a credit against amounts owed by Lessee hereunder for all such amounts of rent collected. Lessor shall not be liable to Lessee for any failure to relet any property or for any failure to collect any rent due upon such reletting. LESSOR SHALL HAVE NO DUTY TO MITIGATE ITS DAMAGES UNLESS REQUIRED BY LAW.

15.4 Damages.

Neither (a) the termination of this lease as to all or any of the Demised Premises pursuant to Section 15.2; (b) the repossession of all or any of the Demised Premises after an Event of Default; nor (c) the failure of Lessor to collect or receive any rentals due upon any such reletting after an Event of Default, shall relieve lessee of its liabilities and obligations hereunder, all of which shall survive any such termination, repossession or reletting. If any Event of Default shall have occurred and be continuing and notwithstanding any termination of this Lease pursuant to Section 15.1, Lessee shall forthwith pay to Lessor all Rent and other sums due and payable hereunder to and including without limitation the date of such termination. Thereafter, on the days on which the Fixed Rent or Supplemental Rent, as applicable, are payable under this Lease or would have been payable under this Lease if the same had not been terminated pursuant to Section 15.1 and until the end of the Term hereof or what would have been the Term in the absence of such termination, Lessee shall pay Lessor, as current liquidated damages (it being agreed that it would be impossible accurately to determine actual damages) an amount equal to the Fixed Rent and supplemental Rent that are payable under this Lease or would have been payable by lessee hereunder if this lease had not been terminated pursuant to Section 15.1, less the net proceeds, if any, which are actually received by Lessor with respect to the period in question of any reletting of any Demised Premises or any portion thereof. In calculating the amount of such net proceeds from reletting, there shall be deducted all of Lessor's reasonable expenses in connection therewith, including without limitation repossession costs, brokerage or sales commissions, fees and expenses for counsel and any necessary repair or alteration costs and expenses incurred in preparation for such reletting. At any time after termination of this Lease by Lessor pursuant to Section 15.1, in lieu of collecting any further monthly deficiencies as aforesaid, Lessor shall be entitled to recover from Lessee, and Lessee shall pay to Lessor, on demand, as damages, in addition to other amounts owing under the Lease, minus any monthly deficiency amounts previously recovered from Lessee, an amount equal to the present value (discounted to the date of such breach at the rate of not more than four percent per annum) of the Rent reserved in the lease from the date of such Event of Default to the date of expiration of the initial Term (or extended Term if the Event of Default occurs during an extended Term). To the extent Lessor receives any damages pursuant to this Section 15.4, such amounts shall be regarded as amounts paid on account of Rent. Lessee specifically acknowledges and agrees that its obligations under this Section 15.4 shall be absolute and unconditional under any and all circumstances and shall be paid and/or performed, as the case may be, without notice or demand and without any abatement, reduction, diminution, setoff, defense, counterclaim or recoupment whatsoever.

15.5 Assignment of Rights Under Contracts.

If this Lease been terminated pursuant to Section 15.1, Lessee shall upon Lessor's demand immediately assign, transfer and set over to Lessor all of Lessee's right, title and interest in and to each agreement executed by Lessee in connection with the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of the Equipment (including without limitation all right, title and interest of Lessee with respect to all warranty, performance, service and indemnity provisions), as and to the extent that the same relate to the acquisition, installation, testing, use, development, construction, operation, maintenance, repair, refurbishment and restoration of the Demised Premises or any of it.

15.6 Remedies Cumulative.

The remedies herein provided shall be cumulative and in addition to (and not in limitation of) any other remedies available at law, equity or otherwise.

ARTICLE XVI

16.1 Lessor's Right to Cure Lessee's Lease Defaults.

Lessor, may (but shall be under no obligation to) remedy any Event of Default for the account and at the sole cost and expense of Lessee, including without limitation the failure by Lessee to maintain the insurance required by Article 12, and may, to the fullest extent permitted by law, and notwithstanding any right of quiet enjoyment in favor of Lessee, enter upon the Demised Premises, and take all such reasonable action thereon as may be necessary or appropriate therefor. No such entry shall be deemed an eviction of any Lessee. All out-of-pocket costs and expenses so incurred (including without limitation fees and expenses of counsel), together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid by Lessor, shall be paid by Lessee to Lessor on demand.

ARTICLE XVII

17.1 Lessor's Default.

If Lessor should default in the performance of any of its obligations under this Lease for a period of more than thirty (30) days after receipt of written notice by Lessee specifying such default, or if such default is of a nature to require more than thirty (30) days to remedy and continues beyond the time reasonably necessary to cure such default (or Lessor has not undertaken procedures to cure such default within such thirty (30) day period or diligently pursued such procedures), Lessee may, in addition to any other remedy available at law or in equity, (i) terminate this Lease or (ii) incur any expense necessary to perform the obligation of Lessor specified in such notice and deduct such expense from the Fixed Rent or other changes next becoming due to Lessor.

ARTICLE XVIII

18.1 Holding Over.

If Lessee shall for any reason remain in possession of the Demised Premises after the expiration or earlier termination of this Lease, such possession shall be on a month-to-month basis during which time Lessee shall continue to pay Supplemental Rent that would be payable by Lessee hereunder were the Lease then in full force and effect with respect to the such Demised Premises, and Lessee shall continue to pay Fixed Rent at the lesser of the highest lawful rate or one hundred fifty percent (150%) of the last payment of Fixed Rent due with respect to such Demised Premises prior to such expiration or earlier termination of this Lease. Such Fixed Rent shall be payable from time to time upon demand by Lessor. During any month-to-month holdover of tenancy, Lessee shall, be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenants at sufferance, to continue their occupancy and use of the Demised Premises. Nothing contained in this Article shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease as to the Demised Premises and nothing contained herein shall be read or construed as preventing Lessor from maintaining a suit for possession of such Demised Premises or exercising any other remedy available to Lessor contained in this Lease.

ARTICLE XIX

19.1 Force Majure.

During the Term, the risk of loss or decrease in the enjoyment and beneficial use of such Demised Premises as a result of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or other force majure is assumed by Lessee, and Lessor shall in no event be answerable or accountable therefor (except to the extent of any required payments by Lessor of insurance or condemnation proceeds if provided in this Lease).

ARTICLE XX

20.1 Assignment.

(a) Lessee may not sublet, assign or otherwise transfer this Lease or any of its rights or obligations hereunder without the prior written consent of the Lessor, which consent shall not be unreasonably withheld.

(b) No assignment by Lessee (referenced in this Section 20.1 above) or other relinquishment of possession to the Demised Premises shall in any way discharge or diminish any of the obligations of Lessee to Lessor hereunder, and Lessee shall remain directly and primarily liable under the Lease as to any rights or obligations assigned by Lessee or regarding the Demised Premises in which rights or obligations have been assigned or otherwise transferred.

(c) Notwithstanding the foregoing, Lessee shall have the absolute right to sublet, assign or otherwise transfer its rights and obligations hereunder, without Lessors’

approval, to: (i) any parent or subsidiary of Lessee; (ii) any subsidiary of Lessee's parent; (iii) any entity with which lessee may merge or consolidate, or (iv) any entity or individual which purchases all or substantially all of the assets or a majority of the equity interest of Lessee, either in, one transaction or a series of transactions.

ARTICLE XXI

21.1 No Waiver of Default.

No failure by Lessor or Lessee to insist upon the strict performance of any term, duty, obligation, covenant or condition required to be performed by the other party under this Lease hereof or shall constitute a waiver of any such default or of any such term. To the fullest extent permitted by law, no waiver of any default shall affect or alter this Lease, and this Lease shall continue in full force and effect with respect to any other then existing or subsequent default. In addition, no waiver of any particular right by either party shall be deemed to waive its assertion of that right or any other rights in the future.

ARTICLE XXII

22.1 Acceptance of Surrender.

Subject to Section 2.2, no surrender to Lessor of this Lease or of all or any portion of the Demised Premises or of any part of any thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than a written acceptance, shall constitute an acceptance of any such surrender.

22.2 No Merger of Title.

There shall be no merger of this Lease or of the leasehold estate created hereby and the fee estate in the Demised Premises by reason of the fact that the same Person (other than Lessee) may acquire, own or hold, directly or indirectly, in whole or in part, the fee title to the Demised Premises and (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate, (b) any right, title or interest in any Demised Premises, or (c) a beneficial interest in Lessor.

ARTICLE XXIII

23.1 Notices.

All notices required or permitted to be given hereunder shall be in writing. Notices may be served by certified or registered mail, postage paid with return receipt requested; by private courier, prepaid; by telex, facsimile, or other telecommunication device capable of transmitting or creating a written record; or personally. Mailed notices shall be deemed delivered five (5) days after mailing, properly addressed. Couriered notices shall be deemed delivered when delivered as addressed, or if the addressee refuses delivery, when presented for delivery notwithstanding such refusal. Telex or telecommunicated notices shall be deemed delivered when receipt is either confirmed by confirming transmission equipment or acknowledged by the

addressee or its office. Personal delivery shall be effective when accomplished or if the addressee refuses delivery, when presented for delivery notwithstanding such refusal. Unless a party changes its address by giving notice to the other party as provided herein, notices shall be delivered to the parties at the following addresses:

If to Lessor:

Pursell Holdings, LLC
P. O. Box 1187
Sylacauga, Alabama 35150
Attention: James T. Pursell
Fax No.: (256) 249-7428

With a copy to:

Womble Carlyle Sandridge & Rice, PLLC
1201 West Peachtree Street
Suite 3500
Atlanta, Georgia 30309
Attention: Sharon L. McBrayer, Esq.
Fax No.: (404) 870-4825

and notices to Lessee shall be addressed as follows:

Sylorr Plant Corp.
8825 Page Boulevard
St. Louis, Missouri 63114
Attention: Brian Mackay
Fax No.: 314-253-5925

With a copy to:

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Richard Porter
Fax No.: 312-861-2200

From time to time any party may designate additional patties and/or another address for notice purposes by written notice to each of the other parties hereto.

ARTICLE XXIV

24.1 Miscellaneous.

Anything contained in this Lease to the contrary notwithstanding, all claims against and liabilities of Lessee or Lessor arising from events commencing prior to the expiration or earlier

termination of this Lease shall survive such expiration or earlier termination. If any provision of this Lease shall be held to be unenforceable in any jurisdiction, such unenforceability shall not affect the enforceability of any other provision of this Lease and such jurisdiction or of such provision or of any other provision hereof in any other jurisdiction.

24.2 Amendments and Modifications.

This Lease may be modified only by written agreement signed by Lessor and Lessee.

24.3 Successors and Assigns.

All the terms and provisions of this Lease shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

24.4 Headings and Table of Contents.

The headings and table of contents in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

24.5 Counterparts.

This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one (1) and the same instrument.

24.6 Memoranda of Lease and Lease Supplements.

This Lease shall not be recorded; provided, Lessor and Lessee shall promptly record (a) a memorandum of this Lease (in substantially the form of Exhibit "D" attached hereto) or a short form lease (in form and substance reasonably satisfactory to Lessor) regarding the Demised Premises, in all cases at Lessee's cost and expense, and as required under applicable law to sufficiently evidence this Lease.

24.7 Time is of the Essence. Time is of the essence of each and every provision of this Lease.

24.8 Estoppel Certificates.

(a) Lessee agrees that from time to time upon not less than ten (10) days prior written request by the Lessor, Lessee will deliver to Lessor a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and identifying the modifications), (b) the dates to which the Fixed Rent and other charges have been paid, and (c) that, so far as the person making the certificate knows, the Lessor is not in default under any provision of this Lease and if the Lessor is in default, specifying each such default of which the person making the certificate may have knowledge, it being understood that any such statement so delivered may be relied upon by any prospective purchaser, mortgagee, or assignee of any mortgage on the Demised Premises.

(b) Lessor agrees that from time to time upon not less than ten (10) days prior written request by Lessee, Lessor will deliver to Lessee a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and identifying the modifications), (b) the dates to which the Fixed Rent and other charges have been paid, and (c) that, so far as the person making the certificate knows, the Lessee is not in default under any provision of this Lease and if the Lessee is in default, specifying each such default of which the person making the certificate may have knowledge, it being understood that any such statement so delivered may be relied upon by any prospective assignee of this Lease, mortgagee, or assignee of any mortgage on the Demised Premises.

24.9 Governing Law; Submission To Jurisdiction; Venue; Arbitration.

(a) THIS LEASE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA. Any legal action or proceeding with respect to this Lease may be brought in the courts of the State of Alabama in Talladega County or of the United States for the District of Alabama, and, by execution and delivery of this Lease, each of the parties to this Agreement hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Each of the parties to this Lease further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices herein, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any party in any other jurisdiction.

(b) Each of the parties to this Lease hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Lease brought in the courts referred to in subsection (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) Notwithstanding the foregoing to the contrary, upon demand of any party to this Lease, whether made before or after institution of any judicial proceeding, any claim or controversy arising out of, or relating to the Lease between or among the parties hereto (a "Dispute") shall be resolved by binding arbitration conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules" of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. Disputes may include without limitation tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, or claims arising from documents executed in the future. A judgment upon the award may be entered in any court having jurisdiction.

All arbitration hearings shall be conducted in Atlanta, Georgia or Birmingham, Alabama. A hearing shall begin within ninety (90) days of demand for arbitration and all hearings shall be concluded within one hundred and twenty (120) days of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then for no more than a total of sixty (60) days. The expedited procedures set forth in Rule 51 et seq. of the Arbitration Rules shall be applicable to claims of less than $1,000,000.00. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties do not waive applicable federal or state substantive law except as provided herein.

24.10 Subordination.

Upon written request of Lessor, Lessee will, in writing, subordinate its right in this Lease at all times to the lien of any mortgage or deed of trust now or hereafter placed upon Lessor's interest in the Demised Premises; and Lessee shall sign and deliver upon demand such further instruments subordinating this Lease to the lien of any such mortgage or deed of trust as shall be desired by Lessor or any mortgagee or proposed mortgagee or any beneficiary or proposed beneficiary under such mortgage or deed of trust, provided the mortgagee or beneficiary of such deed of trust will agree by separate agreement with Lessee that, so long as Lessee is not in default, agree that Lessee's peaceable possession of the Demised Premises or its leasehold estate under this Lease will not be disturbed nor shall any of Lessee's rights under this Lease be affected in any way by reason of any default under such mortgage or deed of trust regardless of whether such holder shall acquire title to the Demised Premises or improvements by foreclosure or deed in lieu thereof. If the holder of such mortgage or deed of trust or any successors or assigns shall hereafter succeed to the rights of Lessor under this Lease or acquire title as aforesaid, Lessee shall recognize such successor as Lessor under this Lease and shall sign and deliver any instrument that may be necessary to evidence such recognition, provided any such instrument provides Lessee standard non-disturbance protection. In such case, all of the rights of Lessee shall in all respects be binding upon the holder of such mortgage or deed of trust, its successors and assigns.

24.11 Brokerage.

Lessee represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, and Lessee agrees to indemnify and hold Lessor harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Lessee with regard to this leasing transaction. Lessor represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, and Lessor agrees to indemnify and hold Lessee harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Lessor with regard to this leasing transaction. The provisions of this Section shall survive the termination of this Lease.

24.12 Grant and Reservations of Easements.

(a) During the term of this Lease, Lessor grants to Lessee a nonexclusive and unobstructed access, ingress and egress easement over and across Easement Area No. 2, as identified on Exhibit "E" attached hereto (the "Side Access Easement") for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 2, to and from portions of the land lying north and south of the L&N Railway right-of-way. In addition, during the term of the Lease, Lessee shall have the nonexclusive right to use the railroad crossing that is part of Easement Area No. 2.

(b) Lessor, for itself and on behalf of Lessor's affiliates, reserves the right of unobstructed access, ingress and egress on, over and across Easement Area No. 1, as identified on Exhibit "E" attached hereto (the "Entrance Easement"), for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 1, to and from Edwards Street and Lessor's property adjacent to the west of the land. In addition, Lessor, for itself and on behalf of Lessor's affiliates, reserves the right to unobstructed access, ingress and egress on, over and across that portion of the land identified as Easement Area No. 2(a) (the "Rear Access Easement") for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 2(a), to and from Lessor's adjacent property and Fort Williams Street, and certain property owned by the Trish P. Pursell Trust, identified on Exhibit "E" (the "Trust Demised Premises").

(c) Lessee agrees to maintain in good condition and working order, at its own cost and expense, Lessee's truck scales, the Entrance Easement, the Side Access Easement, and the Rear Access Easement (but excluding the bridge between the Land and the Trust Property). In the event Lessee fails to maintain same as required hereunder for a period of thirty (30) days after written notice by Lessor, Lessor shall be authorized to make necessary repairs, whereupon Lessee shall promptly reimburse Lessor the reasonable cost thereof together with interest at the rate of eight percent (8%) per annum.

(d) Any work performed pursuant to this Section shall be performed and all easements shall be maintained (i) in a good, diligent and workman-like manner and (ii) in compliance with all applicable laws, rules regulations and ordinances. Any damage occasioned by work performed pursuant to this Section shall be repaired and restored with due diligence at the sole cost and expense of the party causing such damage. Each party shall promptly pay for all work done on its behalf or at its direction (unless a bona fide dispute exists concerning payment) and cause to be discharged any lien affecting the land or Lessor's adjacent property arising from or relating to such work. No work done by a party shall give such party or anyone doing work on behalf of such party any lien claims or rights in and to the fee simple title of Lessor or leasehold estate of Lessee.

(e) Each party agrees that in its use and enjoyment of the easements created or reserved hereby, it shall exercise its good faith efforts not to unreasonably interfere with the business operations of the other. Lessee shall not, without prior written consent of the Lessor, permit the parking of automobiles or other vehicles or the storage of materials or

inventory at any time on the Side Access Easement or on any of Lessor's adjacent property.

(f) Lessor and Lessee shall indemnify and hold each other harmless from any loss, cost, damage or expense (including, without limitation, court costs and attorneys' fees) arising from, out of or connected in any way with the negligence or intentional misconduct of the indemnifying party in exercising the rights and obligations granted in this Section.

(g) Lessor or Lessee shall have the right at any time after notice to the other to relocate at its own expense the easements created hereby; provided that the relocated easement is of comparable or better quality and the relocation does not cause any additional burden on the other party. Once relocated, the party requesting such relocation shall prepare a survey and an amendment to this Lease to reflect the revised location of the newly relocated easement. Notwithstanding the foregoing, Lessor shall be entitled to relocate the Side Access Easement as long as the relocated Side Access Easement is moved to the east and is of equal quality to the original Side Access Easement.

24.13 Use of Truck Scales.

Lessee agrees that during the term of this Lease, Lessor and Lessor's affiliates shall be entitled to use Lessee's Truck Scales during normal business hours and at no cost or expense to Lessor or Lessor's affiliates. Lessee' personnel shall weigh trucks coming and going from Lessor's adjacent property and provide the paperwork on a daily basis to Lessor. Lessor's rights to use the truck scales granted pursuant to this Section 24.13 is contingent upon the lack of a Lessor's breach under the terms of the Maintenance Yard Lease. Upon and during the continuance of a breach by Lessor of the Maintenance Yard Lease, Lessor shall not have any right to use the Lessee's truck scales as contemplated in this Section 24.13.

24.14 Lease Guarantee.

"The obligations of Lessee hereunder shall be guaranteed by United Industries Corporation ("UIC") pursuant to a written Guarantee of Lease to be entered into between Lessor, Lessee and UIC.

ARTICLE XXV

25.1 Indemnity.

(a) Subject to Section 26.1(g) below (which shall control indemnification for environmental matters), Lessee hereby indemnifies and holds Lessor and its officers, directors, partners, employees, affiliates and contractors harmless from and against any Losses arising from Lessee's use of the Demised Premises during the Term or from any act permitted, or any omission to act, in or about the Demised Premises by Lessee or its agents, employees or contractors during the Term or from any breach or default by Lessee of this Lease, except to the extent any such claims, demands, liabilities or expenses are caused by Lessor's negligence or willful misconduct and from any breach or default by Lessee of its obligations hereunder. In the event any action or proceeding shall

be brought against Lessor by reason of any such claim, demand, liability or expense, Lessee shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor.

(b) Subject to Section 26.1(f) below (which shall control indemnification for environmental matters), Lessor hereby indemnifies and holds Lessee and its officers, directors, stockholders, employees, affiliates and contractors harmless from and against any Losses arising (i) from Lessor's use of the Demised Premised, whether before, on or after the date hereof, or from any act permitted, or any omission to act, in or about the Demised Premises, whether before, on or after the date hereof, by Lessor or its agents, employees, contractors or invitees, or (ii) from any breach or default by Lessor of its obligations hereunder, except to the extent any such claims, demands, liabilities or expenses referenced in (i)-(ii) hereof are caused by Lessee's negligence or willful misconduct during the Term. In the event any action or proceeding shall be brought against Lessee by reason of any such claim, demand, liability or expense, Lessor shall defend the same at Lessor's expense by counsel reasonably satisfactory to Lessee.

ARTICLE XXVI

26.1 Environmental Matters.

(a) Within 45 days after the Commencement Date, Lessee at its expense shall cause to be delivered to Lessor a Phase I environmental site assessment report (the "Initial Phase I Report") prepared by GaiaTech Incorporated or another independent recognized consulting firm selected by Lessee but reasonably acceptable to Lessor. The parties acknowledge and agree that such report will not include any collection or analysis of soil, groundwater or other material samples. The Initial Phase I Report shall identify and report on recognized environmental conditions and other environmental issues relating to the Demised Premises as of the Commencement Date (the "Existing Environmental Conditions").

(b) Within 45 days prior to the end of the Term or the date Lessee ceases its occupancy, use and operation of the Demised Premises or on the occurrence of an Event of Default, Lessee at its expense shall cause to be delivered to Lessor a Phase I environmental site assessment report (the "Final Phase I Report") prepared by GaiaTech Incorporated or another independent recognized consulting firm selected by Lessee but reasonably acceptable to Lessor. The parties acknowledge and agree that such report will not include any collection or analysis of soil, groundwater or other material samples. The Final Phase I Report shall identify and report on the status of recognized environmental conditions and other environmental issues relating to the Demised Premises as of the date of such Final Phase I Report.

(c) Notwithstanding any other provision of this Lease to the contrary, Lessee's obligations with respect to environmental conditions at the Demised Premises shall be limited to the costs to remedy or remediate (i) Existing Environmental Conditions to the extent they are knowingly or negligently exacerbated, added to or worsened by Lessee's occupancy, use and operation of the Demised Premises after the

Commencement Date and (ii) environmental conditions created by Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date. The information in the Initial Phase I Report and the Final Phase I Report may be used to identify any conditions described in (i) and (ii) in the preceding sentence, but the parties shall consider any other relevant information to determine, and the information in such reports shall not be deemed to conclusively establish whether any conditions described in (i) and (ii) in the preceding sentence actually exist.

(d) In connection with Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date and during the Term, Lessee shall: (1) comply in all material respects with Environmental, Health and Safety Requirements; (2) keep the Demised Premises free and clear of all liens and other material encumbrances imposed pursuant to any Environmental Health and Safety Requirements; (3) promptly report to Lessor any Release of Hazardous Substances at the Demised Premises that is required to be reported to any governmental authority pursuant to any Environmental Health and Safety Requirements, (4) promptly and diligently undertake and complete any response, clean up, remedial or other action necessary to resolve, remove, cleanup or remediate any Release of Hazardous Substances caused by Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date as necessary to comply in all material respects with Environmental, Health and Safety Requirements and, upon completion of such action cause to be prepared by a reputable environmental consultant selected by Lessee but reasonably acceptable to Lessor, a report describing the actions taken by Lessee and a statement by the consultant that no further action is required, (5) promptly provide to Lessor written notice of any pending or threatened claim, action or proceeding related to or arising out of any release of Hazardous Substances at or from the Demised Premises, (6) promptly provide to Lessor copies of all material written communications with any Governmental Authority relating to any release of Hazardous Substances at or from the Demised Premises, and (7) promptly provide to Lessor such non-privileged documents in Lessee's possession related to any releases of Hazardous Substances at the Demised Premises as Lessor may reasonably request.

(e) In connection with Lessor's ownership of the Demised Premises after the Commencement Date and during the Term, Lessor shall: (1) comply in all material respects with Environmental, Health and Safety Requirements; (2) keep the Demised Premises free and clear of all liens and other material encumbrances imposed pursuant to any Environmental Health and Safety Requirements; (3) promptly report to Lessee any Release of Hazardous Substances at the Demised Premises that is required to be reported to any governmental authority pursuant to any Environmental Health and Safety Requirements, (4) promptly and diligently undertake and complete any response, clean up, remedial or other action necessary to resolve, remove, cleanup or remediate any Release of Hazardous Substances (except for such releases caused by Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date) as necessary to comply in all material respects with Environmental, Health and Safety Requirements and, upon completion of such action cause to be prepared by a reputable environmental consultant selected by Lessor but reasonably acceptable to Lessee, a report describing the actions taken by Lessor and a statement by the consultant that no further action is required, (5) promptly provide to Lessee written notice of any pending or

threatened claim, action or proceeding relaxed to or arising out of any release of Hazardous Substances at or from the Demised Premises, (6) promptly provide to Lessee copies of all material written communications with any Governmental Authority relating to any release of Hazardous Substances at or from the Demised Premises, and (7) promptly provide to Lessee such non-privileged documents in Lessor's possession related to any releases of Hazardous Substances at the Demised Premises as Lessee may reasonably request.

(f) Lessor shall indemnify, defend and hold harmless Lessee and its officers, employees and agents harmless from any Losses arising out of or in any way connected with (i) a breach by Lessor of its obligations under this Section 26.1; (ii) any spills, releases, disposal or discharges of, or contamination by, Hazardous Substances at, onto, beneath, from or affecting the Demised Premises ("Hazardous Material Releases"), except to the extent caused by Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date and during the Term; (iii) the presence of Hazardous Substances at Demised Premises on or prior to the Commencement Date; (iv) failure by the Lessor to comply in all material respects with applicable Environmental Health and Safety Requirements; and (v) failure of any other person or entity prior to the Commencement Date to comply with Environmental, Health and Safety Requirements with respect to the Demised Premises.

(g) Lessee shall indemnify, defend and hold harmless Lessor from any Losses arising out of or in any way connected with (i) a breach by Lessee of its obligations under this Section 26.1; (ii) any Hazardous Material Releases to the extent caused by Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date; (iii) the presence of Hazardous Substances that Lessee, its employees, agents or independent contractors brings onto the Demised Premises after the Commencement Date; and (iv) Lessee's failure to comply in all material respects with applicable Environmental, Health and Safety Requirements with respect to Lessee's occupancy, use and operation of the Demised Premises after the Commencement Date.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have caused this Lease to be duly executed and delivered as of the date fast above written.

LESSOR:

PURSELL HOLDINGS, LLC

By: /s/ DAVID PURSELL
Name: **David Pursell**
Title: **President**

[Signature Pages Continue]

LESSEE:

SYLORR PLANT CORP.

By: /s/ JOHN TIMONY
Name: **John Timony**
Title: **S.V.P. – Operations**

APPENDIX A TO THE LEASE

I. Rules of Usage

The following rules of usage shall apply to this Appendix A unless otherwise required by the context or unless otherwise defined therein:

(a) Except as otherwise expressly provided, any definitions set forth herein or in the Lease shall be equally applicable to the singular and plural forms of the terms defined.

(b) Except as otherwise expressly provided, references in any document to articles, sections, paragraphs, clauses, annexes, appendices, schedules or exhibits are references to articles, sections, paragraphs, clauses, annexes, appendices, schedules or exhibits in or to such document.

(c) The headings, subheadings and table of contents used in any document are solely for convenience of reference and shall not constitute a part of any such document nor, shall they affect the meaning, construction or effect of any provision thereof.

(d) References to any Person shall include such Person, its successors, permitted assigns and permitted transferees.

(e) Except as otherwise expressly provided, reference to any agreement means such agreement as amended, modified, extended, supplemented, restated and/or replaced from time to time in accordance with the applicable provisions thereof.

(f) Except as otherwise expressly provided, references to any law includes any amendment or modification to such law and any rules or regulations issued thereunder or any law enacted in substitution or replacement therefor.

(g) When used in any document, words such as “hereunder”, “hereto”, “hereof’ and “herein” and other words of like import shall, unless the context clearly indicates to the contrary, refer to the whole of the applicable document and not to any particular article, section, subsection, paragraph or clause thereof.

(h) References to “including” means including without limiting the generality of any description preceding such term and for purposes hereof the rule of ejusdem generis shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned.

(i) Each of the parties to the Lease and their counsel have reviewed and revised, or requested revisions to the Lease, and the usual rule of construction that any ambiguities are to be resolved against the drafting party shall be inapplicable in the construction and interpretation of the Lease and any amendments or exhibits thereto.

(j) Capitalized terms used in the Lease which are not defined in this Appendix A but are defined in the Lease shall have the meaning so ascribed to such term in the Lease.

II. Definitions

"Affiliate" shall mean, with respect to any Person, any Person or group acting in concert in respect of the Person in question that, directly or indirectly, controls or is controlled by or is under common control with such Person.

"Approved State" shall mean each of the following: Alabama and any other state within the continental United States proposed by the Lessee and consented to in writing by the Lessor.

"Arbitration Rules" shall have the meaning given to such term in Section 26.12(d) of the Lease.

"Asset Purchase Agreement" shall mean that certain agreement by and between Sylorr Plant Corp., as purchaser and Pursell Industries, Inc., as Seller.

"Business Day" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Alabama are open for business.

"Casualty" shall mean any damage or destruction of all or any portion of the Demised Premises as a result of a fire or other casualty.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986.

"Change Date" shall mean the date on which Lessee begins its two (2) year extension of the term of the Lease.

"Closing" shall have the meaning given in Section 2.2 of this Lease.

"Code" shall mean the Internal Revenue Code of 1986 together with rules and regulations promulgated thereunder, as amended from time to time, or any successor statute thereto.

"Commencement Date" shall have the meaning specified in Section 2.2 of the Lease.

"Condemnation" shall mean any taking or sale of the use, access, occupancy, easement rights or title to any Demised Premises or any part thereof, wholly or partially (temporarily or permanently), by or on account of any actual or threatened eminent domain proceeding or other taking of action by any Person having the power of eminent domain (including without limitation an action by a Governmental Authority to change the grade of, or widen the streets adjacent to, any Demised Premises or alter the pedestrian or vehicular traffic flow to any Demised Premises so as to result in a change in access to such Demised Premises, or by or on account of an eviction by paramount title or any transfer made in lieu of any such proceeding or action).

"Condemning Authority" shall mean any governmental authority having jurisdiction over the Demised Premises.

“CPI” shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, United States, for all urban consumers, All Items (2002 = 100).

“CPI Adjustment Method” shall mean an adjustment to the Fixed Rent calculated as follows: on each Change Date, the Fixed Rent shall be adjusted by multiplying the Fixed Rent by a fraction, the numerator of which is the CPI for the first day of the month in which the Change Date occurs, and the denominator of which is the CPI on the first day of the month in which the Commencement Date occurs. All such adjustments shall be made effective as of the Change Date. All such adjustments shall be made to the nearest one eighth of a percentage point (0.125%). Lessor shall notify Lessee in writing of the amount of the newly adjusted Fixed Rent and same shall be due on the next monthly payment date and each month thereafter until adjusted again. However, in no event shall the Fixed Rent due and payable hereunder be less than the Fixed Rent provided for during the initial Term of this Lease or any prior extension period, regardless of the value of the dollar as reflected by said CPI figure. In the event the amount of CPI increase is not known until after the first month of the period for which the adjustment is to be made, due to delays in publication of the CPI, or any other reason, then, upon notification of the increase by Lessor, the Lessee shall pay the full amount of the increase which is due for any prior month during the adjustment period within thirty (30) days following receipt of Lessor’s written notice of the amount due. In the event the CPI is discontinued, ceases to incorporate significant items now incorporated therein, or if a substantial change is made in such CPI, the parties hereto shall use in its place any similar index established and compiled by an agency of the United States Government, and, if no such index is available, the parties shall attempt to agree on an alternative formula and, if agreement cannot be reached, the matter shall be submitted to arbitration under the rules of the American Arbitration Association then in effect.

“Default” shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

“Demised Premises” shall have the meaning set forth in the Lease.

“Demised Premises” shall have the meaning as set forth in Section 2.1 of the Lease. “Dollars” and “$” shall mean dollars in lawful currency of the United States of America.

“Environmental, Health and Safety Requirements” means, all federal, state, local and foreign statutes, regulations, ordinances, codes and other provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations and all common law concerning public health and safety, worker health and safety, pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any hazardous materials, substances or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise or radiation.

“Environmental Laws” shall mean any Law, permit, consent, approval, license, award, or other authorization or requirement of any Governmental Authority relating to pollution or protection of health or the environment, including without limitation CERCLA, the Resource

Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., the Clean Air Act, The Federal Water Pollution Control Act, Emergency Planning and Communications Act, comparable state statutes and implementing regulations existing as of the date hereof or subsequently enacted.

"Environmental Violation" shall mean any activity, occurrence or condition that violates or results in a violation of or noncompliance with any Environmental Law.

"Equipment" shall mean the equipment set forth in Exhibit "B" hereto, and to the extent that the same does not constitute "Lessee's Property" and, to the extent the same is owned by Lessee.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"Event of Default" shall mean an Event of Default and shall have the meaning specified in Section 15 of the Lease.

"Expiration Date" shall mean the last day of the Term.

"Fixed Rent" shall mean the amount set forth in Section 3.1 of the Lease.

"Fixtures" shall mean all fixtures relating to the Improvements, including without limitation all components thereof, located in or on the Improvements, together with all replacements, modifications, alterations and additions thereto.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the accounting principles board of the American Institute of Certified Public Accountants, and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

"Hazardous Substances" means hazardous materials, hazardous substances, hazardous wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, including asbestos, polychlorinated biphenyls, or radiation.

"Improvements" shall mean, with respect to the construction, renovations and/or Modifications on the Demised Premises, all buildings, structures, Fixtures, and other improvements of every kind existing at any time and from time to time on or under the Demised Premises purchased or otherwise acquired, together with any and all appurtenances to such buildings, structures or improvements, including without limitation sidewalks, utility pipes, conduits and lines, parking areas and roadways, and including without limitation all Modifications and other additions to or changes in the Improvements at any time, including any Improvements made subsequent to the Commencement Date.

"Insurance Requirements" shall mean all terms and conditions of any insurance policy either required by the Lease to be maintained by the Lessee, and all requirements of the issuer of any such policy and, regarding self insurance, any other requirements of the Lessee.

"Law" shall have the meaning set forth in the Lease.

"Lease" or "Lease Agreement" shall mean this Lease Agreement between the Lessor and the Lessee.

"Legal Action" means any claim, suit or proceeding, whether administrative or judicial in nature.

"Lessee" shall mean Sylorr Plant Corp.

"Lessor" shall mean Pursell Holdings, LLC.

"Lessor Lien" shall mean any Lien, true lease or sublease or disposition of Lessee's leasehold title arising as a result of (a) any claim against the Lessor, (b) any act or omission of the Lessor, (c) any claim against the Lessor with respect to Taxes or expenses which the Lessee is not required to pay, or (d) any claim against the Lessor arising out of any transfer by the Lessor of all or any portion of the interest of the Lessor in the Demised Premises, other than the transfer of title to or possession of the Demised Premises by the Lessor, the granting of deed(s) of trust with respect to Lessor's interest in the Demised Premises, and the assignment by Lessor of Lessor's interest in this Lease.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien, option or charge of any kind.

"Losses" includes any claims, suits, liabilities (including but not limited to strict liabilities), administrative or judicial actions or proceedings, obligations, debts, damages, losses, costs, expenses, dimunitions in value, fines, penalties, charges, fees, expenses, costs of Remediation (whether or not performed voluntarily), costs of assessing damages or losses, judgments, awards, amounts paid in settlement, foreseeable and unforeseeable consequential damages, litigation costs, including reasonable attorneys' fees, engineers' fees, environmental consultants' fees, and investigation costs (including but not limited to costs for sampling, testing and analysis of soil, water, air, building materials, and other materials and substances whether solid, liquid or gas), of whatever kind or nature, and whether or not incurred in connection with any judicial or administrative proceedings.

"Maintenance Yard Lease" shall mean that certain lease of even date herewith for the lease of a certain maintenance yard and building by and between Lessee and Pursell Technologies, Inc.

"Material Adverse Effect" shall, mean a material adverse effect on (a) the business, condition (financial or otherwise), assets, liabilities or operations of the Lessee, (b) the ability of the Lessee to perform its respective obligations under the Lease, (c) the validity or enforceability of the Lease or the rights and remedies of the Lessor thereunder, or (d) the value, utility or useful

life of the Demised Premises or the use, or ability of the Lessee to use, the Demised Premises for the purpose for which it was intended.

"Modifications" shall have the meaning specified in Section 10.1 of the Lease.

"Overdue Rate" shall mean six percent (6%) per annum.

"PBGC" shall mean the Pension Benefit Guaranty Corporation created by Section 4002(a) of ERISA or any successor thereto.

"Permitted Facility" shall mean a consumer lawn, garden and related products manufacturing, distribution and sales facility; provided that Lessee shall not manufacture or produce products which directly compete with Lessor's interests in the professional market on the Demised Premises or which would create a material nuisance to adjacent landowners, without Lessor's prior written consent which consent shall not be unreasonably withheld.

"Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, governmental authority or any other entity.

"Pursell" shall have the meaning given in Section 2.2 of this Lease.

"Release" shall mean any release, pumping, pouring, emptying, injecting, escaping, leaching, dumping, seepage, spill, leak, flow, discharge, disposal or emission of a Hazardous Substance reportable under or in violation of the Environmental Law.

"Rent" shall mean, collectively, the Fixed Rent and the Supplemental Rent, in each case payable under the Lease.

"Responsible Officer" shall mean the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Senior Vice President or Executive Vice President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer.

"Storage Tanks" includes any underground or aboveground storage tanks, whether filled, empty, or partially filled with any substance.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Fixed Rent) which the Lessee assumes or agrees to pay to the Lessor or any other Person under the Lease and all indemnification amounts, liabilities and obligations.

"Supply Agreement" shall have the meaning set forth in Section 15.1(c) of the Lease.

"Taxes" shall have the meaning set forth in Section 4.1 (a) of the Lease.

"Term" shall have the meaning specified in Section 2.2 of the Lease.

“Uniform Commercial Code” and “UCC” shall mean the Uniform Commercial Code as in effect in any applicable jurisdiction.

“United Industries Corporation” shall have the meaning set forth in Section 24.14 of this Lease.

“United States Bankruptcy Code” shall mean Title 11 of the United States Code

EXHIBIT "A" TO THE LEASE

(Legal Description of Land)

Lots 20, 21, and 22 of Pinecrest Acres, a plat of which is recorded in the Office of the Judge of Probate for Talladega County, Alabama in Plat Book 3 at Page 103, and part of the South Half of Section 30 and part of the North Half of Section 31, Township 21 South, Range 4 East, Talladega County, Alabama, and being more particularly described as follows: Commence at the Southeast corner of the Southeast Quarter of the Southwest Quarter of said Section 30; thence run N 87°51' 37" W (magnetic) along the South line of said Section 30 for 688.39' to the POINT OF BEGINNING of the parcel herein described; thence continue N 87° 51' 37" W along said South line for 90.13' to the point of intersection with the East right-of-way of an unnamed public road; thence with a right deflection angle of 90° 00' 02", run northerly along said East right-of-way for 50.00' to the point of intersection with the North right-of-way of said unnamed public road; thence with a left deflection angle of 89° 52' 03", run westerly along said North right-of-way for 239.57'; thence run northerly, forming an interior angle of 86° 15' 58", for 217.53' to the point of intersection with the centerline of the L & N Railroad; thence run easterly, forming an interior angle of 95° 35' 04", along said centerline for 378.71'; thence with a left deflection angle of 89° 41' 38", run northerly for 49.63'; thence with a left deflection angle of 64° 30' 05", run northwesterly for 40.60'; thence run northwesterly, forming an interior angle of 172° 53' 49" for 49.97'; thence run northwesterly, forming an interior angle of 175° 48' 30" for 50.04'; thence run northwesterly, forming an interior angle of 174° 27' 56" for 50.0'; thence run northerly, forming an interior angle of 132° 06' 01" for 183.70'; thence run northeasterly, forming an interior angle of 112° 49' 31", for 231.81'; thence with left deflection angle of 32° 31' 02", run northeasterly for 78.69'; thence with a left deflection angle of 34° 41' 36", run northerly for 400.00' to the point of intersection with the South right-of-way of Edwards Street; thence run easterly, forming an interior angle of 90° 44' 56", for 411.11'; thence with a left deflection angle of 97° 42' 22", run northerly along the East right-of-way of said Edwards Street for 40.72' to the point of intersection with the North right-of-way of said Edwards Street; thence with a right deflection angle of 7° 47" 47", run northerly for 145.98'; thence with a right deflection angle of 92° 29' 55", run easterly for 262.96' to the point of intersection with the South right-of-way of Talladega County Highway No. 511; thence run southerly, forming an interior angle of 89° 29' 10", for 236.20'; thence with a left deflection angle of 90° 36' 17", run easterly for 107.82' to a point on the East side of Darby Branch; thence with a right deflection angle of 91° 12' 08", run southerly for 833.59' to the point of intersection with the centerline of the L & N Railroad; thence with a left deflection angle of 93° 26' 02", run easterly along said centerline for 271.15.'; thence run southerly, forming an interior angle of 84° 17' 41", for 304.50' to the point of intersection with the curving North right-of-way of Ft. Williams Street; thence with a right deflection angle of 78° 52' 35", run southwesterly along said North right-of-way for 131.56' and the following courses; 01° 58' 06" left for 100.95'; thence 3° 26' 40" left for 99.30'; thence 2° 26' 30" left for 99.30'; thence 3° 14' 09" left for 97.24'; thence 3° 21' 16" left for 100.21'; thence 1° 46' 15" left for 99.96'; thence turn OE 59' 17" left and continue southwesterly along said right-of-way for a distance of 245.27' to the Southeast corner of said Lot 22; thence continue southwesterly along said right-of-way for 120.20' to the Southwest corner of said Lot 22, and the point of intersection with the East right-of-way of Fitts Drive; thence run northwesterly, forming an interior angle of 89° 54' 55", along said East right-of-way for 138.96'; thence with a left deflection angle of 170 46' 33", run northwesterly along said East right-of-way for 56.91' to the point of intersection with

the West line of Lot 20 of said Pinecrest Acres; thence with a right deflection angle of 39° 09’10”, run northerly along the West line of said Lot 20 for 160.29’ to the POINT OF BEGINNING.

And in addition that certain easement in favor of Lessee as set forth in Section 26.15(a) of the Lease, and subject to those certain, easements reserved by Lessor as set forth in Section 26.15(b) of the Lease.

<u>EXHIBIT “B” TO THE LEASE</u>

(Equipment)

Pursell Holdings, LLC
Dry Blending & Bagging Facility
Sylacauga, Alabama

Equipment List

Plant 2
18” Adams dragline conveyor
108’ Shuttle conveyor belt
C-111 Bulk Chain Elevator (line 1)
7-compartment cluster hopper w/gates
Weigh Hopper w/load cells and indicator
3-ton Continental Roller Mixer
C-111 bagging chain elevator (line 1)
Model 65 Link Belt Screener
CBS-D Doughboy Chain Band Sealer (Ser# 98-20886)
2 - HA-720 Doughboy hot air sealer
Lantech V-Series stretch wrapper (Ser # 17151)
Pour-up System consisting of: Platform, bag break station, dust collector, scale, screw conveyor
Hot Water Bath Tank w/pump and scales
Control room w/controls
Adams Weigh Hopper w/transfer belt conveyor
C-111 Bulk Chain Elevator (line 2)
5-ton Continental Roller Mixer
C-111 Bagging Chain Elevator (line 2)
2-Chain Hoists
Screen feed hopper w/baffles
Model 65 Link Belt Screener (Line 2)
Model 7300 Inglett Bagger
Model 7800 Inglett Bagger
CBS-D Doughboy chain band sealer (Ser # 0022301)
CBS-CH Doughboy sealer (Ser # 95-18954)
Dual Table Lantech Model Q300 Wrapper (Ser# QM007953)
Pour Up Auger
Plant Dust Collector
50 HP Gardner Denver air compressor
Zeks air dryer (Ser # 105387-1 M396)
2 - 150 Gallon stainless steel mix tanks w/mixer and rough deck scales
DPG scale w/digital readout, timer, and controls

Plant 6
Link Belt Elevator w/feed hopper
Model 65UP Link Belt Screener
2-bagging hoppers
Chain hoist
Model 100 Inglett bagger w/vibrating feeder
McT Model CML100 sealer (Ser # CM113489)
HA720 Doughboy hot air sealer (Ser # 87-23965)
Model 2040 Hamer Auto-fill bagger w/discharge belt conveyor
Rapat conveyor system consisting of:
Receiving belt conveyor, transfer conveyor, powered curve, transfer conveyor
Chantland Automatic Palletizer (Ser # 28112)
Lantech automatic wrapper
Model WHP200 Wulftec wrapper (Ser # 0400-5810)
Model WHP200 Wulftec wrapper (Ser # 0400-5811)
50 HP Gardner Denver air compressor
Zeks air dryer (Ser # 98196-1)

Raw Material Unloading
AJ Sackett 18" dragline stainless steel Conveyor w/chutes
24 x 36 Adams portable field loader conveyor

Warehouse 4
Lantech T stretch wrapper
IPM stretch wrapper
4x4 10k rough deck scale w/IQ410 indicator
Lantech sidewinder wrapper (Ser # 43347T)
3 - ton Continental Rollo Mixer
70 foot electronic truck scales w/readout
70 foot electronic truck scales w/missing load cells and readout

And, any other property owned by Lessor and located on the Demised Premises which materially affects the proposed use of the Leased Premises by Lessee as completed by this Lease Agreement.

EXHIBIT "C" TO THE LEASE

(Lessee's Equipment)

1. All rolling stock, including without limitation, all forklifts, trucks and other vehicles.
2. All computers and related equipment.
3. All equipment, personal property, trade fixtures and inventory acquired by Lessee after the Commencement Date to the extent the same does not constitute a permanent replacement of or a repair or modification of any Equipment or any component of any Equipment.
4. All other equipment, personal property, trade fixtures and inventory owned by Lessee and located on the Demised Premises which is not listed as Equipment pursuant to Exhibit B.
5. All equipment owned by Pursell Industries, Inc. at the termination of its lease agreement with Lessor located on the Demised Premises.

EXHIBIT "D" TO THE LEASE

(Memorandum of Lease)

This instrument was prepared by
and after recordation return to:

M. Beth O'Neill, Esq.
Maynard, Cooper & Gale, P.C.
1901 Sixth Avenue North
2400 AmSouth/Harbert Plaza
Birmingham, Alabama 35203

STATE OF ALABAMA)
TALLADEGA COUNTY)

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (hereinafter, as amended from time to time in accordance with the provisions hereof, this "Memorandum") is entered into as of _______________, 2002 between **PURSELL HOLDINGS, LLC**, an Alabama limited liability company ("Lessor"), and **SYLORR PLANT CORP.**, a Delaware corporation ("Lessee").

Recitals

Lessor and Lessee have entered into a Lease Agreement dated as of _______________, 2002 (the "Lease"), pursuant to which Lessor will lease, demise and let to Lessee the real property described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Demised Premises"), together with existing Improvements thereon and the Equipment identified in Exhibit "B" attached hereto. Lessor and Lessee are recording this Memorandum in lieu of recording the Lease under the authority of *Ala. Code* §35-4-51.1 (1975), as amended.

Agreement

NOW, THEREFORE, in consideration of the foregoing recitals and to induce Lessor and Lessee to enter into the Lease, and for other good and valuable consideration in hand paid to Lessor and Lessee, receipt of which is hereby acknowledged, Lessor and Lessee hereby give notice of the following terms of the Lease:

1. Names of Lessor and Lessee: The name of the lessor of the Lease is Pursell Holdings, LLC, an Alabama limited liability company. The name of the lessee of the Lease is Sylorr Plant Corp., a Delaware corporation.

2. **Term of the Lease**: The Lease is for a term of four (4) years, commencing on _____________, 2002 (the "Commencement Date"), and ending on _______________, 2004. The Lessee has the option to extend the term of the Lease for two (2) consecutive and

successive terms of two (2) years each pursuant to the terms and conditions contained in Section 2.2 of the Lease. The Lessee has the option to terminate the Lease at any time two (2) years after the Commencement Date pursuant to the terms and conditions contained in Section 2.2 of the Lease.

3. **Description of Demised Premises**: The premises leased from Lessor by Lessee under the Lease is that certain real property more particularly described on Exhibit "A" attached hereto and made a part hereof together with any and all tenements, hereditaments and appurtenances belonging or in any way pertaining thereto.

4. **Grant and Reservation of Easements**. Pursuant to Section 26.15 of the Lease, the following easements were granted to Lessee and reserved by Lessor:

(a) During the term of this Lease, Lessor grants to Lessee a nonexclusive and unobstructed access, ingress and egress easement over and across Easement Area No. 2, as identified on Exhibit "C" attached hereto (the "Side Access Easement") for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 2, to and from portions of the land lying north and south of the L&N Railway right-of-way. In addition, during the term of the Lease, Lessee shall have the nonexclusive right to use the railroad crossing that is part of Easement Area No. 2.

(b) Lessor reserves the right of unobstructed access, ingress and egress on, over and across Easement Area No. 1, as identified on Exhibit "C" attached hereto (the "Entrance Easement"), for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 1, to and from Edwards Street and Lessor's property adjacent to the west of the land. In addition, Lessor reserves the right to unobstructed access, ingress and egress on, over and across that portion of the land identified as Easement Area No. 2(a) (the "Rear Access Easement") for the purpose of vehicular and pedestrian access, ingress and egress over and across Easement Area No. 2(a), to and from Lessor's adjacent property and Fort Williams Street, and certain property owned by the Trish P. Pursell Trust, identified on Exhibit "C" (the "Trust Property").

5. **Memorandum**: This Memorandum is executed for the purpose of giving notice of the existence of the Lease. The Lease is deemed to be a material part hereof as though set forth at length herein. The Lease contains other provisions for the benefit of Lessor and Lessee, which provisions are incorporated herein by this reference. If a conflict between the provisions of the Lease and this Memorandum shall occur, the provisions of the Lease shall govern.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Memorandum to be executed in their names and on their behalf effective as of the day and year first above written and to be recorded in the Office of the Judge of Probate of Talladega County, Alabama.

LESSOR:

PURSELL HOLDINGS, LLC

By: /s/ DAVID PURSELL
Name: **David Pursell**
Title: **President**

LESSEE:

SYLORR PLANT CORP.,
a Delaware corporation

By: ____________________
Name: ____________________
Title: ____________________

IN WITNESS WHEREOF, Lessor and Lessee have caused this Memorandum to be executed in their names and on their behalf effective as of the day and year first above written and to be recorded in the Office of the Judge of Probate of Talladega County, Alabama.

LESSOR:

PURSELL HOLDINGS, LLC

By: ____________________
Name: ____________________
Title: ____________________

LESSEE:

SYLORR PLANT CORP.,
a Delaware corporation

By: /s/ JOHN TIMONY
Name: **John Timony**
Title: **S.V.P. – Operations**

STATE OF ALABAMA)
)
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that ________________, whose name as ________________ of **Pursell Holdings, LLC**, an Alabama limited liability company, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such ________________ and with full authority, executed the same voluntarily for and as the act of said limited liability company on the day the same bears date.

Given under my hand and official seal, this ________________ day of ________________ 2000. ________________

Notary Public

[NOTARIAL SEAL]

My Commission Expires: ________________

STATE OF ALABAMA)
)
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that ________________, whose name as ________________ of **Sylorr Plant Corp.**, a Delaware corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation on the day the same bears date.

Given under my hand and official seal, this ________________ day of ________________ 2000. ________________

Notary Public

[NOTARIAL SEAL]

My Commission Expires: ________________

EXHIBIT “E”

(Easements)

LEGAL DESCRIPTION

STATE OF ALABAMA

JOB No. 97-H-010A
Sheet 3 of 9 sheets

TALLADEGA COUNTY

DESCRIPTION #1:

A strip of land for an ingress/egress easement, located in the South Half of Section 30, Township 21 South, Range 4 East, Talladega County, Alabama, and being more particularly described as follows:

Commence at the Southeast comer of the Southeast Quarter of the Southwest Quarter of said Section 30; thence run N 87°51’37” W (magnetic) along the South line of said Section 30 for 688.39’; thence continue N 87°51’37’ W along said South line for 90.13’ to the point of intersection with the East right-of-way of an unnamed public road; thence with a right deflection angle of 90°00’02”, run northerly along said East right-of-way for 50.00’ to the point of intersection with the North right-of-way of-said unnamed public road; thence with a left deflection angle of 89°52’03”, run westerly along said North right-of-way for 239.57’; thence run northerly, forming an interior angle of 86°15’58”, for 217.53’ to the point of intersection with the centerline of the L & N Railroad; thence run easterly, forming an interior angle of 95°35’04”, along said centerline for 378.71’; thence with a left deflection angle of 89°41’38”, run northerly for 49.63’; thence with a left deflection angle of 64°30’05”, run northwesterly for 40.60’; thence run northwesterly, forming en interior angle of 172°53’49” for 49.97’; thence run northwesterly, forming an interior angle of 175°48’30” for 50.04’; thence run northwesterly, forming an interior angle of 174°27’56” for 50.0’; thence run northerly, forming an interior angle of 132°06’01” for 183.70’ to the point of beginning of the easement herein described; thence run northeasterly, forming an interior angle of 95°39’34”, for 219.74’; thence with a left deflection angle of 64°57’23”, run northeasterly for 290.39’; thence with a left deflection angle of 18°32’54”, run northerly for 260.84’ to the point of intersection with the South right-of-way of Edwards Street; thence run easterly, forming an interior angle of 91°47’14”, for 52.76’; thence run southerly, forming an interior angle of 95°38’28”, for 76.87; thence with a right deflection angle of 09°11’35”, run southerly for 179.71’: thence with a right deflection angle of 19°04’54”, run southwesterly for 350.99’; thence run westerly, forming an interior angle of 115°16’46”, for 242.95’; thence run northerly, forming an interior angle of 86°34’11”, for 40.00’ to the point of beginning.

LEGAL DESCRIPTION

STATE OF ALABAMA

JOB No. 97-H-010A
Sheet 4 of 9 sheets

TALLADEGA COUNTY

DESCRIPTION #2:

A strip of land for an ingress/egress easement, located in the South Half of Section 30, and in the North Half of Section 31, Township 21 South, Range 4 East, Talladega County, Alabama, and being more particularly described as follows:

Commence at the Southeast corner of the Southeast Quarter of the Southwest Quarter of said Section 30; thence run N 87°51’37” W (magnetic) along the South line of said Section 30 for 688.39’; thence continue N 87°51’37” W along said South line for 90.13’ to the point of intersection with the East right-of-way of an unnamed public road; thence with a right deflection angle of 90°00’02”, run northerly along said East right-of-way for 50.00’ to the point of Intersection with the North right-of-way of said unnamed public road; thence with a left deflection angle of 89°52’03”, run westerly along said North right-of-way for 239.57’; thence run northerly, forming an Interior angle of 86°15’58”, for 217.53’ to the point of intersection with the centerline of the L & N Railroad; thence run easterly, forming an interior angle of 95°35’04”, along said centerline for 378.71’; thence with a left deflection angle of 89°41’38”, run northerly for 49.63’; thence with a left deflection angle of 64°30’05”, run northwesterly for 40.60’; thence run northwesterly, forming an interior angle of 172°53’49” for 49.97”, thence run northwesterly, forming an interior angle of 175°48’30” for 50.04’; thence run northwesterly, forming an interior angle of 174°27’56” for 50.0’; thence run northerly, forming an interior angle of 132°06’01” for 183.70’ to the point of beginning of the easement herein described; thence run westerly, forming an interior angle of 83°24’45”, for 108.80’; thence with a left deflection angle of 13°04’51”, run southwesterly for 171.55’; thence run southeasterly, forming an interior angle of 84°15’45”, for 37.20’; thence with a right deflection angle of 15°34’33”, run southeasterly for 244.23’ to the point of intersection with the centerline of the L & N Railroad; thence run easterly, forming an interior angle of 99°17’46”, along said centerline for 19.63’; thence run northerly, forming an interior angle of 81°59’04”, for 219.06’; thence with a right deflection angle of 37°00’15”, run northeasterly for 32.94’; thence with a right deflection angle of 36°22’01”, run northeasterly for 124.25’; thence with a right deflection angle of 21°42’01”, run easterly for 96.94’; thence run northerly, forming an interior angle of 93°28’39”, for 40.00’ to the point of beginning.

LEGAL DESCRIPTION

STATE OF ALABAMA

JOB No. 97-H-010A
Sheet 5 of 9 sheets

TALLADEGA COUNTY

DESCRIPTION #2A:

A strip of land for an ingress/egress easement, located in the South Half of Section 30, and in the North Half of Section 31, Township 21 South, Range 4 East, Talladega County, Alabama, and being more particularly described as follows:

Commence at the Southeast comer of the Southeast Quarter of the Southwest Quarter of said Section 30; thence run N 87°51’37” W (magnetic) along the South line of said Section 30 for 688.39’; thence continue N 87°51”37” W along said South line for 90.13’ to the point of intersection with the East right-of-way of an unnamed public road; thence with a right deflection angle of 90°00’02”, run northerly along said East right-of-way for 50.00’ to the point of intersection with the North right-of-way of said unnamed public road; thence with a left deflection angle of 89°52’03”, run westerly along said North right-of-way for 184.81’ to the point of beginning; thence with a right deflection angle of 87°20’41”, run northerly for 16.47’; thence run easterly, forming an interior angle of 272°18’43” for 246.14’; thence with a right deflection angle of 10°35’38”, run easterly for 86.85’; thence with a right deflection angle of 5°20’18”, run southeasterly for 153.70’; thence with a left deflection angle of 16°18’54”, run easterly for 411.96’; thence with a right deflection angle of 88°09’28”, run southerly for 118.73’ to the point of intersection with the North right-of-way of FL Williams Street; thence run northeasterly, forming an interior angle of 74°21’28”, along said North right-of-way for 60.80’; thence run northerly, forming an interior angle of 107°17’02”, for 86.10’; thence with a right deflection angle of 47°01’49”, run northeasterly for 31.80”; thence with a right deflection angle of 91°04’07”, run southeasterly for 70.98’; thence with a left deflection angle of 38°59’31”, run easterly for 85.16’; thence with a left deflection angle of 11°19’06”, run easterly for 72.77’; thence with a left deflection angle of 10°41’58”, run easterly for 85.12’; thence with a right deflection angle of 12°44’39”, run easterly for 116.68’; thence with a right deflection angle of 5°15’15”, run easterly for 64.69’; thence with a left deflection angle of 89°59’37’, run northerly for 19.06’; thence with a left deflection angle of 90°09’46”, run westerly for 178.11’; thence with a left deflection angle of 31°15’46”, run southwesterly for 46.07’; thence with a right deflection angle of 13°02’27”, run southwesterly for 56.01’; thence with a right deflection angle of 12°30’15”, run westerly for 45.98’; thence with a right deflection angle of 6°59’08”, run westerly for 67.92’; thence with a right deflection angle of 17°20’00”, run northwesterly for 16.94’; thence with a right deflection angle of 22°02’28”, run northwesterly for 80.91’; thence with a left deflection angle of 37°28’09”, run westerly for 100.78’; thence with a left deflection angle of 4°22’09”, run westerly for 423.48’; thence with a right deflection angle of 21°05’56’. run westerly for 130.90’; thence with a left deflection angle of 8°19’40”, run westerly for 84.75’; thence with a left deflection angle of 11°43’19”, run westerly for 222.18’; thence with a right deflection angle of 46°05’15”, run northwesterly for a chord distance of 34.28’; thence with a right deflection angle of 42°28’26 , run northerly for 154.87’ to the point of intersection with the centerline of the L & N Railroad; thence run westerly, forming an interior angle of 90°56’16”, for 29.95’; thence run southerly, forming an interior angle of 95°35’04”, for 217.53’ to the point of intersection with the North right-of-way of an unnamed public road; thence run easterly, forming an interior angle of 86°15’58”, along said North right-of-way for 54.76’ to the point of beginning.

GUARANTY OF LEASE

THIS GUARANTY OF LEASE ("**Guaranty**") is executed as of October 3. 2002. by UNITED INDUSTRIES CORPORATION, a Delaware corporation (the "**Guarantor**"), for the benefit of PURSELL HOLDINGS, LLC, an Alabama limited liability company (the "**Lessor**").

RECITALS

WHEREAS, Lessor and Sylor Plant Corp., a Delaware corporation (the "**Lessee**"), have entered into that certain Lease Agreement of even date herewith with respect to certain premises and equipment owned by Lessor (the "**Lease**").

WHEREAS, Guarantor is the owner of substantially all of the outstanding stock of the Lessee, and Guarantor will directly benefit from the Lease by virtue of Guarantor's ownership of a direct or indirect interest in Lessee.

NOW, THEREFORE, as an inducement to Lessor to enter into the Lease with the Lessee, and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

ARTICLE 1
NATURE AND SCOPE OF GUARANTY

Section 1.1 GUARANTY OF OBLIGATIONS. Subject to the terms of this Guaranty, Guarantor hereby absolutely, irrevocably and unconditionally guarantees to Lessor (and its successors and assigns), the payment and performance of the Guaranteed Obligations as and when the same shall be due and payable, whether by lapse of time, by acceleration of maturity or otherwise. Subject to the terms of this Guaranty, Guarantor hereby absolutely, irrevocably and unconditionally covenants and agrees that it is liable for the Guaranteed Obligations as a primary obligor, and that Guarantor shall fully perform each and every term and provision hereof.

Section 1.2 DEFINITION OF GUARANTEED OBLIGATIONS. As used herein, the term "Guaranteed Obligations" shall mean each of the obligations of Lessee under the Lease including, without limitation, the indemnification provisions contained in Section 25:1 of the Lease.

Section 1.3 NATURE OF GUARANTY. This Guaranty is an irrevocable, absolute, continuing guaranty of payment and performance and is not a guaranty of collection. This Guaranty shall continue to be effective with respect to any Guaranteed Obligations arising or created after any attempted revocation by Guarantor. The fact that at any time or from time to time the Guaranteed Obligations may be increased or reduced shall not release or discharge the obligation of Guarantor to Lessor with respect to Guaranteed Obligations.

Section 1.4 GUARANTEED OBLIGATIONS NOT REDUCED BY OFFSET. Except as otherwise provided in the Lease, the Guaranteed Obligations shall not be reduced, discharged or released because or by reason of any existing or future offset, claim or defense of Lessee, or any other party, against Lessor or against payment of the Guaranteed Obligations,

whether such offset, claim or defense arises in connection with the Guaranteed Obligations (or the transactions creating the Guaranteed Obligations) or otherwise.

Section 1.5 PAYMENT BY GUARANTOR. If all or any part of the Guaranteed Obligations shall not be punctually paid to Lessor when due, Guarantor shall, immediately upon written demand by Lessor, and without any other notice whatsoever, pay in lawful money of the United States of America, the amount due on the Guaranteed Obligations to Lessor at Lessor's address as set forth herein. Such demand(s) may be made at any time coincident with or after the time for payment of all or part of the Guaranteed Obligations. Such demand shall be deemed made, given and received in accordance with the notice provisions hereof.

Section 1.6 NO DUTY TO PURSUE OTHERS. It shall not be necessary for Lessor (and Guarantor hereby waives any rights which Guarantor may have to require Lessor), in order to enforce this Guaranty against Guarantor, to resort to any other means of obtaining payment of the Guaranteed Obligations. Lessor shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

Section 1.7 PAYMENT OF EXPENSES. In the event that Guarantor should breach or fail to timely perform any provisions of this Guaranty, Guarantor shall, immediately upon written demand by Lessor, pay Lessor all reasonable costs and expenses (including court costs and reasonable attorneys' fees) incurred by Lessor in the enforcement hereof or the preservation of Lessor's rights hereunder. The covenant contained in this section shall survive the payment and performance of the Guaranteed Obligations.

Section 1.8 EFFECT OF BANKRUPTCY. In the event that, pursuant to any insolvency, bankruptcy, reorganization, receivership or other debtor relief law, or any judgment, order or decision thereunder, Lessor must rescind or restore any payment, or any part thereof, received by Lessor in satisfaction of the Guaranteed Obligations, as set forth herein, any prior release or discharge from the terms of this Guaranty given to Guarantor by Lessor shall be without effect, and this Guaranty shall remain in full force and effect. It is the intention of Lessor and Guarantor that Guarantor's obligations hereunder shall not be discharged except by Guarantor's performance of such obligations and then only to the extent of such performance.

Section 1.9 BANKRUPTCY CODE WAIVER. In the event that Lessee becomes a debtor in any proceeding under the Bankruptcy Code, it is the intention of the parties that the Guarantor shall not be deemed to be a "creditor" (as defined in Section 101 of the United States Bankruptcy Code [the "**Bankruptcy Code**"]) of Lessee with respect only to amounts due to Guarantor by reason of the existence of this Guaranty. In connection herewith, Guarantor hereby waives any such right as a "creditor" under the Bankruptcy Code with respect only to amounts due to Guarantor under this Guaranty. This waiver is given to, induce Lessor to enter into the Lease. For the sake of clarity, Guarantor may be a creditor of Lessee with respect to amounts or obligations which may be due to Guarantor from Lessee and which arise out of any relationship or document other than this Guaranty. After there shall be no obligations or liabilities under this Guaranty due from Guarantor to Lessor, this waiver shall be deemed to be terminated and Guarantor shall have the right to be a creditor of Lessee with respect to amounts due to Guarantor from Lessee as a result of this Guaranty.

Section 1.10 "LESSOR" AND "LESSEE." The terms "Lessor" and "Lessee" as used herein shall include any assignee, new or successor corporation, association, partnership (general or limited), joint venture, trust or other individual or organization formed as a result of any merger, reorganization, sale, transfer, devise, gift or bequest of Lessor or Lessee or any interest in Lessor or Lessee.

ARTICLE 2
EVENTS AND CIRCUMSTANCES NOT REDUCING
OR DISCHARGING GUARANTOR'S OBLIGATIONS

Guarantor hereby consents and agrees to each of the following, and agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or adversely affected by any of the following, and waives any common law, equitable, statutory or other rights (including without limitation rights to notice) which Guarantor might otherwise have as a result of or in connection with any of the following:

Section 2.1 MODIFICATIONS. Any renewal, extension, increase, modification, alteration or rearrangement of all or any part of the Guaranteed Obligations, the Lease, or other document, instrument, contract or understanding between Lessor and Lessee, or any other parties, pertaining to the Guaranteed Obligations or any failure of Lessor or Lessee to notify Guarantor of any such action.

Section 2.2 ADJUSTMENT. Any adjustment, indulgence, forbearance or compromise that might be granted or given by Lessor to Guarantor or Lessee.

Section 2.3 CONDITION OF LESSEE OR GUARANTOR. The insolvency, bankruptcy, arrangement, adjustment, composition, liquidation, disability, dissolution or lack of power of Lessee, Guarantor or any other party at any time liable for the payment of all or part of the Guaranteed Obligations; or any dissolution of Lessee, or any sale, lease or transfer of any or all of the assets of Lessee, or any changes in the shareholders, partners or members of Lessee; or any reorganization of Lessee.

Section 2.4 INVALIDITY OF GUARANTEED OBLIGATIONS. The invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations, or any document or agreement executed in connection with the Guaranteed Obligations, as a result of any action or inaction of Lessee, it being agreed that Guarantor shall remain liable hereon regardless of whether Lessee or any other person be found not liable on the Guaranteed Obligations or any part thereof for any reason.

Section 2.5 RELEASE OF OBLIGORS. Any full or partial release of the liability of Lessee on the Guaranteed Obligations, or any part thereof, or of any co-guarantors, or any other person or entity now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Guaranteed Obligations, or any part thereof, it being recognized, acknowledged and agreed by Guarantor that Guarantor may be required to pay the Guaranteed Obligations in full without assistance or support of any other party, and Guarantor has not been induced to enter into this Guaranty on the basis of a contemplation, belief, understanding or agreement that other parties will be liable to

pay or perform the Guaranteed Obligations, or that Lessor will look to other parties to pay or perform the Guaranteed Obligations.

Section 2.6 OTHER COLLATERAL. The taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Obligations.

Section 2.7 MERGER. The reorganization, merger or consolidation of Lessee into or with any other corporation or entity.

Section 2.8 PREFERENCE. Any payment by Lessee to Lessor is held to constitute a preference under bankruptcy laws, or for any reason Lessor is required to refund such payment or pay such amount to Lessee or someone else.

Section 2.9 OTHER ACTIONS TAKEN OR OMITTED. Any other action taken or omitted to be taken with respect to the Guaranteed Obligations, whether or not such action or omission prejudices Guarantor or increases the likelihood that Guarantor will be required to pay the Guaranteed Obligations pursuant to the-terms hereof, it is the unambiguous and unequivocal intention of Guarantor that Guarantor shall be obligated to pay the Guaranteed Obligations when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether or not contemplated, and whether or not otherwise or particularly described herein, which obligation shall be deemed satisfied only upon the frill and final payment and satisfaction of the Guaranteed Obligations.

Section 2.10 BANKRUPTCY OF LESSEE. The obligation of Guarantor to pay all amounts set forth in the Lease (including, but not limited to, Section 25.1 of the Lease) shall not be reduced, eliminated or affected in any way by the bankruptcy of Lessee, the rejection or alteration of the Lease as part of an order of confirmation or discharge, or by any limitation on post-petition rejection damages as set forth in Section 502(b)(6) of the Bankruptcy Code; and in any such events, Guarantor’s obligations hereunder shall continue as if Lessee’s bankruptcy proceedings had never occurred. Guarantor shall also be liable for, and shall indemnify, defend and hold Lessor harmless from and against, any and all Losses (as hereinafter defined) incurred or suffered by Lessor with respect to Lessee’s obligations under the Lease and as a result of the bankruptcy of Lessee. For purposes of this Guaranty, the term “**Losses**” includes any and all claims, suits, liabilities (including, without limitation, strict liabilities), actions, proceedings, obligations, debts, damages, losses, costs, expenses, diminutions in value, fines, penalties, charges, fees, expenses, judgments, awards, amounts paid in settlement, punitive damages, foreseeable and unforeseeable consequential damages, of whatever kind or nature (including, but not limited to, attorneys’ fees and other costs of defense).

ARTICLE 3
MISCELLANEOUS

Section 3.1 WAIVER. No failure to exercise, and no delay in exercising, on the part of Lessor, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of Lessor hereunder shall be in addition to all other rights provided by law. No

modification or waiver of any provision of this Guaranty, nor consent to departure therefrom, shall be effective unless in writing and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand.

Section 3.2 NOTICES. All notices required or permitted to be given hereunder shall be in writing. Notices may be served by certified or registered mail, postage paid with return receipt requested; by private courier, prepaid; by telex, facsimile, or other telecommunication device capable of transmitting or creating a written record; or personally. Mailed notices shall be deemed delivered five (5) days after mailing, properly addressed. Couriered notices shall be deemed delivered when delivered as addressed, or if the addressee refuses delivery, when presented for delivery notwithstanding such refusal. Telex or telecommunicated notices shall be deemed delivered when receipt is either confirmed by confirming transmission equipment or acknowledged by the addressee or its ‘office. Personal delivery shall be effective when accomplished or if the addressee refuses delivery, when presented for delivery notwithstanding such refusal. Unless a party changes its address by giving notice to the other party as provided herein, notices shall be delivered to the parties at the following addresses:

If to Lessor:

Pursell Holdings, LLC
P. O. Box 1187
Sylacauga, Alabama 35150
Attention: James T. Pursell
Fax No.: (256) 249-7428

With a copy to:

Womble Carlyle Sandridge & Rice, PLLC
1201 West Peachtree Street
Suite 3500
Atlanta, Georgia 30309
Attention: Sharon L. McBrayer, Esq.
Fax No.: (404) 870-4825

If to Guarantor:

United Industries Corporation
8825 Page Boulevard
St. Louis, Missouri 63114
Attention: Brian MacKay
Fax No.: (314) 253-5925

With a copy to:

Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
Attention: Richard Porter
Fax No.: (312) 861-2200

From time to time any party may designate additional parties and/or another address for notice purposes by written notice to each of the other parties hereto.

Section 3.3 GOVERNING LAW; JURISDICTION; VENUE. THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAWS OP THE STATE OF ALABAMA. Any legal action or proceeding with respect to this Guaranty may be brought in the courts of the State of Alabama in Talladega County or of the United States for the District of Alabama, and, by execution and delivery of this Guaranty, each of the parties to this Guaranty hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Each of the parties to this Guaranty further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices herein, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any party in any other jurisdiction.

Each of the parties to this Guaranty hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Guaranty brought in the courts referred to above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 3.4 INVALID PROVISIONS. If any provision of this Guaranty is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Guaranty, such provision shall be fully severable and this Guaranty shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Guaranty, and the remaining provisions of this Guaranty shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Guaranty, unless such continued effectiveness of this Guaranty, as modified, would be contrary to the basic understandings and intentions of the parties as expressed herein.

Section 3.5 AMENDMENTS. This Guaranty may be amended only by an instrument in writing executed by the party or an authorized representative of the party against whom such amendment is sought to be enforced.

Section 3.6 PARTIES BOUND; ASSIGNMENT. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and legal representatives; provided, however, that Guarantor may not, without the prior written consent of Lessor, assign any of its rights, powers, duties or obligations hereunder.

Section 3.7 HEADINGS. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Guaranty.

Section 3.8 RECITALS. The recital and introductory paragraphs hereof are a part hereof, form a basis for this Guaranty and shall be considered prima facie evidence of the facts and documents referred to therein.

Section 3.9 COUNTERPARTS. To facilitate execution, this Guaranty may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature or acknowledgment of, or on behalf of, each party, or that the signature of all persons required to bind any party, or the acknowledgment of such party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Guaranty to produce or account for more than} a single counterpart containing the respective signatures of, or on behalf of, and the respective acknowledgments of, each of the parties hereto. Any signature or acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures or acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature or acknowledgment pages.

Section 3.10 RIGHTS AND REMEDIES. If Guarantor becomes liable for any rent and related payments with respect to the Lease owing by Lessee to Lessor, other than under this Guaranty, such liability shall not be in any manner impaired or affected hereby and the rights of Lessor hereunder shall be cumulative of any and all other rights that Lessor may ever have against Guarantor. The exercise by Lessor of any right or remedy hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

Section 3.11 ENTIRETY. THIS GUARANTY EMBODIES THE FINAL, ENTIRE AGREEMENT OF GUARANTOR AND LESSOR WITH RESPECT TO GUARANTOR’S GUARANTY OF THE GUARANTEED OBLIGATIONS AND SUPERSEDES ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF. THIS GUARANTY IS INTENDED BY GUARANTOR AND LESSOR AS A FINAL AND COMPLETE EXPRESSION OF THE TERMS OF THE GUARANTY, AND NO COURSE OF DEALING BETWEEN GUARANTOR AND LESSOR, NO COURSE OF PERFORMANCE, NO TRADE PRACTICES, AND NO EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OR OTHER EXTRINSIC EVIDENCE OF ANY NATURE SHALL BE USED TO CONTRADICT, VARY, SUPPLEMENT OR MODIFY ANY TERM OF THIS GUARANTY AGREEMENT. THERE ARE NO ORAL AGREEMENTS BETWEEN GUARANTOR AND LESSOR.

Section 3.12 WAIVER OF RIGHT TO TRIAL BY JURY. GUARANTOR HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS GUARANTY, OR ANY CLAIM; COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN

KNOWINGLY AND VOLUNTARILY BY GUARANTOR, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LESSOR IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY GUARANTOR.

[SIGNATURE PAGE FOLLOWS]

EXECUTED as of the day and year first above written.

GUARANTOR

UNITED INDUSTRIES CORPORATION,
a Delaware corporation

By: /s/ DANIEL J. JOHNSTON
Name: **Daniel J. Johnston**
Title: **Executive Vice President & C.F.O.**

Exhibit 31.1

CERTIFICATIONS

I, David A. Jones, 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 condensed consolidated 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)) 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) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

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 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: May 13, 2005

/S/ DAVID A. JONES

David A. Jones
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Randall J. Steward, 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 condensed consolidated 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)) 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) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

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 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: May 13, 2005

/S/ RANDALL J. STEWARD

Randall J. Steward
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 April 3, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jones, 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/ DAVID A. JONES

Name: **David A. Jones**
Title: **Chief Executive Officer**

Date: May 13, 2005

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 April 3, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Randall J. Steward, 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/ RANDALL J. STEWARD

Name: Randall J. Steward
Title: Chief Financial Officer

Date: May 13, 2005

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.