Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

RAYOVAC CORPORATION
(Exact Name Of Registrant As Specified In Its Charter)

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

601 Rayovac Drive
Madison,Wisconsin 53711-2497
(608) 275-3340
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Copy to:
LOUIS A. GOODMAN, ESQ.
Skadden, Arps, Slate, Meagher & Flom LLP
One Beacon Street
Boston, Massachusetts 02108
(617) 573-4800

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
10-1/4% Series B Senior Subordinated Notes due 2006	$100,000,000	100%	$100,000,000	$34,500

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with

Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

RAYOVAC CORPORATION

CROSS REFERENCE SHEET
Pursuant to Item 501(b) of Regulation S-K

Form S-1 Item No.	Location in Prospectus
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus	Facing Page of Registration Statement and Outside Front Cover of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front and Outside Back Cover Pages of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Prospectus Summary; Risk Factors; Unaudited Pro Forma Condensed Consolidated Financial Data; Selected Historical Combined Consolidated Financial Data
4. Use of Proceeds	Prospectus Summary; Use of Proceeds
5. Determination of Offering Price	Not Applicable
6. Dilution	Not Applicable
7. Selling Security Holders	Not Applicable
8. Plan of Distribution	Outside Front Cover Page of Prospectus; Plan of Distribution
9. Description of Securities to be Registered	Prospectus Summary; Description of the Notes
10. Interests of Named Experts and Counsel	Legal Matters; Experts
11. Information With Respect to the Registrant	Prospectus Summary; Risk Factors; The Recapitalization; Use of Proceeds; Capitalization; Unaudited Pro Forma Condensed Consolidated Financial Data; Selected Historical Combined Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Ownership of Capital Stock; Certain Relationships and Related Transactions; Description of the Credit Agreement; Description of the Notes; Consolidated Financial Statements
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Not Applicable

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

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SUBJECT TO COMPLETION DECEMBER 13, 1996

PROSPECTUS

Offer for all Outstanding
10-1/4% Senior Subordinated Notes due 2006
in Exchange for
10-1/4% Series B Senior Subordinated Notes due 2006
of

[Rayovac logo] RAYOVAC CORPORATION

The Exchange Offer will expire at 5:00 P.M.,
New York City time, on [ ], 1997, unless extended

Rayovac Corporation, a Wisconsin corporation ("Rayovac" or the "Company"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal (which together constitute the "Exchange Offer"), to exchange an aggregate principal amount of up to $100,000,000 of 10-1/4% Series B Senior Subordinated Notes due 2006 of the Company (the "New Notes") for a like principal amount of the issued and outstanding 10-1/4% Senior Subordinated Notes due 2006 of the Company (the "Old Notes" and, together with the New Notes, the "Notes") with the holders thereof. The terms of the New Notes are identical in all material respects to the Old Notes, except that the terms of the New Notes do not include certain transfer restrictions and registration rights included in the terms of the Old Notes.

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from October 22, 1996. Accordingly, if the relevant record date for interest payment occurs after the consummation of the Exchange Offer, registered holders of New Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. If, however, the relevant record date for interest payment occurs prior to the consummation of the Exchange Offer, registered holders of Old Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer, except as set forth in the immediately preceding sentence. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of interest on such Old Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer.

The Old Notes were issued on October 22, 1996 in connection with the financing of the recapitalization of the Company (the "Recapitalization"). The Old Notes are, and the New Notes will be, general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt (as defined herein), including borrowings under the Credit Agreement (as defined herein). The Old Notes are, and the New Notes will be, guaranteed by ROV Holding, Inc., a wholly owned subsidiary of the Company ("ROV Holding"), and may in the future be guaranteed by certain other subsidiaries of the Company (collectively, the "Guarantors"). See "Description of the Notes--Subsidiary Guarantees" and "Certain Covenants--Additional Guarantees." The Guarantees (as defined herein) are subordinated in right of payment to all existing and future Senior Debt of the Guarantors, including guarantees under the Credit Agreement. The Old Notes, the Guarantees and borrowings under the Credit Agreement are, and the New Notes will be, effectively subordinated to the indebtedness of foreign subsidiaries of ROV Holding which effectively ranks senior in right of payment to the Notes and the Guarantees. The Indenture (as defined herein) permits the Company and its subsidiaries to incur additional indebtedness, including Senior Debt, subject to certain limitations, and prohibits the incurrence of any indebtedness that is senior to the Notes and subordinated to any Senior Debt. As of September 30, 1996, the Company and its subsidiaries had $128.5 million of Senior Debt and $5.2 million of indebtedness and capitalized lease obligations of foreign subsidiaries which rank senior or effectively rank senior, as the case may be, in right of payment to the Notes.

The New Notes are being offered hereunder in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement, dated October 17, 1996 (the "Registration Rights Agreement"), among the Company and the other signatories thereto. Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission"), New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")) without compliance with the registration and prospectus

delivery provisions of the Securities Act provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such New Notes. If any holder of Old Notes is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement with any person to participate in the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the date of this Prospectus, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

The Company will not receive any proceeds from the Exchange Offer. The Company will pay all the expenses incident to the Exchange Offer. Tenders of Old Notes pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date (as defined herein). In the event the Company terminates the Exchange Offer and does not accept for exchange any Old Notes, the Company will promptly return the Old Notes to the holders thereof. See "The Exchange Offer."

The Old Notes are eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages ("PORTAL") market of the National Association of Securities Dealers, Inc. Prior to this Exchange Offer, there has been no public market for the New Notes. If a market for the New Notes should develop, the New Notes could trade at a discount from their principal amount. The Company does not currently intend to list the New Notes on any securities exchange or to seek approval for quotation on any automated quotation system. There can be no assurance that an active public market for the New Notes will develop.

See "Risk Factors" beginning on page 9 for a discussion of certain factors that should be considered in connection with an investment in the Notes offered hereby.

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

The Date of this Prospectus is ,1997.

[Insert Pictures]

ADDITIONAL INFORMATION

The Company filed with the Commission a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act with respect to the New Notes being offered by this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. Reference is made to the exhibit for a more complete description thereof.

The Registration Statement and the exhibits and schedules thereto may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and will also be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, New York, New York 10048 and at Northwestern Atrium Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Additionally, the Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission at (http://www.sec.gov). Upon consummation of the Exchange Offer, the Company will become subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith will be required to file periodic reports and other information with the Commission. Whether or not the Company is required to be subject to the reporting requirements of the Exchange Act in the future, the Company and, if the Company is required to file financial statements for any Guarantor, such Guarantor will be required under the Indenture, dated as of October 22, 1996 (the "Indenture") by and among the Company, ROV Holding, Inc. and Marine Midland Bank, as trustee (the "Trustee"), pursuant to which the Old Notes were, and the New Notes will be, issued, to continue to file with the Commission for public availability (unless the Commission will not accept such filings), and to furnish holders of the New Notes with, (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K, if the Company and/or such Guarantor were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to annual information only, a report thereon by the Company's certified independent public accountants, and (ii) all financial information that would be required to be filed with the Commission on Form 8-K if the Company and/or such Guarantor were required to file such reports.

INDUSTRY MARKET DATA

External market information in this Prospectus is provided by the Company, based on data licensed from A.C. Nielsen. The two primary sources of market data are Nielsen Scanner Data (obtained from checkout scanners in selected food stores, drug stores and mass merchandisers) and Nielsen Consumer Panel Data (obtained from a group of representative households selected by A.C. Nielsen equipped with in-home scanners). Except as set forth below, specific market share references are obtained from Nielsen Scanner Data. Specific hearing aid battery market share references are obtained from Nielsen Scanner Data, as supplemented by National Family Opinion Purchase Diary Data. Information regarding the size (in terms of both dollars and unit sales) of the total U.S. retail battery market is based upon Nielsen Scanner Data, as supplemented by Nielsen Consumer Panel Data.

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

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

The New Notes will be available initially in book-entry form, and the Company expects that the New Notes sold pursuant hereto will be issued in the form of a Global Note (as defined herein) which will be deposited with, or on behalf of, The Depository Trust Company (the "Depositary") and registered in its name or in the name of Cede & Co., its nominee, except with respect to institutional "accredited investors" (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act), who will receive New Notes in certificated form. Beneficial interests in the Global Note will be shown on, and transfer thereof will be effected through, records maintained by the Depositary and its participants. After the initial issuance of the Global Note, New Notes in certificated form will be issued in exchange for the Global Note only under the limited circumstances set forth in the Indenture. See "Description of the Notes--Book-Entry, Delivery and Form."

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

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

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

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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by the more detailed information and Combined Consolidated Financial Statements of the Company, together with the notes thereto, and the Unaudited Pro Forma Condensed Consolidated Financial Data of the Company, together with the notes thereto, included elsewhere in this Prospectus. Except as otherwise set forth herein, references herein to "pro forma" financial data of the Company are to financial data of the Company which gives effect to the Recapitalization and the sale of the Old Notes.

The Company

Rayovac Corporation ("Rayovac" or the "Company") is the third largest domestic manufacturer of general batteries (D, C, AA, AAA and 9-volt sizes). Within the general battery market, the Company is the leader in the household rechargeable and heavy duty battery segments. The Company is also the leading domestic manufacturer of certain specialty batteries, including hearing aid batteries, lantern batteries and lithium batteries for personal computer memory back-up. In addition, the Company is a leading marketer of flashlights and other battery-powered lighting devices. Established in 1906, the Rayovac brand name is one of the oldest and best recognized names in the battery industry. The Company attributes the longevity and strength of its brand name to its high-quality product line and to the success of its marketing and merchandising initiatives. For fiscal 1996, the Company had net sales, net income and Adjusted EBITDA (as defined herein) of $399.4 million, $14.3 million and $46.5 million, respectively.

The Company's broad line of products includes (i) general batteries (including alkaline, heavy duty and household rechargeable batteries), (ii) specialty batteries (including hearing aid, watch, lantern and personal computer memory back-up batteries) and (iii) flashlights and other battery-powered lighting devices. The Company's products are marketed under the names Rayovac, Renewal, Loud'n Clear, ProLine, Lifex, Power Station, Workhorse and Roughneck, as well as several private labels.

Since the early 1980s, the Company has implemented a number of important strategies that have greatly improved its competitive position. In the general battery market, the Company has become a leader in the mass merchandise retail channel by positioning its products as a value brand, offering batteries of substantially equivalent quality and performance at a discount to those offered by its principal competitors. The Company has also introduced industry-leading merchandising innovations such as the Smart Pack and Smart Strip merchandising systems, in which multiple battery packages are presented together in value-oriented formats. As a result of these programs, the Company had 27% and 26.6% market shares in the mass merchandise channel of the general battery market in fiscal 1996 in the Transition Period ended September 30, 1996, respectively.

The Company has complemented its general battery business with successful new product introductions and leading market positions in selected high-margin specialty battery lines. In the domestic hearing aid segment, the Company has achieved a 50% market share as a result of its products' technological capabilities, a strong distribution system and a well developed marketing program. The Company is also the leader in the hearing aid battery market in the United Kingdom and continental Europe. Further, in 1993, the Company introduced the Renewal rechargeable battery, the first alkaline rechargeable battery sold in the United States. Renewal achieved 64% and 63% market shares in the rechargeable household battery category as of July 1996 and September 1996, respectively, and the Company had domestic sales of Renewal products of $27.0 million in fiscal 1996.

The U.S. battery industry had aggregate sales in 1995 of $4.1 billion, including $2.3 billion of retail sales of general batteries. The Company estimates that retail sales of general batteries have experienced compound annual unit sales growth of approximately 5.3% since 1986. This growth has been largely due to (i) the proliferation and popularity of battery-powered devices (such as remote controls, personal radios and cassette players, pagers, portable compact disc players, electronic and video games and battery-powered toys), (ii) the miniaturization of battery-powered devices, which has resulted in consumption of a larger number of smaller batteries and (iii) increased purchases of multiple-battery packages for household "pantry" inventory. These factors have increased the average household usage of batteries from an estimated 23 batteries per year in 1986 to an estimated 33 batteries per year in 1995. In addition, the hearing aid battery segment, in which the Company is the market leader, has experienced average annual dollar sales increases of 10.9% over the last four fiscal years, primarily as a result of the decreasing size of hearing aids and the increasing age of the U.S. population. The Company expects growth of this segment to continue in the United States as well as in Western Europe. See "Industry Market Data."

Business Strategy

The Company's objective is to increase sales and profitability by pursuing the following strategies.

Produce High-Quality Battery Products. In each of its battery product lines, the Company seeks to manufacture a high-quality product. In the alkaline segment, the Company manufactures high-performance battery products of substantially equivalent quality to those offered by its principal competitors. In some of its specialty product segments, such as hearing aid batteries, the Company believes its products have certain advantages over its competitors' products. The Company focuses its quality improvement efforts on lengthening service life and enhancing reliability and, in the case of hearing aid batteries, the Company also focuses on product miniaturization.

Leverage Value Brand Position. The Company has established a position as the leading value brand in the U.S. general alkaline battery market, focusing on the mass merchandise channel. The Company achieved this position by (i) offering batteries of substantially equivalent quality and performance to those offered by its principal competitors at a retail price discount, (ii) emphasizing innovative in-store merchandising programs and (iii) offering retailers attractive wholesale margins. The mass merchandise segment has generated significant growth in the U.S. retail battery market over the last five years and the Company's positioning in this segment should allow it to continue to take advantage of any future segment growth.

Expand Retail Distribution Channels. The Company plans to expand its presence in food stores, drug stores, warehouse clubs and other distribution channels on which the Company historically has not focused significant marketing and sales efforts. Food stores, drug stores and warehouse clubs accounted for 1.5 billion general battery units and $1.2 billion in revenues in the U.S. retail battery market in 1995. Management believes that Rayovac's value-oriented general battery products and merchandising programs make the Company an attractive supplier to these channels.

Focus on Niche Markets. The Company has developed leading positions in several important niche markets. Total net sales of batteries in these markets (including those for hearing aid, rechargeable, lantern and heavy duty batteries and for lithium coin cells for personal computer memory back-up) comprised 47.9% of the Company's fiscal 1996 net sales. The Company tailors its strategy in each of these market niches to accommodate each market's characteristics and competitive profile.

Expand Rechargeable Battery Market Segment. The Company intends to expand its leading share of the rechargeable household battery market through continued marketing of the economic benefit to consumers of Renewal, the Company's long-life alkaline rechargeable battery. Although approximately twice the retail price of a regular alkaline battery, a Renewal battery can be recharged at least 25 times, providing the approximate aggregate energy of 10 regular alkaline batteries. Consequently, Renewal provides significant economic benefits to consumers over regular alkaline batteries. In addition, alkaline rechargeables are superior to traditional nickel cadmium rechargeables because they are sold fully charged, retain their charge better and are environmentally safer. Management believes that as the Company educates consumers about these benefits, the Company will have a substantial opportunity to expand the rechargeable household battery segment and increase its market share.

The Recapitalization

Effective as of September 12, 1996, the Company, all of the shareholders of the Company, Thomas H. Lee Equity Fund III, L.P. (the "Lee Fund") and other affiliates of Thomas H. Lee Company ("THL Co.") completed a recapitalization of the Company (the "Recapitalization") pursuant to which, among other things: (i) the Company obtained senior financing in an aggregate amount of $170.0 million, of which $131.0 million was borrowed at the closing of the Recapitalization, including $26.0 million under a revolving credit facility (the "Revolving Credit Facility"); (ii) the Company obtained $100.0 million in financing through the issuance of senior subordinated increasing rate notes of the Company (the "Bridge Notes"); (iii) the Company redeemed a portion of the shares of common stock, par value $.01 per share, of the Company (the "Common Stock") held by Thomas F. Pyle, Jr., the former President and Chief Executive Officer of the Company; (iv) the Lee Fund and other affiliates of THL Co. purchased for cash shares of Common Stock owned by shareholders of the Company; and (v) the Company repaid certain of its outstanding indebtedness, including prepayment fees and penalties. As a result of the Recapitalization, the Lee Fund and other affiliates of THL Co., together with David A. Jones, the Company's new President and Chief Executive Officer, own 80.2% of the outstanding Common

Stock, Mr. Pyle owns 9.9% of the outstanding Common Stock and existing management and certain former employees of the Company own 9.9% of the outstanding Common Stock. See "The Recapitalization."

During the Transition Period ended September 30, 1996, the Company recorded charges of $12.3 million directly related to the Recapitalization and other special charges of $16.1 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The net proceeds received by the Company from the sale of the Old Notes together with borrowings under the Revolving Credit Facility were used to repurchase the Bridge Notes (as defined herein) plus accrued interest thereon. See "Use of Proceeds."

The Exchange Offer

The Exchange Offer	The Company is offering to exchange up to $100.0 million aggregate principal amount of its 10-1/4% Series B Senior Subordinated Notes due 2006 for a like principal amount of its issued and outstanding 10-1/4% Senior Subordinated Notes due 2006 that are properly tendered and accepted. The terms of the New Notes and the Old Notes are identical in all material respects, except that the terms of the New Notes do not include certain transfer restrictions and registration rights relating to the Old Notes described below under "--Summary Description of the New Notes." See "The Exchange Offer" for a description of the procedures for tendering Old Notes. The Exchange Offer is intended to satisfy obligations of the Company under the Registration Rights Agreement dated as of October 17, 1996 among the Company, Donaldson Lufkin & Jenrette Securities Corporation and BA Securities, Inc.
Tenders; Expiration Date; Withdrawal	The Exchange Offer will expire at 5:00 P.M., New York City Time, on [ ], 1997, or such later date and time to which it is extended (the "Expiration Date"). The tender of Old Notes pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.
Federal Income Tax Considerations	The exchange pursuant to the Exchange Offer will not result in any income, gain or loss to holders exchanging Old Notes for New Notes pursuant thereto or to the Company for federal income tax purposes. See "Certain Federal Income Tax Considerations."
Exchange Agent	Marine Midland Bank is serving as Exchange Agent in connection with the Exchange Offer.

Consequences of Exchanging Old Notes Pursuant to the Exchange Offer

Based on interpretations by the staff of the Commission issued to third parties, holders of Old Notes (other than any holder who is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) who exchange their Old Notes for New Notes pursuant to the Exchange Offer may offer such New Notes for resale, resell such New Notes and otherwise transfer such New Notes without compliance with the registration and prospectus delivery provisions of the Securities Act, provided such New Notes are acquired in the ordinary course of the holders' business and such holders do not intend, and have no arrangement with any person, to participate in a distribution of such New Notes. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any holder is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the date on which the Exchange Offer is Consummated (as defined in the Registration Rights Agreement), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." To comply with the securities laws of certain jurisdictions, if applicable, it may be necessary to qualify for sale or register the New Notes prior to offering or selling such New Notes. The Company does not currently intend to take any action to register or qualify the New Notes for resale in any such jurisdiction.

If a holder of Old Notes does not exchange such Old Notes for New Notes pursuant to the Exchange Offer, such Old Notes will continue to be subject to the restrictions on transfer contained in the legend thereon. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register Old Notes under the Securities Act. See "Risk Factors--Consequences of Failure to Exchange Old Notes."

Summary Description of the New Notes

The terms of the New Notes and the Old Notes are identical in all material respects, except that the terms of the New Notes do not include certain transfer restrictions and registration rights relating to the Old Notes.

Securities Offered	$100.0 million principal amount of 10-1/4% Series B Senior Subordinated Notes due 2006.
Use of Proceeds	The Company will not receive any proceeds from the Exchange Offer. The net proceeds to the Company from the sale of the Old Notes were approximately $97.0 million after deduction of discounts, commissions and offering expenses. The Company used such net proceeds, together with borrowings under the Revolving Credit Facility, to repurchase the Bridge Notes plus accrued interest thereon. See "The Recapitalization" and "Use of Proceeds."
Issuer	Rayovac Corporation.

Maturity Date	November 1, 2006.
Interest Payment Dates	The New Notes will bear interest at the rate of 10-1/4% per annum, payable semiannually on May 1 and November 1 of each year commencing on May 1, 1997.
Optional Redemption	Except as set forth below, the New Notes are not redeemable prior to November 1, 2001. The New Notes may be redeemed at the option of the Company, in whole or in part, on or after November 1, 2001 at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the date of redemption. At any time during the first 36 months after the date of the Indenture (as defined herein), the Company may redeem up to 35% of the initial principal amount of the New Notes originally issued with the net proceeds of one or more public offerings of equity securities of the Company, at a redemption price equal to 109.25% of the principal amount of such New Notes, plus accrued and unpaid interest and Liquidated Damages (as defined herein), if any, to the date of redemption; provided that at least 65% of the principal amount of New Notes originally issued remains outstanding immediately after the occurrence of each such redemption and that each such redemption occurs within 60 days following the closing of each such public offering.
Mandatory Redemption	Except as set forth herein, the Company is not required to make mandatory redemption or sinking fund payments with respect to the New Notes.
Guarantees	The New Notes will be guaranteed (the "Guarantees") on an unsecured senior subordinated basis by ROV Holding, Inc., a wholly owned subsidiary of the Company that owns the Company's foreign operating subsidiaries ("ROV Holding"), and by any other Subsidiary (as defined herein) of the Company that executes a Guarantee in accordance with the provisions of the Indenture, and by their respective successors and assigns (collectively, the "Guarantors").

Ranking	The New Notes will be general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt (as defined herein), including borrowings under the Credit Agreement (as defined herein). In addition, the New Notes will be effectively subordinated to the indebtedness of foreign subsidiaries of the Company. The New Notes will rank pari passu with the Old Notes. As of September 30, 1996, the Company and its subsidiaries had $128.5 million of Senior Debt and $5.2 million of indebtedness and capitalized lease obligations of foreign subsidiaries which would rank senior or effectively rank senior, as the case may be, in right of payment to the New Notes. The Indenture permits the incurrence of additional Senior Debt by the Company, subject to certain limitations, and prohibits the incurrence by the Company and its subsidiaries of indebtedness that is subordinate in right of payment to any Senior Debt and senior in any respect in right of payment to the New Notes. See "Description of the Notes--Subordination."
Change of Control	Upon a Change of Control (as defined herein), each holder of New Notes shall have the right to require the Company to repurchase all or any part of such holder's New Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase. See "Description of the Notes--Repurchase at the Option of Holders."
Certain Covenants	The Indenture contains covenants restricting or limiting 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) incur dividend and other payment restrictions affecting subsidiaries, (v) enter into mergers, consolidations or sales of all or substantially all of the assets of the Company, (vi) make Asset Sales (as defined herein), (vii) enter into transactions with affiliates and (viii) issue or sell capital stock of wholly owned subsidiaries of the Company. See "Description of the Notes."

Risk Factors

Prospective investors should carefully consider the information set forth under the caption "Risk Factors" and all other information set forth in this Prospectus before making any investment in the New Notes.

Summary Historical and Pro Forma Financial Data

The following summary historical financial data for the three fiscal years ended June 30, 1996 and the Transition Period ended September 30, 1996 and the balance sheet data as of September 30, 1996 are derived from the audited Combined Consolidated Financial Statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The summary historical financial data for the period July 1, 1995 to September 30, 1995 is derived from the Unaudited Condensed Combined Consolidated Financial Statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The summary historical financial data of the Company for the two fiscal years ended June 30, 1993 is derived from audited combined consolidated financial statements of the Company which are not included herein.

	Fiscal Year Ended June 30,						
	1992	1993	1994	1995	1996	July 1, 1995 to September 30, 1995	Transition Period Ended September 30, 1996
	(Dollars in millions)					(unaudited)	
Statement of Operations Data:							
Net sales	$332.2	$353.4	$386.2	$391.0	$399.4	$100.6	$ 95.0
Gross profit	140.1	152.0	151.3	153.9	160.0	36.5	35.7
Income (loss) from operations	31.0	31.2	10.9(1)	31.5	30.3	4.6	(23.7)
Interest expense	14.1	6.0	7.7	8.6	8.4	2.4	4.4
Net income (loss)	5.5	15.0	4.4	16.4	14.3	$ 1.4	($ 20.9)(2)
Other Financial Data:							
Depreciation	$ 6.1	$ 7.4	$ 10.3	$ 11.0	$ 11.9	$ 3.2	$ 3.3
Capital expenditures	15.3	30.3(3)	12.5	16.9	6.6	1.1	1.2
EBITDA (4)	37.6	39.3	21.2	41.3	42.2	7.7	(20.4)
Adjusted EBITDA (5)					46.5		
Pro forma cash interest expense (6)					21.8		
Ratio of Adjusted EBITDA to pro forma cash interest expense					2.1x		
Ratio of net debt to Adjusted EBITDA (7)					5.0x		

	As of September 30, 1996
	(Dollars in millions)
Balance Sheet Data:	
Working capital	$ 63.2
Total assets	245.3
Total debt	224.8
Shareholders' deficit	(85.7)

(1) Income (loss) from operations in fiscal 1994 was impacted by increased selling expenses due to higher advertising expenses related to the Renewal Introduction (as defined herein) and non-recurring manufacturing costs in connection with the Fennimore Expansion (as defined herein). See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(2) Net income (loss) in the Transition Period was impacted by charges directly related to the Recapitalization and other special charges. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Fiscal 1993 capital expenditures include $19.7 million in connection with the Fennimore Expansion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(4) EBITDA represents income from operations plus depreciation and reflects an adjustment of income from operations to eliminate the establishment and subsequent reversal of two reserves ($0.7 million established in 1993 and reversed in 1995, and $0.5 million established in 1992 and reversed in 1995). While EBITDA should not be construed as a substitute for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows, the Company has included EBITDA because it is commonly used by certain investors and analysts to analyze and compare companies on the basis of operating performance, leverage and liquidity and to determine a company's ability to service debt. A similar concept to EBITDA, defined as "Consolidated Cash Flow" in the Indenture and used in the calculation of certain covenants therein, represents operating income plus depreciation, amortization, any net loss realized in connection with an Asset Sale and certain other non-cash charges and certain non-recurring expenses. See "Description of the Notes--Certain Covenants" and "Description of the Notes--Certain Definitions."

(5) Adjusted EBITDA is defined as EBITDA adjusted to add back (i) $1.7 million of expense related to the Company's leased aircraft, in excess of the estimated cost of commercial airline travel, which aircraft lease was terminated in connection with the Recapitalization, (ii) $0.8 million in litigation expense accrued in 1996 for litigation initiated in a prior period, (iii) $0.2 million of compensation expense for the Company's pre-Recapitalization senior management group, net of expected post-Recapitalization senior management compensation, including the Management Fee (as defined herein) and the Consulting Fee (as defined herein), and (iv) $1.6 million of advertising and promotional expense associated with the Company's sponsorship of two professional race cars, the contracts for which have been terminated. Management is reviewing a number of categories of expenditures following the Recapitalization, including advertising and promotional expenditure levels. Post-Recapitalization expenditure levels have not yet been determined. Adjusted EBITDA should not be construed as a substitute for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows.

(6) Pro forma cash interest expense excludes amortization of deferred financing costs of $1.6 million.

(7) For purposes of computing this ratio, net debt represents borrowed money, including capital lease obligations, less cash and cash equivalents.

RISK FACTORS

Holders of Old Notes should carefully consider the following risk factors, as well as all other information set forth in this Prospectus, before tendering their Old Notes in the Exchange Offer, although the risk factors set forth below (other than "Consequences of Failure to Exchange Old Notes") are generally applicable to the Old Notes as well as the New Notes.

Consequences of Failure to Exchange Old Notes

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of the Old Notes. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register Old Notes under the Securities Act. Based on interpretations by the staff of the Commission issued to third parties, New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by holders thereof (other than any such holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such New Notes. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any holder is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days from the date on which the Exchange Offer is Consummated (as defined in the Registration Rights Agreement), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution." In addition, to comply with the securities laws of certain jurisdictions, if applicable, it may be necessary to qualify for sale or to register the New Notes prior to offering or selling such New Notes. The Company does not currently intend to take any action to register or qualify the New Notes for resale in any such jurisdiction.

Substantial Leverage; Incurrence of Additional Senior Debt

As of September 30, 1996, the Company had $233.7 million of total indebtedness. See "Capitalization."

The Company's ability to make principal and interest payments on the New Notes will be dependent on the Company's future operating performance, which is itself dependent on a number of factors, many of which are out of the Company's control. These factors include prevailing economic conditions and financial, competitive, regulatory and other factors affecting the Company's business and operations. The Company's ability to make principal and interest payments on the New Notes may also be dependent on the availability of borrowings under the Credit Agreement (or any refinancing thereof) or other borrowings. Although the Company believes that, based on current levels of operations, its cash flow from operations, together with other sources of liquidity, will be adequate to make required payments of principal and interest on its debt (including the New Notes), whether at or prior to maturity, finance anticipated capital expenditures and fund working capital requirements, there can be no assurance in this regard. If the Company does not have sufficient available resources to repay any indebtedness under the Credit Agreement (or other indebtedness the Company may incur) when it becomes due and payable, the Company may find it necessary to refinance such indebtedness, and there can be no assurance that refinancing will be available, or available on reasonable terms.

Additionally, the Company's high degree of leverage could have a material adverse effect on the Company's future operating performance, including, but not limited to, the following: (i) a substantial portion of the Company's

cash flow from operations must be dedicated to debt service payments, thereby reducing the funds available to the Company for other purposes; (ii) the Company's ability to obtain additional debt financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes or other purposes may be impaired; (iii) the Company is substantially more leveraged than certain of its competitors, which may place the Company at a competitive disadvantage; (iv) the Company's high degree of leverage may limit its ability to expand capacity and otherwise meet its growth objectives; (v) the Company's high degree of leverage may hinder its ability to adjust rapidly to changing market conditions and could make it more vulnerable in the event of a downturn in general economic conditions or its business; and (vi) the Company may not be able to sustain its value pricing strategy for alkaline batteries with its lower price points and attractive margins for retailers.

The Indenture and the Credit Agreement permit the incurrence of additional Senior Debt, subject to certain limitations, and prohibit the incurrence by the Company and its subsidiaries of indebtedness that is subordinate in right of payment to any Senior Debt and senior in any respect in right of payment to the New Notes. See "Description of the Notes."

Subordination

The New Notes will be general unsecured obligations of the Company and will be subordinate in right of payment to all Senior Debt, including all indebtedness under the Credit Agreement. As of September 30, 1996, the Company and its subsidiaries had $128.5 million of Senior Debt and $5.2 million of indebtedness of foreign subsidiaries and capital lease obligations. The Indenture permits the Company and (under limited circumstances) its subsidiaries, to incur additional Senior Debt, subject to certain limitations, and the Company expects from time to time to incur additional indebtedness, including Senior Debt, subject to such limitations. By reason of the subordination provisions of the Indenture, in the event of the insolvency, liquidation, reorganization, dissolution or other winding-up of the Company, the lenders under the Credit Agreement and other creditors who are holders of Senior Debt must be paid in full before payment of amounts due on the New Notes. Accordingly, there may be insufficient assets remaining after such payments to pay amounts due on the New Notes. The Guarantees are subordinated to Senior Debt of each Guarantor to the same extent that the New Notes are subordinated to Senior Debt of the Company, and the ability to collect under any Guarantees may therefore be similarly limited.

In addition, the Company may not pay principal of, premium, if any, or interest on, or any other amounts owing in respect of, the New Notes, or purchase, redeem or otherwise retire the New Notes, or make any deposit pursuant to defeasance provisions for the New Notes, if Designated Senior Debt or Significant Senior Debt (as each term is defined in the Indenture) is not paid when due, unless such default is cured or waived or has ceased to exist or such Designated Senior Debt or Significant Senior Debt has been repaid in full. Under certain circumstances, no payments may be made for a specified period with respect to the principal of, premium, if any, and interest on, and any other amounts owing in respect of, the New Notes if a default, other than a payment default, exists with respect to Designated Senior Debt, including indebtedness under the Credit Agreement, unless such default is cured, waived or has ceased to exist or such indebtedness has been repaid in full. See "Description of the Notes--Subordination." If any Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding New Notes may declare all the New Notes to be due and payable immediately. However, such a continuing Event of Default also would permit the acceleration of all outstanding obligations under the Credit Agreement. In such an event, the subordination provisions of the Indenture would prohibit any payments to holders of the New Notes unless and until such obligations (and any other accelerated Senior Debt) have been repaid in full. See "Description of the Notes--Subordination."

Competition

The industries in which the Company participates are very competitive. Competition is based upon price, quality, performance, brand name recognition, product packaging and product innovation, as well as creative marketing, promotion and distribution strategies. In the U.S. battery industry, the Company competes primarily with two well established companies, Duracell International Inc. ("Duracell") and Energizer, Inc., a subsidiary of Ralston Purina Company (formerly known as Eveready Battery Company) and producer of Energizer brand batteries ("Energizer"), each of which has substantially greater financial and other resources and greater overall market share than the Company. In addition, the Company believes that Duracell and Energizer may have lower costs of production and higher profit margins in certain product lines than the Company. On September 12, 1996, The Gillette

Company announced that it had entered into an agreement to acquire Duracell. The Company cannot predict what effects, if any, this acquisition will have on Duracell's competitive position or business strategies or whether there will be any resulting impact on the Company.

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

The Company's principal competitors in the U.S. battery industry have recently introduced an on-the-label battery tester for alkaline batteries which is located on the battery label and displays the approximate remaining percentage of the battery's charge. The Company's products do not currently include any testers. The Company is in the process of evaluating initial customer reaction to competitors' testers and is attempting to estimate any potential negative impact on sales if the Company fails to include such a tester with its products and the significance of the costs associated with placement of such a tester, including whether such a feature will infringe any valid U.S. patents. U.S. patents covering various aspects of on-the-label battery testers are owned or controlled by Duracell, Eastman Kodak Company, Energizer and Strategic Electronics. These entities are currently involved in an "interference" proceeding before the United States Patent and Trademark Office to determine who has the right to patent the various aspects of the on-the-label battery tester and what the scope of such patents should be. Other U.S. patents covering various aspects of battery testers also exist. It appears likely that an attempt by a competitor, such as the Company, to market any tester covered by the existing patents would result in litigation by one or more of the current patent holders. The ultimate outcome of any such litigation would depend upon the outcome of the interference proceeding and the resolution of any challenges to the validity or enforceability of the existing patents which the Company might assert in its defense. The earliest the Company could market such a tester is Spring 1997. There can be no assurance that competitors' testers will not have a material adverse effect on the Company's business, financial condition or results of operations, or that the Company could market a tester without significant litigation risk.

Dependence on Key Customers

Wal-Mart Stores, Inc. ("Wal-Mart"), the Company's largest retailer customer, accounted for 19.0% of the Company's net sales in fiscal 1996. In addition, the Company's three largest retailer customers, including Wal-Mart, together accounted for 28.5% of the Company's net sales in fiscal 1996. The Company does not have long-term agreements with any of its major customers, and purchases are generally made through the use of individual purchase orders, consistent with industry practice. There can be no assurance that there will not be a significant reduction in purchases by any of the Company's three largest retailer customers, which could have a material adverse effect on the Company's business, financial condition or results of operations. See "Business--Marketing and Distribution."

Battery Technology

The battery industry has experienced, and is expected to continue to experience, regular technological change. There can be no assurance that, as existing battery products and technologies improve and new, more advanced products and technologies are introduced, the Company's products will be able to compete effectively in any of its targeted market segments. The development and successful introduction of new and enhanced products and other competing technologies that may outperform the Company's batteries and technological developments by competitors may have a material adverse effect on the Company's business, financial condition or results of operations, particularly in the context of the substantially greater resources of the Company's two principal competitors in the general battery market, Duracell and Energizer. See "--Competition." Similarly, in those market segments where the Company's battery products currently have technological advantages (including, for example, the hearing aid battery market), there can be no assurance that the Company's products will maintain such advantages.

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

Limited Intellectual Property Protection

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

Certain technology underlying the Company's Renewal line of alkaline rechargeable batteries is the subject of a non-exclusive license from a third party and could be made available to the Company's competitors after one year's prior notice to the Company (which has not been given). The licensing of such technology to a competitor could have a material adverse effect on the Company's business, financial condition or results of operations.

The Company does not have any right to the trademark "Rayovac" in Brazil, where the mark is owned by an independent third-party battery manufacturer. In addition, the Company has granted exclusive, perpetual, royalty-free licenses for the use of certain of its technology, patents and trademarks in a number of countries, including in Latin America. See "Business--Patents, Licenses and Trademarks."

Environmental Matters

The Company's facilities are subject to a broad range of federal, state, local and foreign laws and regulations relating to the environment, including those governing discharges to the air and water, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at Company facilities and at off-site disposal locations. Based on information currently available to Company management, the Company believes that it is substantially in compliance with applicable environmental regulations at its facilities, although no assurance can be provided with respect to such compliance in the future.

Several of the Company's manufacturing facilities have been in operation for decades and have utilized substances such as cadmium and mercury in the battery manufacturing process. The Company has not conducted invasive testing to identify all potential risks, and given the age of the Company's facilities and the nature of the Company's operations, there can be no assurance that material liabilities will not arise in the future in connection with its current or former facilities. In addition, the Company has been recently notified that its former manganese processing facility in Covington, Tennessee is being evaluated by the Tennessee Department of Environment and Conservation ("TDEC") for a determination as to whether the facility should be added to the National Priorities List as a Superfund site. Groundwater monitoring at the site conducted pursuant to the post-closure maintenance of solid waste lagoons on site, and recent groundwater testing beneath former process areas on site, indicate that there are elevated levels of certain inorganic contaminants, particularly (but not exclusively) manganese, in the groundwater underneath the site. As TDEC has just commenced its preliminary assessment, the Company cannot predict the outcome of TDEC's investigation of the site. See "Business--Environmental Matters."

The Company has been and is subject to several proceedings related to its disposal of industrial and hazardous waste at off-site disposal locations, under the federal Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") or analogous state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for the costs incurred in responding to the release or threatened release of hazardous substances from such sites. In addition, the Company recently has been named as a defendant in two lawsuits in connection with a Superfund site located in Bergen County, New Jersey (Velsicol Chemical Corporation, et al. v. A.E. Staley Manufacturing Company, et al., and Morton International, Inc. v. A.E. Staley Manufacturing Company, et al., United States District Court for the District of New Jersey, filed July 29, 1996). These lawsuits involve contamination at a former mercury processing facility and nearby creek (the "Bergen County Site"). The Company is one of approximately 100 defendants named in these lawsuits and is commencing a review to determine the extent of any potential liability it may have at the Bergen County Site. Preliminary information from the plaintiffs suggests that they will take the position that the Company is one of the largest volumetric contributors to the environmental

conditions at the Bergen County Site. The cost to remediate the Bergen County Site has not been determined and the Company cannot predict the outcome of these proceedings. There can be no assurance that additional proceedings relating to off-site disposal locations will not arise in the future or that pending or future off-site disposal matters will not have a material adverse effect on the Company's business, financial condition or results of operations. See "Business--Environmental Matters."

Fraudulent Transfer Considerations

Under relevant federal bankruptcy law or state fraudulent transfer laws, the New Notes and Guarantees may be subject to avoidance or may be subordinated to existing or future indebtedness of the Company or the Guarantors, as applicable (in addition to the Senior Debt to which the New Notes and Guarantees are expressly subordinated). If a court in a suit by an unpaid creditor or representative of creditors, such as a trustee in bankruptcy or the Company as debtor-in-possession, were to find that at the time the Bridge Notes were issued or after giving effect to the sale of the Old Notes or the New Notes and the application of the net proceeds therefrom either (a) the Company received less than a reasonably equivalent value or fair consideration for the issuance of the Old Notes or the New Notes and either (i) was insolvent at the time of such issuance or was rendered insolvent thereby, (ii) was engaged in a business or transaction for which the assets remaining with the Company constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured or (b) the Company issued the Old Notes or the New Notes with actual intent to hinder, delay or defraud its creditors, the court could avoid the New Notes and order that all or part of any payments on the New Notes be returned to the Company or to a fund for the benefit of its creditors, or subordinate the New Notes to all other indebtedness of the Company or take other action detrimental to the holders of the New Notes.

Similarly, if a court in a suit by an unpaid creditor or representative of creditors of ROV Holding or any other subsidiary of the Company were to find that at the time ROV Holding issued its guarantee of the Bridge Notes (the "Bridge Guarantee") or at the time when any subsidiary of the Company, including without limitation ROV Holding, issued or became liable under a Guarantee, including without limitation the ROV Holding Guarantee (or when such subsidiary was required to perform thereunder), any of the conditions set forth in clauses (a) or (b) above were satisfied with respect to such subsidiary, the court could avoid ROV Holding's obligations under the Bridge Guarantee or such subsidiary's obligations under the Guarantee, as applicable, and direct the repayment of any amounts paid thereunder to such subsidiary or to a fund for the benefit of its creditors.

The measure of insolvency for purposes of the foregoing varies based upon the law of the jurisdiction applied. Generally, however, an entity would be considered insolvent if the sum of its debts (including contingent liabilities) is greater than all of its property at a fair valuation, or if the present fair saleable value of its assets is less than the amount that will be required to pay its probable liability on its existing debts (including contingent liabilities), as they become absolute and matured. In addition, an entity may be presumed insolvent under some fraudulent transfer laws if it is not generally paying its debts as they become due. The Company believes that, based upon forecasts and other financial information, the Company and ROV Holding were, at the time the indebtedness under the Bridge Notes and the Bridge Guarantee was incurred, and at the time the Old Notes and the ROV Holding Guarantee were issued, will be at the time the New Notes are issued and will continue to be, solvent, that they will have sufficient capital to carry on their business and are and will continue to be able to pay their debts as they mature. Accordingly, the Company believes that, in a bankruptcy case or a lawsuit by creditors of the Company or ROV Holding, none of the Bridge Notes, the Bridge Guarantee, the Old Notes, the New Notes nor the ROV Holding Guarantee should be held to have been issued in violation of applicable federal bankruptcy law or state fraudulent transfer laws. There can be no assurance, however, as to what standard a court would apply to determine whether the Company or ROV Holding was "insolvent" as of the date the indebtedness under the Bridge Notes and the Bridge Guarantee was incurred or the date the Old Notes, the New Notes or the ROV Holding Guarantee were issued or that, regardless of the method of valuation, a court would not determine that the Company or ROV Holding was insolvent on such relevant dates. Nor can there be any assurance that a court would not determine, regardless of whether the Company or ROV Holding was insolvent on the date the indebtedness under the Bridge Notes and the Bridge Guarantee was incurred or the date the Old Notes, the New Notes or the ROV Holding Guarantee were issued, that the payments constituted fraudulent transfers on another of the grounds listed above.

Controlling Shareholders

Of the outstanding capital stock of the Company, 80.2% is held by the Lee Fund and certain other affiliates of THL Co. Consequently, the Lee Fund and such other affiliates, including the directors of the Company affiliated with the Lee Fund or THL Co. control the Company and have the power to elect the board of directors of the Company (the "Board") and to approve any action requiring shareholder approval, including the adoption of amendments to the Company's Restated Articles of Incorporation and the approval of mergers or sales of all or substantially all of the Company's assets. See "Ownership of Capital Stock." The Company's ability to take certain of these actions is limited by certain terms of the New Notes. See "Description of the Notes."

Lack of Public Market for the Notes; Volatility; Restrictions on Resale

The Old Notes are eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages ("PORTAL") market. The New Notes will be new securities, and there is no existing trading market for the New Notes. Accordingly, there can be no assurance regarding the future development of a trading market for the New Notes or the ability of the holders, or the price at which such holders may be able, to sell their New Notes. If such a market were to develop, the New Notes could trade at prices that may be higher or lower than the exchange tender price of the Old Notes. Prevailing market prices from time to time will depend on many factors, including then existing interest rates, the Company's operating results and cash flow and the market for similar securities. The Initial Purchasers (as defined herein) have advised the Company that they currently intend to make a market in the New Notes. The Initial Purchasers are not obligated to do so, however, and any market-making with respect to the New Notes may be discontinued at any time without notice. Accordingly, even if a trading market for the New Notes does develop, there can be no assurance as to the liquidity of that market. The Company does not intend to apply for listing or quotation of the New Notes on any securities exchange or in the over-the-counter market.

In addition, the liquidity of, and trading markets for, the New Notes may be adversely affected by declines in the market for high-yield securities generally. Such a decline may adversely affect liquidity and trading markets independent of the financial performance of, and prospects for, the Company.

THE RECAPITALIZATION

Effective as of September 12, 1996, the Company, all of the shareholders of the Company, the Lee Fund and other affiliates of THL Co. completed the Recapitalization pursuant to which, among other things: (i) the Company obtained senior financing under a Credit Agreement dated as of September 12, 1996 by and among the Company, Bank of America National Trust and Savings Association and DLJ Capital Funding, Inc. (the "Credit Agreement") in an aggregate amount of $170.0 million, of which $131.0 million was borrowed at the closing of the Recapitalization, including $26.0 million under the Revolving Credit Facility; (ii) the Company obtained $100.0 million in financing through the issuance of the Bridge Notes; (iii) the Company redeemed a portion of the shares of Common Stock held by Thomas F. Pyle, Jr., the former President and Chief Executive Officer of the Company; (iv) the Lee Fund and other affiliates of THL Co. purchased for cash shares of Common Stock owned by shareholders of the Company (a group consisting of current and former directors and management of the Company and the Thomas Pyle and Judith Pyle Charitable Remainder Trust (the "Pyle Trust")); and (v) the Company repaid certain of its outstanding indebtedness, including prepayment fees and penalties. Immediately prior to the Recapitalization, Mr. Pyle, together with the Pyle Trust, owned 89.8% of the outstanding Common Stock. As a result of the Recapitalization, the Lee Fund and other affiliates of THL Co., together with David A. Jones, the Company's new President and Chief Executive Officer, own 80.2% of the outstanding Common Stock, Mr. Pyle owns 9.9% of the outstanding Common Stock and existing management and certain former employees of the Company own 9.9% of the outstanding Common Stock. In addition to fees and expenses paid in connection with the closing of the Recapitalization as specified below, $3.9 million of additional fees and expenses related to the Recapitalization were paid subsequent to the closing of the Recapitalization.

The sources and uses of funds in connection with the Recapitalization are as follows:

Sources of Funds:	(Dollars in millions)
Revolving Credit Facility	$ 26.0
Term Loan Facility	105.0
Bridge Notes	100.0
Equity from the Lee Fund and other affiliates of THL Co.	72.0
Continuing shareholders' equity investment	18.0
Foreign debt and capital leases	5.5
Total sources	$326.5
Uses of Funds:	
Purchases of Common Stock from existing shareholders by:	
The Company	$127.4
The Lee Fund and other affiliates of THL Co.	72.0
Continuing shareholders' equity investment	18.0
Repay existing Company debt	85.2
Fees and expenses paid at the closing of the Recapitalization	18.4
Foreign debt and capital leases	5.5
Total uses	$326.5

USE OF PROCEEDS

The Company will not receive any proceeds from the issuance of the New Notes offered pursuant to the Exchange Offer. In consideration for issuing the New Notes as contemplated in this Prospectus, the Company will receive in exchange Old Notes in like principal amount, the terms of which are identical in all material respects to the New Notes except for certain transfer restrictions and registration rights. The Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase in the indebtedness of the Company.

The net proceeds to the Company from the sale of the Old Notes were approximately $97.0 million, after deduction of discounts, commissions and offering expenses. The Company used such net proceeds, together with $5.4 million in borrowings under the Revolving Credit Facility, to repurchase the Bridge Notes and pay accrued interest thereon of $1.3 million. The Bridge Notes are senior subordinated increasing rate notes of the Company due 1997, the initial interest rate of which is the prime reference rate from time to time of The Bank of New York, plus 3.5%. The Bridge Notes were used to finance the Recapitalization in part. See "The Recapitalization."

THE EXCHANGE OFFER

Terms of the Exchange Offer; Period for Tendering Old Notes

The Old Notes were sold by the Company on October 22, 1996 to ROV Holding and Donaldson, Lufkin & Jenrette Securities Corporation and BA Securities, Inc. (the "Initial Purchasers") pursuant to a Purchase Agreement dated October 17, 1996 by and among the Company the Initial Purchasers. Upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal, the Company will accept for exchange Old Notes which are properly tendered on or prior to the Expiration Date and not withdrawn as permitted below. As used herein, the term "Expiration Date" means 5:00 p.m., New York City time, on [ ], 1997; provided, however, that if the Company, in its sole discretion, has extended the period of time for which the Exchange Offer is open, the term "Expiration Date" means the latest time and date to which the Exchange Offer is extended.

As of the date of this Prospectus, $100,000,000 aggregate principal amount of the Old Notes was outstanding. This Prospectus, together with the Letter of Transmittal, is first being sent on or about the date set forth on the cover page to all holders of Old Notes at the addresses set forth in the security register with respect to Old Notes maintained by the Trustee. The Company's obligation to accept Old Notes for exchange pursuant to the Exchange Offer is subject to certain conditions as set forth under "--Certain Conditions to the Exchange Offer" below.

The Company expressly reserves the right, at any time or from time to time, to extend the period of time during which the Exchange Offer is open, and thereby delay acceptance for exchange of any Old Notes, by giving oral or written notice of such extension to the holders thereof as described below. During any extension, all Old Notes previously tendered will remain subject to the Exchange Offer and may be accepted for exchange by the Company. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof as promptly as practicable after the expiration or termination of the Exchange Offer.

Old Notes tendered in the Exchange Offer must be $1,000 in principal amount or any integral multiple thereof.

The Company expressly reserves the right to amend or terminate the Exchange Offer, and not to accept for exchange any Old Notes not theretofore accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offer specified below under "--Certain Conditions to the Exchange Offer." The Company will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Old Notes as promptly as practicable, such notice in the case of any extension to be issued by means of a press release or other public announcement no later than 9:00 a.m. New York City time, on the next business day after the previously scheduled Expiration Date.

Procedure for Tendering Old Notes

The tender to the Company of Old Notes by a holder thereof as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal. Except as set forth below, a holder who wishes to tender Old Notes for exchange pursuant to the Exchange Offer must transmit a properly completed and duly executed Letter of Transmittal, together with all other documents required by such Letter of Transmittal, to Marine Midland Bank (the "Exchange Agent") at the address set forth below under "--Exchange Agent" on or prior to the Expiration Date. In addition, (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal or (ii) a timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Old Notes, if such procedure is available, into the Exchange Agent's account at the Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date or (iii) the holder must comply with the guaranteed delivery procedures described below. THE METHOD OF DELIVERY OF OLD NOTES, LETTERS OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDERS. IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, BE USED IN ALL CASES. SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. NO LETTERS OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes surrendered for exchange pursuant thereto are tendered (i) by a registered holder of the Old Notes

who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution (as defined below). In the event that signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantees must be by a firm which is an eligible guarantor institution (bank, stockbroker, national securities exchange, registered securities association, savings and loan association or credit union with membership in a signature medallion program) pursuant to Exchange Act Rule 17Ad-15 (collectively, "Eligible Institutions"). If Old Notes are registered in the name of a person other than the person signing the Letter of Transmittal, the Old Notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as determined by the Company in its sole discretion, duly executed by the registered holder, with the signature thereon guaranteed by an Eligible Institution.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Old Notes tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to not accept any particular Old Notes if acceptance might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right in its sole discretion to waive any defects or irregularities or conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Old Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes for exchange must be cured within such reasonable period of time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notification of any defect or irregularity with respect to any tender of Old Notes for exchange, nor shall any of them incur any liability for failure to give such notification.

If the Letter of Transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, such Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders that appear on the Old Notes.

If the Letter of Transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or other acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted with the Letter of Transmittal.

By tendering Old Notes, each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any holder of Old Notes is an "affiliate" of the Company, as defined under Rule 405 of the Securities Act, or is engaged in or intends to engage in or has any arrangement with any person to participate in the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Upon satisfaction or waiver of all the conditions to the Exchange Offer, the Company will accept, promptly after the Expiration Date, all Old Notes properly tendered and will issue the New Notes promptly after acceptance of the Old Notes. See "--Certain Conditions to the Exchange Offer" below. For purposes of the Exchange Offer, the Company shall be deemed to have accepted properly tendered Old Notes for exchange when, as and if the Company has given oral or written notice thereof to the Exchange Agent.

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from October 22, 1996. Accordingly, if the relevant record date for interest payment occurs after the consummation of the

Exchange Offer, registered holders of New Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. If, however, the relevant record date for interest payment occurs prior to the consummation of the Exchange Offer, registered holders of Old Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer, except as set forth in the immediately preceding sentence. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of interest on such Old Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer.

In all cases, issuance of New Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of (i) certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, (ii) a properly completed and duly executed Letter of Transmittal and (iii) all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if certificates representing Old Notes are submitted for a greater principal amount than the holder desires to exchange, certificates representing such unaccepted or non-exchanged Old Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described below, such non-exchanged Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offer within two business days after the date of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Facility's procedure for transfer. ALTHOUGH DELIVERY OF OLD NOTES MAY BE EFFECTED THROUGH BOOK-ENTRY TRANSFER AT THE BOOK-ENTRY TRANSFER FACILITY, THE LETTER OF TRANSMITTAL OR FACSIMILE THEREOF, WITH ANY REQUIRED SIGNATURE GUARANTEES AND ANY OTHER REQUIRED DOCUMENTS, MUST, IN ANY CASE, BE TRANSMITTED TO AND RECEIVED BY THE EXCHANGE AGENT AT THE ADDRESS SET FORTH BELOW UNDER "EXCHANGE AGENT" ON OR PRIOR TO THE EXPIRATION DATE OR THE GUARANTEED DELIVERY PROCEDURES DESCRIBED BELOW MUST BE COMPLIED WITH.

Guaranteed Delivery Procedures

If a registered holder of Old Notes desires to tender such Old Notes and the Old Notes are not immediately available, or time will not permit such holder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Withdrawal Rights

Tenders of Old Notes may be withdrawn at any time prior to the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be received by the Exchange Agent at the address set forth below under "Exchange Agent." Any such notice of withdrawal must specify the name of the person having tendered the Old Notes to be withdrawn, identify the Old Notes to be withdrawn (including the principal amounts of such Old Notes), and (where certificates for Old Notes have been transmitted) specify the name in which such Old Notes are registered, if different from that of the withdrawing holder. If certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an Eligible Institution unless such holder is an Eligible Institution. If Old Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Old Notes and otherwise comply with the procedures of such facility. All questions as to the validity, form and eligibility (including time of receipt) of such notices will be determined by the Company, whose determination shall be final and binding on all parties. Certificates for any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described above, such Old Notes will be credited to an account maintained with such Book-Entry Transfer Facility for the Old Notes) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "--Procedure for Tendering Old Notes" above at any time on or prior to the Expiration Date.

Certain Conditions to the Exchange Offer

Notwithstanding any other provision of the Exchange Offer, the Company shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the Exchange Offer if at any time before the acceptance of such Old Notes for exchange or the exchange of the New Notes for such Old Notes any of the following events shall occur:

(a) there shall be threatened, instituted or pending any action or proceeding before, or any injunction, order or decree shall have been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission (i) seeking to restrain or prohibit the making or consummation of the Exchange Offer or any other transaction contemplated by the Exchange Offer, or assessing or seeking any damages as a result thereof, or (ii) resulting in a material delay in the ability of the Company to accept for exchange or exchange some or all of the Old Notes pursuant to the Exchange Offer; or any statute, rule, regulation, order or injunction shall be sought, proposed, introduced, enacted, promulgated or deemed applicable to the Exchange Offer or any of the transactions contemplated by the Exchange Offer by any government or governmental authority, domestic or foreign or any action shall have been taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in the sole judgment of the Company might directly or indirectly result in any of the consequences referred to in clause (i) or (ii) above or, in the sole judgment of the Company, might result in the holders of New Notes having obligations with respect to resales and transfers of New Notes which are greater than those described in the interpretation of the Commission referred to on the cover page of this Prospectus or would otherwise make it inadvisable to proceed with the Exchange Offer; or

(b) there shall have occurred (i) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market, (ii) any limitation by any governmental agency or authority which may adversely affect the ability of the Company to complete the transactions contemplated by the Exchange Offer, (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit or (iv) a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States or, in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof; or

(c) any change (or any development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, financial condition, operations, results of operations or prospects of the Company and its subsidiaries, taken as a whole, that, in the sole judgment of the Company, is or may be adverse to the Company, or the Company shall have become aware of facts that, in the sole judgment of the Company, have or may have adverse significance with respect to the value of the Old Notes or the New Notes;

which, in the sole judgment of the Company, in any case, and regardless of the circumstances (including any action by the Company) giving rise to any such condition, makes it inadvisable to proceed with the Exchange Offer and/or with such acceptance for exchange or with such exchange.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to any such condition or may be waived by the Company in whole or in part at any time and from time to time in its sole discretion. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, and each right shall be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, the Company will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at such time any stop order shall be threatened or in effect with respect to the Registration Statement of which this Prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

Exchange Agent

Marine Midland Bank has been appointed as the Exchange Agent for the Exchange Offer. All executed Letters of Transmittal should be directed to the Exchange Agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notices of Guaranteed Delivery should be directed to the Exchange Agent, addressed as follows:

By Mail or by Hand:
Marine Midland Bank, Exchange Agent
Corporate Trust Operations
140 Broadway--A Level
New York, New York 10005-1180

By Facsimile:
(212) 658-2292

Confirm Facsimile by Telephone:
(212) 658-5931

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF SUCH LETTER OF TRANSMITTAL.

Fees and Expenses

The Company will not make any payment to brokers, dealers or others soliciting acceptances of the Exchange Offer.

The estimated cash expenses to be incurred in connection with the Exchange Offer will be paid by the Company and are estimated in the aggregate to be $[ ].

Transfer Taxes

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer tax in connection therewith, except that Holders who instruct the Company to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the Exchange Offer be returned to, a person other than the registered tendering Holder will be responsible for the payment of any applicable transfer tax thereon.

Consequences of Failure to Exchange Old Notes

Holders of Old Notes who do not exchange their Old Notes for New Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of the Old Notes. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register Old Notes under the Securities Act. Based on interpretations by the staff of the Commission issued to third parties, New Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by Holders thereof (other than any Holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such New Notes. Each Holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If any Holder is an affiliate of the Company, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the New Notes to be acquired pursuant to the Exchange Offer, such Holder (i) could not rely on the applicable interpretations of the staff of the Commission and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes must acknowledge that such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities and that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution." In addition, to comply with the securities laws of certain jurisdictions, if applicable, it may be necessary to qualify for sale or to register the New Notes prior to offering or selling such New Notes. The New Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdiction or an exemption from registration or qualification is available and is complied with. The Company does not currently intend to take any action to register or qualify the New Notes for resale in any such jurisdiction.

CAPITALIZATION

The following table sets forth as of September 30, 1996 the actual capitalization of the Company. This table should be read in conjunction with the Combined Consolidated Financial Statements of the Company, together with the notes thereto and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	As of September 30, 1996 (Dollars in millions)
Debt	
Revolving Credit Facility (1)	$ 23.5
Term Loan Facility (2)	105.0
Bridge Notes (3)	100.0
Capitalized leases and foreign currency borrowings	5.2
Total debt	233.7
Total shareholders' deficit (4)	(85.7)
Total capitalization	$148.0

(1) The Revolving Credit Facility represents the outstanding portion under the $65.0 million facility provided by Bank of America National Trust and Savings Association and DLJ Capital Funding, Inc. to complete the Recapitalization. Future borrowings under the Revolving Credit Facility will be available for general corporate purposes.

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

(3) The Bridge Notes were repurchased utilizing the net proceeds from the sale of the Old Notes, together with borrowings under the Revolving Credit Facility, on October 22, 1996. Old Notes will be exchanged for New Notes pursuant to the Exchange Offer.

(4) See "Unaudited Pro Forma Condensed Consolidated Balance Sheet Data."

In accounting for the Recapitalization, no fair value adjustments were made to the book value of the Company's assets (other than the write-off of deferred financing costs) and no goodwill was recognized.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA

The unaudited pro forma condensed consolidated financial data presented below is derived from the Company's Combined Consolidated Financial Statements included elsewhere in this Prospectus, as adjusted to give effect to the Recapitalization or the issuance of the Notes, as applicable. The unaudited pro forma condensed consolidated statement of operations data for the fiscal year ended June 30, 1996 gives effect to the Recapitalization and the issuance of the Notes as if they had occurred at the beginning of the period, and the unaudited pro forma condensed consolidated statement of operations data for the Transition Period ended September 30, 1996 gives effect to the issuance of the Notes as if it had occurred at the beginning of the period. The unaudited pro forma condensed consolidated balance sheet data gives effect to the issuance of the Notes as if it had occurred on September 30, 1996. The pro forma adjustments are based upon available data and certain assumptions that the Company believes are reasonable. The unaudited pro forma condensed consolidated financial data does not purport to represent what the Company's results of operations or financial position would actually have been had the Recapitalization or the issuance of the Notes in fact occurred at such prior times or to project the Company's results of operations or financial position for or at any future period or date. The unaudited pro forma condensed consolidated financial data should be read in conjunction with the Combined Consolidated Financial Statements of the Company, together with the notes thereto, and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

Unaudited Pro Forma Condensed Consolidated Statement of Operations Data

	Fiscal Year Ended June 30, 1996			Transition Period Ended September 30, 1996		
	Historical (1)	Pro Forma Adjustments	Pro Forma	Historical (1)	Pro Forma Adjustments	Pro Forma
	(In millions, except per share amounts)					
Net sales	$399.4	--	$399.4	$ 95.0	--	$ 95.0
Cost of goods sold	239.4	--	239.4	59.3	--	59.3
Gross profit	160.0	--	160.0	35.7	--	35.7
Selling expense	92.6	--	92.6	20.9	--	20.9
General and administrative expense	31.7	--	31.7	8.6	--	8.6
Research and development expense	5.4	--	5.4	1.5	--	1.5
Recapitalization and other special charges	--	--	--	28.4 (2)	--	28.4
Income (loss) from operations	30.3	--	30.3	(23.7)	--	(23.7)
Interest expense	8.4	15.0(3)	23.4	4.4	1.3(3)	5.7
Other expense, net	0.6	--	0.6	0.1	--	0.1
Income (loss) before income taxes and extraordinary item	21.3	(15.0)	6.3	(28.2)	(1.3)	(29.5)
Income tax (benefit) expense	7.0	(4.5)(4)	2.5	(8.9)	(0.5)(5)	(9.4)
Income (loss) before extraordinary item	$ 14.3	$(10.5)	$ 3.8	$(19.3)	$(0.8)	$ (20.1)
Net income (loss) per common share before extraordinary item	$ 0.29		$ 0.08	$(0.44)		$ (0.46)
Weighted average shares of common stock outstanding	49.5		43.8	43.8		43.8
Ratio of earnings to fixed charges (6)			1.2x			--

Notes to Unaudited Pro Forma Condensed Consolidated Statement of Operations Data

(1) The Company has historically presented its financial statements on a combined consolidated basis with Rayovac International Corporation, a domestic international sales corporation (the "DISC"). The DISC was an entity established by shareholders of the Company prior to the Recapitalization to capture favorable tax advantages related to sales to foreign subsidiaries and export customers. The historical columns include the accounts of the Company and the DISC. The DISC was terminated on August 16, 1996 in connection with the Recapitalization.

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

(3) The pro forma adjustments to record the incremental interest expense arising from the Recapitalization or the issuance of the Notes, as applicable, is computed as follows:

	Fiscal Year Ended June 30, 1996	Transition Period Ended September 30, 1996
	(Dollars in millions)	
Interest expense related to new debt:		
Revolving Credit Facility	$ 2.1	$ 0.5
Term Loan Facility	8.5	2.1
Notes	10.3	2.6
Amortization of deferred financing costs	1.6	0.4
Interest on other debt, not refinanced	0.9	0.1
Subtotal	23.4	5.7
Less historical interest expense	(8.4)	(4.4)
Pro forma adjustment	$15.0	$ 1.3

Interest related to the Revolving Credit Facility is determined based on an annual average of $26 million of borrowings outstanding. Interest expense was calculated using the following average rates: (a) Revolving Credit Facility, 8.0%; (b) Term Loan Facility, 8.0% to 8.8%; and (c) Notes, 10.3%.

(4) Represents the reduction in income tax expense related to pro forma income (loss) before income taxes and extraordinary item, which is computed using an effective income tax rate of 39.0%.

(5) Represents the increase in the income tax benefit related to the pro forma adjustment for interest, which is computed using an effective income tax rate of 39.0%.

(6) For purposes of computing this ratio, earnings consist of income before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of deferred finance fees and one-third of the rent expense from operating leases, which management believes is a reasonable approximation of the interest factor of the rent. Since earnings for the Transition Period ended September 30, 1996 are inadequate to cover fixed charges by $28.2 million, the ratio for that period is not presented herein.

Unaudited Pro Forma Condensed Consolidated Balance Sheet Data

	As of September 30, 1996		
	Historical	Pro Forma Adjustments	Pro Forma
Assets	(Dollars in millions)		
Current assets	$155.7	$ --	$155.7
Property, plant and equipment, net	69.4	--	69.4
Other	20.2	(2.0)(1)	18.2
Total assets	$245.3	$ (2.0)	$243.3
Liabilities and Shareholders' Deficit			
Current liabilities	$ 92.5	$ (0.8)(1)	$ 91.7
Long-term debt, net of current maturities:			
Revolving Credit Facility	23.5	--	23.5
Term Loan Facility	101.0	--	101.0
Bridge Notes	100.0	(100.0)(2)	--
Notes	--	100.0(2)	100.0
Other	0.4	--	0.4
Total	224.9	--	224.9
Other; noncurrent liabilities	13.6	--	13.6
Total liabilities	331.0	(0.8)	330.2
Shareholders' deficit	(85.7)	(1.2)(1)	(86.9)
Total liabilities and shareholders' deficit	$245.3	$ (2.0)	$243.3

(1) Represents or reflects the write-off of deferred financing costs of $2.0 related to the Bridge Notes or the related income tax benefit, computed using an effective income tax rate of 39%.

(2) Represents the repurchase of the Bridge Notes utilizing the net proceeds from the sale of the Old Notes, together with borrowings under the Revolving Credit Facility, on October 22, 1996. Old Notes will be exchanged for New Notes pursuant to the Exchange Offer.

SELECTED HISTORICAL COMBINED CONSOLIDATED FINANCIAL DATA

The following table sets forth certain selected historical combined consolidated financial data of the Company. The selected historical combined consolidated financial data for the three fiscal years ended June 30, 1996 and the Transition Period ended September 30, 1996 have been derived from, and should be read in conjunction with, the audited Combined Consolidated Financial Statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The selected historical combined consolidated financial data of the Company for the period July 1, 1995 to September 30, 1995 have been derived from, and should be read in conjunction with, the Unaudited Condensed Combined Consolidated Financial Statements of the Company, together with the notes thereto, included elsewhere in this Prospectus. The selected historical combined consolidated financial data of the Company for the two fiscal years ended June 30, 1993 have been derived from the audited combined consolidated financial statements of the Company which are not included herein. See "Independent Accountants" and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus.

	Fiscal Year Ended June 30,						
	1992	1993	1994	1995	1996	July 1, 1995 to September 30, 1995	Transition Period Ended September 30, 1996
	(Dollars in millions)					(Unaudited)	
Statement of Operations Data:							
Net sales	$332.2	$353.4	$386.2	$391.0	$399.4	$100.6	$ 95.0
Cost of goods sold	192.1	201.4	234.9	237.1	239.4	64.1	59.3
Gross profit	140.1	152.0	151.3	153.9	160.0	36.5	35.7
Selling expense	72.2	79.8	103.8	84.5	92.6	23.2	20.9
General and administrative expense	31.1	35.4	29.4	32.9	31.7	7.4	8.6
Research and development expense	5.8	5.6	5.7	5.0	5.4	1.3	1.5
Recapitalization and other special charges	--	--	1.5	--	--	--	28.4(1)
Income (loss) from operations	31.0	31.2	10.9(2)	31.5	30.3	4.6	(23.7)
Interest expense	14.1	6.0	7.7	8.6	8.4	2.4	4.4
Other (income) expense, net	(1.0)	1.2	(0.6)	0.3	0.6	0.1	0.1
Income (loss) before income taxes, extraordinary item and cumulative effect of change in accounting	17.9	24.0	3.8	22.6	21.3	2.1	(28.2)
Income tax expense (benefit)	5.8	9.0	(0.6)	6.2	7.0	0.7	(8.9)
Income (loss) before extraordinary item and cumulative effect of change in accounting	12.1	15.0	4.4	16.4	14.3	1.4	(19.3)
Extraordinary item, net	--	--	--	--	--	--	1.6(3)
Cumulative effect of change in accounting	6.6(4)	--	--	--	--	--	--
Net income (loss)	$ 5.5	$ 15.0	$ 4.4	$ 16.4	$ 14.3	$ 1.4	($ 20.9)
Other Data:							
Depreciation	$ 6.1	$ 7.4	$ 10.3	$ 11.0	$ 11.9	$ 3.2	$ 3.3
Capital expenditures	15.3	30.3(5)	12.5	16.9	6.6	1.1	1.2
EBITDA (6)	37.6	39.3	21.2	41.3	42.2	7.7	(20.4)
Adjusted EBITDA (7)	--	--	--	--	46.5	--	--
Ratio of earnings to fixed charges (8)	2.1x	3.8x	1.4x	3.0x	2.9x	1.7x	--
Balance Sheet Data:							
Working capital	$ 17.2	$ 31.6	$ 63.6	$ 55.9	$ 62.5	$ 68.5	$ 63.2
Total assets	156.0	189.0	222.4	220.6	221.9	241.5	245.3
Long-term debt	37.9	64.1	96.4	76.4	69.7	87.1	224.8
Shareholders' equity (deficit)	25.6	36.7	37.9	53.6	61.7	53.2	(85.7)

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

(2) Income from operations in fiscal 1994 was impacted by increased selling expenses due to higher advertising and promotion expenses related to the Renewal Introduction and non-recurring manufacturing costs in connection with the Fennimore Expansion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

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

(4) In fiscal 1992, the Company recorded a $6.6 million charge for the cumulative effect of adopting SFAS 109 "Accounting For Income Taxes."

(5) Fiscal 1993 capital expenditures include $19.7 million in connection with the Fennimore Expansion. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Introduction."

(6) EBITDA represents income from operations plus depreciation and reflects an adjustment of income from operations to eliminate the establishment and subsequent reversal of two reserves ($0.7 million established in 1993 and reversed in 1995, and $0.5 million established in 1992 and reversed in 1995). While EBITDA should not be construed as a substitute for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows, the Company has included EBITDA because it is commonly used by certain investors and analysts to analyze and compare companies on the basis of operating performance, leverage and liquidity and to determine a company's ability to service debt. A similar concept to EBITDA, defined as "Consolidated Cash Flow" in the Indenture and used in the calculation of certain covenants therein, represents operating income plus depreciation, amortization, any net loss realized in connection with an asset sale and certain other non-cash charges and certain non-recurring expenses. See "Description of the Notes--Certain Covenants" and "Description of the Notes--Certain Definitions."

(7) Adjusted EBITDA is defined as EBITDA adjusted to add back (i) $1.7 million of expense related to the Company's leased aircraft, in excess of the estimated cost of commercial airline travel, which aircraft lease was terminated in connection with the Recapitalization, (ii) $0.8 million in litigation expense accrued in 1996 for litigation initiated in a prior period, (iii) $0.2 million of compensation expense for the Company's pre-Recapitalization senior management group, net of expected post-Recapitalization senior management compensation, including the Management Fee and the Consulting Fee, and (iv) $1.6 million of advertising and promotional expense associated with the Company's sponsorship of two professional race cars, the contracts for which have been terminated. Management is reviewing a number of categories of expenditures following the Recapitalization, including advertising and promotional expenditure levels. Post-Recapitalization expenditure levels have not yet been determined. Adjusted EBITDA should not be construed as a substitute for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows.

(8) For purposes of computing this ratio, earnings consist of income before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of deferred finance fees and one-third of the rent expense from operating leases, which management believes is a reasonable approximation of the interest factor of the rent. Since earnings in the Transition Period ended September 30, 1996 are inadequate to cover fixed charges by $28.2 million, the ratio is not presented herein.

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

The following discussion should be read in conjunction with the Combined Consolidated Financial Statements, the Unaudited Condensed Combined Consolidated Financial Data and Unaudited Pro Forma Condensed Consolidated Financial Data of the Company, together with the notes thereto, included elsewhere herein.

Introduction

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

The Company is the third largest domestic manufacturer of general batteries (D, C, AA, AAA and 9-volt sizes). Within the general battery market, the Company is the leader in the household rechargeable and heavy duty battery segments. The Company is also the leading domestic manufacturer of certain specialty batteries, including hearing aid batteries, lantern batteries and lithium batteries for personal computer memory back-up. In addition, the Company is a leading marketer of flashlights and other battery-powered lighting devices.

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

Expansion of Production Facility. The Company has modernized and expanded its production lines at its Fennimore, Wisconsin facility (the "Fennimore Expansion"). In connection with the Fennimore Expansion, the Company more than doubled its aggregate capacity for AA and AAA size alkaline batteries and replaced its capacity for C and D size alkaline batteries from fiscal 1992 through fiscal 1995 by investing an aggregate of $36.7 million in new production lines. In addition to increased capacity, this investment resulted in better performing and higher quality alkaline batteries. Significant effects of the expansion on the Company's financial results include: $9.5 million of non-recurring manufacturing costs in fiscal 1994 associated with battery redesign and the start-up of mercury-free alkaline battery production; and temporary planned increases in raw material costs associated with sourcing of raw material from foreign vendors pursuant to the terms of the production line equipment purchase agreements. These incremental costs decreased in fiscal 1996 as a result of the increased use of lower-cost domestic raw material sources to replace the foreign vendor sourcing, which replacement will be substantially completed by the end of fiscal 1997.

Renewal Product Line. In fiscal 1994, the Company introduced the Renewal rechargeable battery, the first alkaline rechargeable battery sold in the United States (the "Renewal Introduction"). In connection with the Renewal Introduction, the Company's advertising and promotional expense increased significantly to $26.0 million in fiscal 1994. By comparison, the Company spent $15.7 million in fiscal 1995 and $20.3 million in fiscal 1996 on Renewal advertising and promotion, with the fiscal 1996 increase largely due to the Company's new promotional campaign featuring basketball superstar Michael Jordan. The Renewal Introduction was responsible in significant part for the increase in working capital from 1993 to 1994. Management believes that continued improvement in consumer awareness of the benefits of Renewal over nickel-cadmium rechargeables and disposable alkaline batteries will be necessary to further expand the rechargeable segment. The Company recently began discounting the Power Station recharging unit for Renewal batteries to encourage more consumers to try Renewal products. See "--Recent Developments."

Management Incentives. The Company's historical financial results reflect the Company's former policy regarding payment of management bonuses. Under this policy, members of the Company's management earned cash incentive bonuses based on the achievement of certain targets based on the Company's income from operations. In fiscal 1994, fiscal 1996 and the Transition Period, no such cash incentive bonuses were paid. In fiscal 1992, 1993 and 1995, the Company paid bonuses of $2.5 million, $2.9 million and $4.0 million, respectively.

Seasonality. The Company's sales are seasonal, with the highest sales occurring in the fiscal quarter ended December 31, during the Christmas holiday buying season. During the past four fiscal years, the Company's sales in the quarter ended December 31 have represented an average of 33% of annual net sales. As a result of this seasonality, the Company's working capital requirements and revolving credit borrowings are typically higher in the first and second fiscal quarters of each year.

Results of Operations

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

	Fiscal Year Ended June 30,				
	1994	1995	1996	July 1, 1995 to September 30, 1995	Transition Period Ended September 30, 1996
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	60.8	60.6	59.9	63.7	62.4
Gross profit	39.2	39.4	40.1	36.3	37.6
Selling expense	26.9	21.6	23.2	23.1	22.0
General and administrative expense	7.6	8.4	8.0	7.3	9.1
Research and development expense	1.5	1.3	1.4	1.4	1.6
Recapitalization and other special charges	0.4	--	--	--	29.9
Income (loss) from operations	2.8%	8.1%	7.5%	4.5%	(25.0%)

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

Net Sales. The Company's total net sales decreased $5.6 million, or 5.6%, to $95.0 million in the Transition Period from $100.6 million in the three months ended September 30, 1995 (the "Prior Fiscal Year Period") primarily due to decreased sales to the food and drug store retail channels and the Company having made sales to certain retail customers in connection with promotional orders after the Transition Period which were made during the Prior Fiscal Year Period in fiscal 1995.

Gross Profit. Gross profit decreased $0.8 million, or 2.2%, to $35.7 million in the Transition Period from $36.5 million in the Prior Fiscal Year Period, primarily as a result of decreased sales in the Transition Period, as discussed above.

Selling Expenses. Selling expense decreased $2.3 million, or 9.9% to $20.9 million in the Transition Period from $23.2 million in the Prior Fiscal Year Period, primarily due to decreased advertising expense in the Transition Period.

General and Administrative Expense. General and administrative expense increased $1.2 million, or 16.2% to $8.6 million in the Transition Period from $7.4 million in the Prior Fiscal Year Period, primarily as a result of the Company having incurred certain expenditures during the Transition Period which were incurred subsequent to the Prior Fiscal Year Period in fiscal 1995.

Research and Development Expense. Research and development expense increased $.1 million, or 7.1%, to $1.5 million in the Transition Period from $1.4 million in the Prior Fiscal Year Period, primarily as a result of increased product development efforts.

Recapitalization and Other Special Charges. During the Transition Period ended September 30, 1996, the Company recorded charges totaling $28.4 million, including non-recurring charges related to the Recapitalization and other special charges.

Non-recurring charges of $12.3 million related to the Recapitalization:

(i) $5.0 million consisting primarily of $2.2 million in advisory fees paid to the financial advisor to the Company's selling shareholders and various legal and consulting fees of $2.8 million; and

(ii) $7.3 million of stock option compensation, severance payments and employment contract settlements for the benefit of certain present and former officers, directors and management of the Company.

Other special charges of $16.1 million:

(i) $2.7 million of charges related to the exit of certain manufacturing operations located in the United Kingdom;

(ii) $1.7 million of charges for deferred compensation plan obligations to officers leaving the Company resulting from the curtailment of the plan;

(iii) $1.5 million of charges reflecting the present value of lease payments for land which new management has determined will not be used for any future productive purpose;

(iv) $5.6 million in costs and asset writedowns principally related to changes in Renewal Power Station pricing strategies adopted by new management subsequent to the Recapitalization and prior to September 30, 1996; and

(v) $4.6 million of termination benefits and other charges.

Further, subsequent to September 30, 1996, the Company anticipates additional non-recurring charges of $2.7 million, primarily in connection with the exit of certain manufacturing operations located in the United Kingdom and organizational restructuring in the United States. In addition, the Company anticipates a write off of $2.0 million of unamortized debt issuance costs related to the Bridge Notes.

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

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

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

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

Net Sales. The Company's total net sales decreased $304.4 million, or 76.2%, to $95.0 million in the Transition Period from $399.4 million in fiscal 1996 because the Transition Period included only three months of net sales as compared to twelve months in fiscal 1996. Overall pricing was relatively constant between the two periods.

Gross Profit. Gross profit decreased $124.3 million, or 77.7%, to $35.7 million in the Transition Period from $160.0 million in fiscal 1996. As a percentage of net sales, gross profit decreased to 37.6% in the Transition Period from 40.1% in fiscal 1996, primarily because the products sold during the Transition Period carried a higher average unit cost than the overall average unit cost of products sold in fiscal 1996 due to seasonal sales trends.

Selling Expense. Selling expense decreased $71.7 million, or 77.4%, to $20.9 million in the Transition Period from $92.6 million in fiscal 1996. As a percentage of net sales, selling expenses decreased to 22.0% in the Transition Period from 23.2% in fiscal 1996, primarily as a result of decreased advertising expense in the Transition Period.

General and Administrative Expense. General and administrative expense decreased $23.2 million, or 73.0%, to $8.6 million in the Transition Period from $31.8 million in fiscal 1996. As a percentage of net sales, general and administrative expense increased to 9.1% in the Transition Period from 8.0% in fiscal 1996, primarily as a result of the effects of seasonal sales trends in the Transition Period.

Research and Development Expense. Research and development expense decreased $3.9 million, or 72.2%, to $1.5 million in the Transition Period from $5.4 million in fiscal 1996. As a percentage of net sales, research and development expense increased to 1.6% in the Transition Period from 1.4% in fiscal 1996, primarily as a result of increased support for ongoing product development efforts.

Recapitalization and Other Special Charges. During the Transition Period ended September 30, 1996, the Company recorded charges totalling $28.4 million, including non-recurring charges related to the Recapitalization and other special charges.

Non-recurring charges of $12.3 million related to the Recapitalization:

(i) $5.0 million consisting primarily of $2.2 million in advisory fees paid to the financial advisor to the Company's selling shareholders and various legal and consulting fees of $2.8 million; and

(ii) $7.3 million of stock option compensation, severance payments and employment contract settlements for the benefit of certain present and former officers, directors and management of the Company.

Other special charges of $16.1 million:

(i) $2.7 million of charges related to the exit of certain manufacturing operations located in the United Kingdom;

(ii) $1.7 million of charges for deferred compensation plan obligations to officers leaving the Company resulting from the curtailment of the plan;

(iii) $1.5 million of charges reflecting the present value of lease payments for land which new management has determined will not be used for any future productive purpose;

(iv) $5.6 million in costs and asset writedowns principally related to changes in Renewal Power Station pricing strategies adopted by new management subsequent to the Recapitalization and prior to September 30, 1996; and

(v) $4.6 million of termination benefits and other charges.

Further, subsequent to September 30, 1996, the Company anticipates additional non-recurring charges of $2.7 million, primarily in connection with the exit of certain manufacturing operations located in the United Kingdom and organizational restructuring in the United States. In addition, the Company anticipates a write off of $2.0 million of unamortized debt issuance costs related to the Bridge Notes.

Income (loss) from Operations. Income (loss) from operations decreased $54.0 million, or 178.2%, to $(23.7) million in the Transition Period from $30.3 million in fiscal 1996. As a percentage of net sales, income (loss) from operations decreased to (25.0)% in the Transition Period from 7.5% in fiscal 1996 for the reasons discussed above.

Net Income (loss). Net income (loss) for the Transition Period decreased $35.2 million, or 246.2%, to (20.9) from $14.3 million in fiscal 1996. As a percentage of net sales, net income (loss) decreased to (22.0)% in the Transition Period from 3.6% in fiscal 1996, primarily because of non-recurring charges related to the Recapitalization and other special charges discussed above. In addition, amortization of deferred finance charges related to the Bridge Notes and an extraordinary loss on the early retirement of debt decreased net income in the Transition Period by $2.6 million, net of income taxes.

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

Net Sales. The Company's total net sales increased $8.4 million, or 2.1%, to $399.4 million in fiscal 1996 from $391.0 million in fiscal 1995, primarily due to higher unit sales of hearing aid batteries, Renewal rechargeable batteries and alkaline batteries, offset in part by decreases in unit sales of heavy duty and lantern batteries. Overall pricing was relatively constant between the two periods. Sales of hearing aid batteries increased as a result of unit sales growth in the overall hearing aid battery market as well as increased penetration by the Company's Loud'n Clear line of hearing aid batteries and the introduction of a new miniature size battery, used in hearing aids that fit completely in the ear. Unit sales of Renewal rechargeable alkaline batteries increased as a result of increased consumer awareness of the benefits of Renewal over nickel-cadmium household rechargeable batteries and disposable batteries and as replacement sales increased to retailers who had sold through their high levels of fiscal 1995 Renewal inventory. The Company's unit sales of alkaline batteries increased as the Company participated to a certain extent in the continued overall growth in the market for alkaline batteries. Unit sales of heavy duty batteries decreased due to the continued worldwide migration away from heavy duty batteries and toward alkaline batteries while unit sales of lantern batteries also decreased due to an overall decline in the lantern battery market.

Gross Profit. Gross profit increased $6.1 million, or 4.0%, to $160.0 million in fiscal 1996 from $153.9 million in fiscal 1995. Gross profit increased as a percentage of net sales to 40.1% in fiscal 1996 from 39.4% in fiscal 1995. These increases are primarily attributable to increased sales of higher margin products such as Renewal rechargeable batteries and hearing aid batteries. In addition, the Company experienced manufacturing cost improvements, particularly for alkaline battery raw materials related to the Fennimore Expansion as discussed above.

Selling Expense. Selling expense increased $8.1 million, or 9.6%, to $92.6 million in fiscal 1996 from $84.5 million in fiscal 1995. Selling expense as a percentage of net sales increased to 23.2% in 1996 from 21.6% in 1995. These increases are primarily attributable to increased advertising costs to promote the Renewal product line as discussed above.

General and Administrative Expense. General and administrative expense decreased $1.2 million, or 3.6%, to $31.7 million in fiscal 1996 from $32.9 million in fiscal 1995. General and administrative expense as a percentage of net sales decreased from 8.4% in fiscal 1995 to 8.0% in fiscal 1996. These decreases occurred primarily because the $4.0 million payment of management incentives in 1995, as discussed above, was not repeated in fiscal 1996.

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

Income from Operations. Income from operations decreased $1.2 million, or 3.8%, to $30.3 million, or 7.5% of net sales in fiscal 1996, from $31.5 million, or 8.1% of net sales, in fiscal 1995 for the reasons discussed above and as a result of an increase in depreciation expense, resulting primarily from the Fennimore Expansion.

Net Income. Net income for fiscal 1996 decreased $2.1 million, or 12.8%, to $14.3 million from $16.4 million in fiscal 1995, principally as a result of decreased income from operations and higher effective tax rates, which increased from 27.6% in 1995 to 32.9% in 1996. The Company's effective income tax rates in fiscal 1996 and fiscal 1995 were impacted by the income tax benefits of the DISC, and fiscal 1995 was also impacted by the utilization of a foreign net operating loss carryforward. The termination of the DISC will result in higher effective tax rates for the Company in future years.

Fiscal Year Ended June 30, 1995 Compared to Fiscal Year Ended June 30, 1994

Net Sales. The Company's total net sales increased $4.8 million, or 1.2%, to $391.0 million in fiscal 1995 from $386.2 million in fiscal 1994, primarily due to higher unit sales of hearing aid batteries and alkaline batteries, offset in part by decreases in unit sales of Renewal rechargeable batteries and lighting products. Overall pricing was relatively constant between the two periods. Sales of hearing aid batteries increased as a result of unit sales growth in the overall hearing aid battery market and the success of a national advertising and promotional campaign by the Company featuring Arnold Palmer. Sales of alkaline batteries increased as a result of the overall unit increased in the market for alkaline batteries. Decreases in unit sales of Renewal rechargeable batteries were principally a result of inventory corrections relating to excess retail inventory accumulated at the time of Renewal's introduction in fiscal 1994 in anticipation of demand which materialized later than expected, and consequently delayed replacement sales. Unit sales of lighting devices decreased due primarily to the successful introduction in the retail flashlight market of a new flashlight product by a competitor.

Gross Profit. Gross profit increased $2.6 million, or 1.7%, to $153.9 million in fiscal 1995 from $151.3 million in fiscal 1994. Gross profit increased as a percentage of net sales to 39.4% in fiscal 1995 from 39.2% in fiscal 1994. The comparison was favorable primarily because of the one-time $9.5 million manufacturing costs incurred in 1994 due to the Fennimore Expansion, as discussed above, the benefit of which was offset in part by a 1995 increase in foreign sourced raw material costs resulting from the Fennimore Expansion.

Selling Expense. Selling expense decreased $19.3 million, or 18.6%, to $84.5 million in fiscal 1995 from $103.8 million in fiscal 1994 largely due to a $10.3 million decline in Renewal advertising and promotional expenses from fiscal 1994 when $26.0 million in initial advertising and promotional expenses were incurred in connection with the Renewal Introduction and reduced promotional expenses in other products. Selling expense decreased as a percentage of net sales to 21.6% in fiscal 1995 from 26.9% in fiscal 1994.

General and Administrative Expense. General and administrative expense increased $3.5 million, or 11.9%, to $32.9 million in fiscal 1995 from $29.4 million in fiscal 1994. General and administrative expense as a percentage

of net sales increased from 7.6% in fiscal 1994 to 8.4% in fiscal 1995. This increase occurred as a result of the payment of $4.0 million in management incentives in fiscal 1995.

Research and Development Expense. Research and development expense decreased $0.7 million, or 12.3%, to $5.0 million in fiscal 1995 from $5.7 million in fiscal 1994 largely due to the temporary assignment of development resources and personnel to the Fennimore Expansion, in fiscal 1995, as discussed above.

Other Special Charges. In fiscal 1994, the Company recorded a charge of $1.5 million related to a head count reduction in connection with efforts to reduce cost and improve productivity.

Income from Operations. Income from operations in 1995 increased $20.6 million to $31.5 million, or 8.1% of net sales in fiscal 1995, from $10.9 million, or 2.8% of net sales, in fiscal 1994, for the reasons discussed above.

Net Income. Net income for fiscal 1995 increased $12.0 million, or 272.7%, to $16.4 million from $4.4 million in fiscal 1994, largely as a result of higher operating earnings (as described above), which were partially offset by increased income tax expense in comparison to a tax benefit in 1994.

Liquidity and Capital Resources

During the Transition Period, cash provided by operations decreased $18.9 million to $(1.1) million from $17.8 million in fiscal 1996 due primarily to lower net income (as discussed above) and the effect of increases in inventory to meet seasonal sales requirements. Cash provided by (used in) operating activities was $17.8 million, $35.5 million and $(18.7) million in fiscal 1996, 1995 and 1994, respectively. The reduction in cash flow from operating activities in fiscal 1996 compared to fiscal 1995 and the increase in cash flow from operating activities in fiscal 1995 compared to fiscal 1994 were primarily due to substantial inventory reductions in 1995 over 1994 levels that were affected by the Renewal Introduction, and the rebuilding of those inventories in 1996. In addition, cash used in operations in fiscal 1994 was impacted by costs associated with the Renewal Introduction and the Fennimore Expansion. See "--Introduction."

Capital expenditures during the Transition Period were $1.2 million, reflecting maintenance level spending. Capital expenditures in fiscal 1996, 1995 and 1994 were $6.6 million, $16.9 million and $12.5 million, respectively. Capital expenditures in fiscal 1994 and 1995 reflect the acquisition of equipment used in the Company's improved alkaline production lines, as discussed above, and were therefore substantially in excess of maintenance level capital expenditure requirements.

During the Transition Period, net cash provided by financing activities increased $15.7 million to $3.7 million from $(12.0) million in fiscal 1996 due primarily to the Recapitalization. Net cash used in financing activities was $12.0 million for fiscal 1996 as compared to $18.3 million in fiscal 1995. The cash was used primarily to reduce the Company's indebtedness. During fiscal 1994, net cash provided by financing activities was $30.8 million as a result of borrowings under the Company's prior revolving credit agreement to fund the working capital increases and capital expenditures discussed above.

Since the Recapitalization, the Company's primary capital requirements have been, and will continue to be, for debt service, working capital and capital expenditures. The Company believes that cash flow from operating activities and periodic borrowings under the Credit Agreement will be adequate to meet the Company's short-term and long-term liquidity requirements prior to the maturity of its credit facilities, although no assurance can be given in this regard. Under the Credit Agreement, the Revolving Credit Facility provides $65.0 million of revolving credit availability (of which $26.0 million was borrowed at September 13, 1996, and $2.3 million was utilized for outstanding letters of credit). See "Risk Factors--Substantial Leverage; Incurrence of Additional Senior Debt."

The Company estimates that capital expenditures for fiscal 1997 will be up to $15.0 million, and management is reviewing potential projects to increase manufacturing efficiencies, fund environmental, occupational safety projects and general and administrative projects and enhance the Company's competitiveness and profitability.

BUSINESS

General

The Company is the third largest domestic manufacturer of general batteries (D, C, AA, AAA and 9-volt sizes). Within the general battery market, the Company is the leader in the household rechargeable and heavy duty battery segments. The Company is also the leading domestic manufacturer of certain specialty batteries, including hearing aid batteries, lantern batteries and lithium batteries for personal computer memory back-up. In addition, the Company is a leading marketer of flashlights and other battery-powered lighting devices. Established in 1906, the Rayovac brand name is one of the oldest and best recognized names in the battery industry. The Company attributes the longevity and strength of its brand name to its high-quality product line and to the success of its marketing and merchandising initiatives. For the fiscal 1996, the Company had net sales, net income and Adjusted EBITDA (as defined herein) of $399.4 million, $14.3 million and $46.5 million, respectively.

The Company's broad line of products includes (i) general batteries (including alkaline, heavy duty and rechargeable household batteries), (ii) specialty batteries (including hearing aid, watch, lantern and personal computer memory back-up batteries) and (iii) flashlights and other battery-powered lighting devices. The Company's products are marketed under the names Rayovac, Renewal, Loud'n Clear, ProLine, Lifex, Power Station, Workhorse and Roughneck, as well as several private labels.

Since the early 1980s, the Company has implemented a number of important strategies that have greatly improved its competitive position. In the general battery market, the Company has become a leader in the mass merchandise retail channel by positioning its products as a value brand, offering batteries of substantially equivalent quality and performance at a discount to those offered by its principal competitors. The Company has also introduced industry-leading merchandising innovations such as the Smart Pack and Smart Strip merchandising systems, in which multiple battery packages are presented together in value-oriented formats. As a result of these programs, the Company had 27% and 26.6% market shares in the mass merchandise channel of the general battery market in fiscal 1996 and in the Transition Period ended September 30, 1996, respectively.

The Company has complemented its general battery business with successful new product introductions and leading market positions in selected high-margin specialty battery lines. In the domestic hearing aid segment, the Company has achieved a 50% market share as a result of its products' technological capabilities, a strong distribution system and a well developed marketing program. The Company is also the leader in the hearing aid battery market in the United Kingdom and continental Europe. Further, in 1993, the Company introduced the Renewal rechargeable battery, the first alkaline rechargeable battery sold in the United States. Renewal achieved 64% and 63% market shares in the rechargeable household battery category as of July 1996 and September 1996, respectively, and the Company had domestic sales of Renewal products of $27.0 million in fiscal 1996.

Rayovac markets and sells its products in the United States, Europe, Canada and the Far East through a wide variety of distribution channels, including retail, industrial, professional, original equipment manufacturer ("OEM") and government channels.

Rayovac's principal executive offices are located at 601 Rayovac Drive, Madison, Wisconsin 53711-2497, and its telephone number is (608) 275-3340.

Business Strategy

The Company's objective is to increase sales and profitability by pursuing the following strategies.

Produce High-Quality Battery Products. In each of its battery product lines, the Company seeks to manufacture a high-quality product. In the alkaline segment, the Company manufactures high-performance battery products of substantially equivalent quality to those offered by its principal competitors. In some of its specialty product segments, such as hearing aid batteries, the Company believes its products have certain advantages over its competitors' products. The Company focuses its quality improvement efforts on lengthening service life and enhancing reliability and, in the case of hearing aid batteries, the Company also focuses on product miniaturization.

Leverage Value Brand Position. The Company has established a position as the leading value brand in the U.S. general alkaline battery market, focusing on the mass merchandise channel. The Company achieved this position by (i) offering batteries of substantially equivalent quality and performance to those offered by its principal competitors at a retail price discount, (ii) emphasizing innovative in-store merchandising programs and (iii) offering retailers attractive wholesale margins. The mass merchandise segment has generated significant growth in the U.S. retail battery market over the last five years and the Company's positioning in this segment should allow it to continue to take advantage of any future segment growth.

Expand Retail Distribution Channels. The Company plans to expand its presence in food stores, drug stores, warehouse clubs and other distribution channels on which the Company historically has not focused significant marketing and sales efforts. Food stores, drug stores and warehouse clubs accounted for 1.5 billion general battery units and $1.2 billion in revenues in the U.S. retail battery market in 1995. Management believes that Rayovac's value-oriented general battery products and merchandising programs make the Company an attractive supplier to these channels.

Focus on Niche Markets. The Company has developed leading positions in several important niche markets. Total net sales of batteries in these markets (including those for hearing aid, rechargeable, lantern and heavy duty batteries and for lithium coin cells for personal computer memory back-up) comprised 47.9% of the Company's fiscal 1996 net sales. The Company tailors its strategy in each of these market niches to accommodate each market's characteristics and competitive profile.

Expand Rechargeable Battery Market Segment. The Company intends to expand its leading share of the rechargeable household battery market through continued marketing of the economic benefit to consumers of Renewal, the Company's long-life alkaline rechargeable battery. Although approximately twice the retail price of a regular alkaline battery, a Renewal battery can be recharged at least 25 times, providing the approximate aggregate energy of 10 regular alkaline batteries. Consequently, Renewal provides significant economic benefits to consumers over regular alkaline batteries. In addition, alkaline rechargeables are superior to traditional nickel cadmium rechargeables because they are sold fully charged, retain their charge better and are environmentally safer. Management believes that as the Company educates consumers about these benefits, the Company will have a substantial opportunity to expand the rechargeable household battery segment and increase its market share.

Battery Industry

The U.S. battery industry had aggregate sales in 1995 of approximately $4.1 billion as set forth below.

1995 U.S. Battery Industry Sales (Dollars in billions)

Retail:	
General	$2.3
Specialty:	
Hearing aid	0.2
Other specialty	0.9
Industrial, OEM and Government	0.7
	$4.1

Retail sales of general batteries represented $2.3 billion of aggregate U.S. battery industry sales in 1995. As set forth below, this segment has experienced steady growth, with compound annual unit sales growth since 1986 of 5.3%.

[typeset representation of line chart]

RETAIL GENERAL BATTERY MARKET
Total Retail General Batteries

	Dollars (Mil)	Units (Mil)
1985	1426	1805
1986	1538	1923
1987	1648	2030
1988	1740	2132
1989	1792	2106
1990	1834	2225
1991	1912	2358
1992	2003	2543
1993	2099	2715
1994	2192	2910
1995	2310	3071
1996	2497	3250

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

[end line chart]

Growth in retail battery industry sales has been largely due to (i) the proliferation and popularity of uses of battery-powered devices (such as remote controls, personal radios and cassette players, pagers, portable compact disc players, electronic and video games and battery-powered toys), (ii) the miniaturization of battery-powered devices, which has resulted in consumption of a larger number of smaller batteries, and (iii) increased purchases of multiple-battery packages for household "pantry" inventory. These factors have increased the average household usage of batteries from an estimated 23 batteries per year in 1986 to an estimated 33 batteries per year in 1995.

Retail sales of general and specialty batteries represent the largest portion of the U.S. battery industry, accounting for 82.9% of sales in 1995. Batteries are popular with many retailers because they enjoy attractive profit margins on battery products and are able to maximize overall battery sales by displaying batteries in several locations within each store to attract impulse purchases.

In line with general retailing trends, increased battery sales through mass merchandisers and warehouse clubs have driven the overall growth of retail battery sales. Mass merchandisers were responsible for 54.0% of the total increase in general battery retail dollar sales between 1991 and 1995 and, together with warehouse clubs, accounted for 45.0% of total retail battery sales in 1995.

The U.S. battery industry is dominated by three manufacturers, including the Company, each of which manufactures and markets a wide variety of batteries. Together, Duracell, Energizer and Rayovac accounted for 90.3% and 89.6% of the U.S. retail general battery market in fiscal 1996 and in the Transition Period ended September 30, 1996, respectively.

Products

Rayovac develops, manufactures and markets a wide variety of batteries and battery-powered lighting devices. The Company's broad line of products includes (i) general batteries (including alkaline, heavy duty and rechargeable batteries), (ii) specialty batteries (including hearing aid, watch, lantern and personal computer clock and memory back-up batteries) and (iii) flashlights and other battery-powered lighting devices. General batteries (D, C, AA, AAA and 9-volt sizes) are used in devices such as flashlights, radios, remote controls, personal radios and cassette players, pagers, portable compact disc players, electronic and video games and battery-powered toys, as well as a variety of battery-powered industrial applications.

Of the Company's specialty batteries, button cells are used in smaller devices (such as hearing aids and watches), lithium coin cells are used in cameras, calculators, communication equipment, medical instrumentation and personal computer clocks and memory back-up systems, and lantern batteries are used almost exclusively in battery-powered lanterns. The Company's battery-powered lighting devices include flashlights, lanterns and similar portable products and related bulbs.

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

	General Batteries			Specialty		
Technology:	Alkaline	Zinc	Lithium	Silver	Zinc Air	Zinc
Types/ Common Name:	- Disposable - Rechargeable	- Heavy Duty (Zinc Chloride) - General Purpose (Zinc Carbon)	--	--	--	Lantern (Zinc Chloride and Zinc Carbon)
Sizes:	D, C, AA, AAA, 9-volt(1) for both Alkaline and Zinc		5 primary sizes	10 primary sizes	5 sizes	Standard lantern
Typical Uses:	All standard household applications including pagers, personal radios and cassette players, remote controls and a wide variety of industrial applications		Personal computer clocks and memory back-up	Watches	Hearing aids	Beam lanterns Camping lanterns

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

Net sales data for the Company's products for fiscal 1995, fiscal 1996 and the Transition Period are set forth below.

	Percentage of Company Net Sales Fiscal Year Ended June 30,		Transition Period Ended September 30,
Product Type	1995	1996	1996
General:			
Alkaline	42.2%	43.0%	40.6%
Heavy Duty	14.2	12.3	12.6
Rechargeable Batteries and Rechargers	5.5	7.0	5.1
Total	61.9	62.3	58.3
Specialty Batteries:			
Hearing Aid	12.6	14.7	14.3
Other Specialty Batteries	16.9	13.9	16.3
Total	29.5	28.6	30.6
Battery-Powered Lighting Devices/Other	8.6	9.1	11.1
Total	100.0%	100.0%	100.0%

General Batteries

Alkaline Batteries. Alkaline batteries are based on technology which first gained widespread application during the 1980s. Alkaline batteries provide greater average energy per cell and considerably longer service life than traditional zinc chloride (heavy duty) or zinc carbon (general purpose) batteries, the dominant battery types throughout the world until the 1980s. Alkaline performance superiority has resulted in alkaline batteries steadily displacing zinc chloride and zinc carbon batteries. In the domestic retail general battery market, for instance, alkaline batteries represented 86.0% and 86.3% of total battery unit sales in fiscal 1996 and in the Transition Period ended September 30, 1996, respectively, despite higher per battery prices than zinc batteries.

Rayovac produces a full line of alkaline batteries including D, C, AA, AAA and 9-volt size batteries for both consumers and industrial customers. The Company's alkaline batteries are sold primarily under the Rayovac name, although the Company also engages in limited private label manufacture of alkaline batteries. AA and AAA size batteries are often used with smaller electronic devices such as remote controls, photography equipment, personal radios and cassette players, pagers, portable compact disc players and electronic and video games. AA and AAA size batteries were the Company's best selling alkaline batteries in fiscal 1996. C and D size batteries are generally used in devices such as flashlights, lanterns, radios, cassette players and battery-powered toys.

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

In fiscal 1996 and in the Transition Period ended September 30, 1996, the Company had 11.2% and 10.9% overall alkaline battery market shares, respectively, and, within the same period, the Company had 19.9% and 20.1% alkaline battery market shares, respectively, within the mass merchandise retail channel.

Heavy Duty Batteries. Heavy duty batteries include zinc chloride batteries designed for low and medium-drain devices such as lanterns, flashlights, radios and remote controls. The Company produces a full line of heavy duty batteries, although AA, C and D size heavy duty batteries together accounted for 90% of the Company's heavy duty battery sales in fiscal 1996. The Company also produces zinc carbon ("general purpose") batteries which accounted for less than 1% of the Company's net sales.

The Company had 44.5% and 44.0% market shares in the heavy duty battery market in fiscal 1996 and in the Transition Period ended September 30, 1996, respectively. Generally, the size of the heavy duty battery market has been decreasing because of increased sales of alkaline batteries for uses traditionally served by non-alkaline batteries.

Rechargeable Batteries. There are currently two types of rechargeable household batteries available to consumers. Traditional rechargeable batteries are based on a technology employing nickel and cadmium. Some states now impose costly and burdensome collection requirements on retailers of nickel-cadmium rechargeable batteries due to their cadmium content, and a nationwide voluntary collection program is now being introduced for these batteries. Alkaline rechargeable batteries are based on more advanced alkaline technology. Rayovac is currently the only domestic manufacturer of alkaline rechargeable batteries.

In 1993, the Company introduced its rechargeable alkaline battery under the name Renewal. Renewal rechargeable batteries can be reused at least 25 times when recharged in a Power Station, the proprietary recharging unit designed specifically for Renewal batteries. A Renewal rechargeable battery can thus provide the aggregate charge of approximately 10 regular alkaline batteries. The actual and potential benefits of Renewal rechargeable batteries are significant. Although twice the price of a regular alkaline battery, a Renewal battery is approximately half the price of a traditional nickel-cadmium rechargeable battery, and its rechargeable feature gives it significant economic benefits over regular alkaline batteries with similar performance features. Moreover, unlike traditional nickel-cadmium rechargeable batteries, which must be charged before initial use and lose charge at a rate of approximately 1% per day, a Renewal rechargeable battery comes fully charged before its first use and can retain 85% of its initial charge for up to five years. Renewal batteries have no cadmium or mercury added and are, therefore, exempt from legislation relating to the collection and disposal of such substances. The Company believes that its Renewal rechargeable battery is the best performing, most environmentally responsible rechargeable battery for general household use on the market today.

The Company is the market leader in the household rechargeable battery market segment with market shares of 64.2% and 63.1% in fiscal 1996 and in the Transition Period ended September 30, 1996, respectively. The Company believes there is significant opportunity to further expand this market segment and that the key to the long-term success of the Renewal product line is to raise awareness and understanding of its benefits over nickel-cadmium rechargeables and alkaline disposables and to persuade more consumers to use rechargeable batteries.

Specialty Batteries

Hearing Aid Batteries. The U.S. hearing aid battery industry had aggregate sales in 1995 of approximately $213 million. The Company estimates that there are currently 26 million hearing-impaired individuals in the United States and only 5.5 million hearing aid users. There are several sizes of hearing aid batteries which are designed for use with various types and sizes of hearing aids. The trend in the hearing aid industry is toward miniaturization. As hearing aids have become smaller, hearing aid use has increased and hearing aid battery consumption has increased significantly, as smaller batteries generally must be replaced more often than larger batteries. Consistent with this trend, the Company's hearing aid battery unit sales have increased from 134.5 million units in fiscal 1992 to 193.4 million units in fiscal 1996, an average annual increase of 9.5%. As the appeal of hearing aids to potential users broadens with the decreasing size of hearing aids, and as the age of the U.S. and western European populations increases, the Company expects the hearing aid battery market to continue to grow.

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

Other Specialty Batteries. The Company's other specialty battery products include non-hearing aid button cells, lithium coin cells and lantern batteries.

The Company produces button and coin cells for watches, cameras, calculators, communications equipment and medical instrumentation. The Company's market shares within each of these categories vary.

The Company's Lifex lithium coin cells are high-quality lithium batteries with certain performance advantages over other lithium battery systems. These products are used in calculators and personal computer clocks and memory back-up systems. Lifex lithium coin cells have outstanding shelf life and excellent performance. The Company believes that the market for lithium personal computer memory back-up batteries has significant potential to grow as the personal computer market grows.

The Company also produces a wide range of consumer and industrial lantern batteries. In fiscal 1996 and in the Transition Period ended September 30, 1996, the Company held 47.2% and 44.9% market shares, respectively, in the retail lantern battery market, which has experienced declines in recent years with the increased popularity of alternate technologies to lanterns.

Battery-Powered Lighting Devices/Other

The Company is a leading marketer of battery-powered lighting devices, including flashlights, lanterns and similar portable products and related bulbs for the retail and industrial markets. In fiscal 1996 and in the Transition Period ended September 30, 1996, the Company's products accounted for 9.9% and 14.2% of aggregate lighting product retail dollar sales in the mass merchandise retail market segment, respectively. Rayovac has established its position in this market based on consistent quality products and on innovative product packaging. The battery-powered lighting device industry is highly competitive and includes a greater number of competitors than the U.S. battery industry.

Marketing and Distribution

General

The Company promotes its batteries and lighting devices through a variety of means, including in-store displays, promotional programs and television advertising. The Company also sponsors various trade and consumer promotions intended to foster brand awareness and to maintain multiple, favorable display positions in retail stores. Generally, the Company tailors its marketing and distribution strategy to fit its respective products and the growth and competitive profiles of their respective markets. Rayovac maintains its own U.S. sales force and utilizes a network of independent brokers to service participants in selected distribution channels.

General Batteries

Alkaline and Heavy Duty. The Company has positioned its alkaline general batteries as a value brand, offering batteries of substantially equivalent quality and performance at a discount to those offered by its principal competitors. Value pricing is also important to the Company because it spends significantly less in advertising than its competitors to market its products. Rather, in addition to pricing, the Company has relied on product quality, innovative in-store merchandising programs and attractive margins for retailers to build market share. Rayovac's introduction of Smart Pack multiple battery packages with user-friendly features such as cardboard zipper tops and display concepts such as promotional pallet programs and Smart Strip vending devices have enabled the Company to incrementally merchandise its products and take full advantage of the impulse nature of many battery purchases. The Company also works with individual retail channel participants to develop unique promotions and attempts to provide retailers with attractive profit margins to encourage retailer brand support.

Rechargeable Batteries. The Company's marketing strategy for its rechargeable battery product line focuses on generating consumer interest in Renewal rechargeable batteries. Under this strategy, the Company has made substantial advertising and marketing investments to establish the Renewal brand as the industry standard. From fiscal 1994 through fiscal 1996, the Company spent an aggregate of $62.0 million to promote Renewal battery products.

As part of its marketing strategy, the Company actively pursues OEM arrangements and other alliances with major electronic device manufacturers. To date, the Company has entered into agreements with thirteen such manufacturers including Phillips Consumer Electronics' Magnavox Division, Texas Instruments, Case Logic and Gerber Products. In each case, the particular consumer product is shipped with Renewal batteries and/or a rebate offer for a Power Station recharging unit. The Company expects to continue to enter into similar arrangements with other manufacturers of consumer products.

Specialty Batteries

Hearing Aid Batteries. To market and distribute its hearing aid battery products, the Company has developed a highly successful national advertising campaign for its products, which features Arnold Palmer. A binaural wearer and user of Rayovac hearing aid batteries, Mr. Palmer has been extremely effective in promoting the use of hearing aids, expanding the market and communicating the specific product benefits of Rayovac hearing aid batteries. Additionally, the Company believes that it has developed strong relationships with hearing aid manufacturers and audiologists, the primary purveyors of hearing aids. The Company has also established relationships with major Pacific Rim hearing aid battery distributors to take full advantage of anticipated global market growth.

Other Specialty Batteries. The Company plans to continue to develop relationships with manufacturers of communications equipment and other products in an effort to expand its share of the non-hearing aid button cell market.

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

The Company's lantern battery strategy is to focus on profit maximization and to maintain sales volume.

Lighting Devices/Other

The Company plans to further expand its lighting devices market share by focusing on non-mass merchandise retail channels such as hardware and home centers and warehouse clubs, and by using the strategies that have brought success to the Company in the mass merchandise retail channel.

Manufacturing and Raw Materials

The Company has modernized many of its manufacturing lines and its manufacturing processes are highly automated and efficient.

During the past five years, Rayovac has spent significant resources on capital improvements, which have enabled Rayovac to increase the quality and service life of its alkaline batteries and to increase its manufacturing capacity. Management believes that Rayovac's manufacturing capacity is sufficient to meet its anticipated production requirements.

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

Rayovac manufactures batteries in the United States and the United Kingdom.

Research and Development

The Company's research and development group includes approximately 110 employees. The Company's research and development efforts focus primarily on performance and cost improvements of existing products and technologies and in recent years have led to advances in alkaline, heavy duty and lithium chemistries, as well as zinc air hearing aid batteries and enhancements of licensed rechargeable alkaline technology. The success of these efforts is most apparent with hearing aid battery products where the Company is the only manufacturer of the smallest (5A size) hearing aid battery and is one of only two manufacturers of the next smallest (10A size) hearing aid battery.

The Company continues to engage in research and development efforts in an attempt to assure that the Company's products remain technologically competitive in the future.

Patents, Trademarks and Licenses

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

Rayovac owns or licenses from third parties a considerable number of patents and patent applications throughout the world, primarily for battery product improvements, additional features and manufacturing equipment. The Company also uses a number of trademarks in its business, including Rayovac(R), Renewal(R), Loud' n Clear(R), ProLine(R), Lifex(tm), Smart Pack(R), Smart Strip(tm), Workhorse(R) and Roughneck(R). The Company relies on both registered and common law trademarks in the United States to protect its trademark rights. The Rayovac(R) mark is also registered in countries outside the United States, including in Europe and the Far East. The Company does not have any right to the trademark "Rayovac" in Brazil, where the mark is owned by an independent third-party battery manufacturer.

The Company has obtained a non-exclusive license to use certain technology underlying its Renewal rechargeable battery line to manufacture such batteries in the United States, Puerto Rico and Mexico and to sell and distribute batteries based on the licensed technology worldwide. This license terminates with the expiration of the last-expiring patent covering the licensed technology and, although non-exclusive, the license provides that the source technology will not be licensed (i) to any new licensee for manufacturing rights within the United States, Puerto Rico or Mexico or (ii) to Duracell or Energizer anywhere in the world, pursuant to which the new licensee may commence manufacture of products employing such licensed technology before a period of 12 months has expired from the giving of written notice to the Company of the commencement of a manufacturing right under such a license. No such notice has been served. In addition, in the conduct of its business, the Company relies upon other licensed technology in the manufacture of its products.

Rayovac has granted exclusive, perpetual, royalty-free licenses for the use of certain of the Company's technology, patents and trademarks (including the "Rayovac" mark) in connection with zinc carbon and alkaline batteries and certain lighting devices in many countries outside the United States, including Latin America.

Competition

The Company believes that the markets for its products are highly competitive. Duracell and Energizer are the Company's primary battery industry competitors. Although other competitors often seek to enter this market, the Company believes that the new market entrants will need significant financial and other resources to service the U.S. marketplace. Substantial capital expenditures would be required to establish battery manufacturing operations. Rayovac and its primary competitors enjoy significant advantages in having established brand recognition and distribution channels, which have historically been and will likely continue to be difficult for new market entrants to overcome.

Competition in the battery industry is based upon price, quality, performance, brand name recognition, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies.

In comparison to the U.S. battery market, the international battery market generally has more competitors, is as highly competitive and has similar methods of competition.

Employees

As of November 15, 1996, the Company had approximately 2,295 employees. The Company believes its relationship with its employees is good and there have been no work stoppages involving Company employees since 1981. A significant number of the Company's factory employees are represented by one of four labor unions. The Company has recently entered into a collective bargaining agreement with its Madison, Wisconsin employees which expires in 2000. The Company's other collective bargaining agreements are scheduled to expire in 1997 and 1998.

Properties and Equipment

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

Location	Product	Owned/Leased	Square Feet
Fennimore, WI	Alkaline batteries and Renewal rechargeable batteries	Owned	176,000
Kinston, NC	Battery-powered flashlights and lanterns	Owned	164,800
Madison, WI	Heavy duty/general purpose batteries	Owned	158,000
Portage, WI	Zinc air and silver button cells	Owned	62,000
Appleton, WI	Lithium coin cells and alkaline computer batteries	Owned	60,600
Wonewoc, WI	Battery-powered lanterns and lantern batteries	Leased	60,000
Newton Aycliffe, UK	Alkaline and zinc carbon batteries	Leased	95,000
Washington, UK	Mercuric oxide and zinc air button cells	Leased	63,000

Over the last four years the Company has invested in all of its major battery facilities. During this period, the Company invested $35.0 million in connection with the Fennimore Expansion. Additional investments in zinc air battery production have helped to increase output and precision of assembly as well as to increase the capacity of critical component manufacturing. Investments in lithium coin cell production have been used to build capacity for newly developed sizes of lithium coin cells as well as to increase capacity of the largest volume sizes of such cells.

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

Environmental Matters

The Company's facilities are subject to a broad range of federal, state, local and foreign laws and regulations relating to the environment, including those governing discharges to the air and water, the handling and disposal of solid and hazardous substances and wastes, and the remediation of contamination associated with releases of hazardous substances at Company facilities and at off-site disposal locations. The Company has a proactive environmental management program, which program includes the use of periodic comprehensive environmental

audits to detect and correct practices that are in violation of environmental laws or inconsistent with best management practices. Based on information currently available to Company management, the Company believes that it is substantially in compliance with applicable environmental regulations at its facilities, although no assurance can be provided with respect to such compliance in the future. There are no pending proceedings against the Company alleging that the Company is or has been in violation of environmental laws.

The Company has from time to time been required to address the impact of historic activities on the environmental condition of its properties, including without limitation the impact of releases from underground storage tanks. Several Company facilities have been in operation for many years and are constructed on fill that includes, among other materials, used batteries containing various heavy metals. The Company has accepted deed restrictions on certain of these properties as a means of providing notice to others of conditions on these properties. Although the Company is currently engaged in remedial projects at a few of its facilities, the Company does not expect that such projects will cause it to incur material expenditures. Nonetheless, the Company has not conducted invasive testing to identify all potential risks and, given the age of the Company's facilities and the nature of the Company's operations, there can be no assurance that the Company will not incur material liabilities in the future with respect to its current or former facilities.

The Company has recently been notified that its former manganese processing facility in Covington, Tennessee is being evaluated by TDEC for a determination as to whether the facility should be added to the National Priorities List as a Superfund site pursuant to CERCLA. Groundwater monitoring at the site conducted pursuant to the post-closure maintenance of solid waste lagoons on site, and recent groundwater testing beneath former process areas on site, indicate that there are elevated levels of certain inorganic contaminants, particularly (but not exclusively) manganese, in the groundwater underneath the site. The Company has completed closure of the aforementioned lagoons and has completed the remediation of a stream that borders the site. The Company is seeking to address any remaining issues with respect to this site through Tennessee's voluntary cleanup program and believes it is possible that action will not be required under the Superfund program. However, as TDEC has just commenced its preliminary assessment, the Company cannot predict with assurance the outcome of TDEC's investigation of the site.

The Company has been and is subject to several proceedings related to its disposal of industrial and hazardous waste at off-site disposal locations, under CERCLA or analogous state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for the costs incurred in responding to the release or threatened release of hazardous substances from such sites. Current and former owners and operators of such sites, and transporters of waste who participated in the selection of such sites, are also strictly liable for such costs. Liability under CERCLA is generally "joint and several," so that a responsible party under CERCLA may be held liable for all of the costs incurred at a particular site. However, as a practical matter, liability at such sites generally is allocated among all of the viable responsible parties. Some of the most significant factors for allocating liabilities to persons that disposed of wastes at Superfund sites are the relative volume of waste such persons sent to the site and the toxicity of their waste streams.

The Company recently has been named as a defendant in two lawsuits in connection with a Superfund site located in Bergen County, New Jersey (Velsicol Chemical Corporation, et al. v. A.E. Staley Manufacturing Company, et al., and Morton International, Inc. v. A.E. Staley Manufacturing Company, et al., United States District Court for the District of New Jersey, filed July 29, 1996). These lawsuits involve contamination at the Bergen County Site. The Company is one of approximately 100 defendants named in these lawsuits and is commencing a review to determine the extent of any potential liability it may have at the Bergen County Site. Preliminary information from the plaintiffs suggests that they will take the position that the Company sent used batteries and other materials to the Bergen County Site for reclamation and thereby "arranged" for the disposal of hazardous substances generated during the reclamation process. Based on this information, it appears that the plaintiffs may take the position that the Company is one of the largest volumetric contributors to the environmental conditions at the Bergen County Site. The cost to remediate the Bergen County Site has not been determined and the Company cannot predict the outcome of these proceedings. There can be no assurances that additional proceedings relating to off-site disposal locations will not arise in the future or that pending or future off-site disposal matters will not have a material adverse effect on the Company's business, financial condition or results of operations. See "Risk Factors--Environmental Matters."

As of September 30, 1996, the Company has reserved $2.1 million for known on-site and off-site environmental liabilities. The Company believes these reserves are adequate, although there can be no assurance that this amount will be adequate to cover such matters.

Legal Proceedings

In the ordinary course of business, various suits and claims are filed against the Company. Except as otherwise set forth herein, the Company is not party to any legal proceedings which, in the opinion of management of the Company, will have a material adverse effect on the Company's business or financial condition.

Directors and Executive Officers

Set forth below is certain information regarding each director and executive officer of the Company:

Name	Age	Position and Offices
David A. Jones	47	Chairman of the Board, Chief Executive Officer and President
Kent J. Hussey	50	Executive Vice President of Finance and Administration and Chief Financial Officer
Roger F. Warren	55	President/International and Contract Micropower and Director
Trygve Lonnebotn	59	Executive Vice President of Operations and Director
Merrell M. Tomlin	44	Senior Vice President Sales
James A. Broderick	53	Vice President and General Counsel
Kenneth V. Biller	48	Vice President and General Manager of Lighting Products & Industrial
Scott A. Schoen	38	Director
Thomas R. Shepherd	66	Director
Warren C. Smith, Jr.	40	Director

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

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

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

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

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

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

Mr. Biller has been Vice President and General Manager of Lighting Products & Industrial since 1995. Mr. Biller joined the Company in 1972 and has held several positions, including Director of Technology/Battery Products, Madison Plant Manager and Vice President of Manufacturing.

Mr. Schoen is a Managing Director of THL Co., which he joined in 1986. In addition, Mr. Schoen is a Vice President of Thomas H. Lee Advisors I and Thomas H. Lee Advisors II. He is also a director of First Alert, Inc., Health o meter Products, Inc., LaSalle Re Holdings and various private corporations.

Mr. Shepherd is a Managing Director of THL Co. and has been engaged as a consultant to THL Co. since 1986. In addition, Mr. Shepherd is Executive Vice President of Thomas H. Lee Advisors I and an officer of various other THL Co. affiliates. He is also a director of General Nutrition Companies, Inc. and various private corporations.

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

Board Committees

The Board has established an Audit Committee and a Compensation Committee. The members of the Audit Committee and the Compensation Committee are Messrs. Schoen, Shepherd and Smith.

Executive Compensation

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

Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	All Other Compensation ($)
Thomas F. Pyle, Jr., Former Chairman, President and Chief Executive Officer	1996	$640,500		$25,300	
	Transition Period	138,800		26,900	
David A. Jones, Chairman, President and Chief Executive Officer	Transition Period	19,700	$179,500		
Judith D. Pyle, Former Vice Chairman and Senior Vice President of Marketing	1996	248,100		6,500	
	Transition Period	53,800		8,200	
Marvin G. Siegert, Former Executive Vice President of Finance and Administration and Chief Financial Officer	1996	231,000		11,600	
	Transition Period	60,100		10,800	
Roger F. Warren, Executive Vice President and General Manager	1996	248,100		11,000	
	Transition Period	64,500			$486,600(1)
Trygve Lonnebotn, Executive Vice President of Operations	1996	231,000		9,300	
	Transition Period	60,100			377,800(1)

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

Option Grants and Exercises

In connection with the Recapitalization, the Board adopted the Rayovac Corporation 1996 Stock Option Plan (the "Plan"). Pursuant to the Plan, the aggregate number of shares of Common Stock as to which options may be granted equals 3,000,000. The Board has granted an aggregate of 1,464,339 options, 911,577 of which have been granted to David A. Jones in accordance with the terms of his employment agreement. See "--Employment Agreement."

The following table discloses the grants of stock options during fiscal 1996 to the Named Executive Officers. Other than Mr. Siegert, the Named Executive Officers did not receive any grant of stock options in fiscal 1996 or in the Transition Period ended September 30, 1996.

Option/SAR Grants in Fiscal Year 1996

	Individual Grants				Potential realizable value at assumed annual rates of stock price appreciation for option term	
Name	Number of Securities Underlying Options/SARs Granted (#)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)
Marvin G. Siegert	350,000	100%	$1.15	1/4/2006	$2,097,756	$3,579,569

Mr. Siegert's options were exercised and the shares of Common Stock received upon such exercise were sold in connection with the Recapitalization.

Compensation Committee Interlocks and Insider Participation

During fiscal 1996, the Compensation Committee of the Board was comprised of Benjamin Garmer, Judith D. Pyle and Marvin G. Siegert. During their fiscal 1996 service on the Compensation Committee, Ms. Pyle was the Vice Chairman and Senior Vice President of Marketing of the Company and Mr. Seigert was the Executive Vice President of Finance and Administration and Chief Financial Officer and Ms. Pyle and Mr. Siegert participated in all compensation decisions including those relating to their own compensation. Ms. Pyle is the wife of Thomas F. Pyle, Jr., former Chairman, President and Chief Executive Officer of the Company and currently a consultant to the Company. See "Certain Relationships and Related Transactions."

Employment Agreement

Under the employment agreement between David A. Jones and the Company (the "Jones Employment Agreement"), Mr. Jones is entitled to a salary of $400,000 per annum (which may be increased from time to time at the discretion of the Board) and an annual bonus based upon the Company achieving certain annual performance goals established by the Board. The Company has also granted Mr. Jones options to purchase 911,577 shares of Common Stock at $4.39 per share, half of which become exercisable at a rate of 20% per year over a five-year period and the other half of which become exercisable at the end of ten years with accelerated vesting over each of the next five fiscal years if the Company achieves certain performance goals. In connection with the Recapitalization, Mr. Jones individually also purchased 227,895 shares of Common Stock at approximately $4.39 per share. One-half of the purchase price was paid in cash and one-half with a promissory note. The Jones Employment Agreement (other than certain restrictive covenants of Mr. Jones and certain severance obligations of the Company) may be cancelled by either party by giving a sixty-day notice or may be cancelled immediately by the Company for Cause (as defined in the Jones Employment Agreement). The Jones Employment Agreement took effect September 12, 1996 and expires on September 30, 1999.

Severance Agreements

Each of Kent J. Hussey, Chief Financial Officer of the Company, Roger F. Warren, Executive Vice President and General Manager of the Company, and Trygve Lonnebotn, Executive Vice President of Operations of the Company, has entered into a severance agreement (each, a "Severance Agreement") with the Company pursuant to which, in the event that his employment is terminated during the term of the Severance Agreement (a) by the Company without Cause (as defined in the Severance Agreement) or (b) by reason of death or Disability (as defined in the Severance Agreement), the Company shall pay him an amount in cash equal to the sum of (i) his base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs and (ii) the annual bonus (if any) earned by him pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which such termination occurs, such amount to be paid ratably monthly in arrears over the remaining term of the Severance Agreement. In the event of such termination, the Company shall also maintain for the twelve month period following such termination insurance benefits for such individual and his dependents similar to those provided immediately prior to such termination. Under the Severance Agreements, each of Messrs. Hussey, Warren and Lonnebotn has agreed that for one year following the later of the end of the term of the Severance Agreement or the date of termination, that he

will not engage or have a financial interest in any business which is involved in the industries in which the Company is engaged. The initial term of each Severance Agreement is one year with automatic one-year renewals thereafter, subject to thirty days notice of non-renewal prior to the end of the then current term.

Director Compensation

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

OWNERSHIP OF CAPITAL STOCK

The following table sets forth share ownership information about persons known to the Company to own beneficially more than 5% of the outstanding Common Stock, each director of the Company, each Named Executive Officer and all directors and executive officers of the Company as a group, in each case as of October 15, 1996.

Name and Address(1) of Beneficial Owner	Shares Beneficially Owned(2) Number	Percent
Thomas H. Lee Equity Fund III, L.P. (3) 75 State Street, Ste. 2600 Boston, MA 02109	13,864,135	67.6%
Thomas H. Lee Foreign Fund III, L.P. (3) 75 State Street, Ste. 2600 Boston, MA 02109	858,950	4.2
THL-CCI Limited Partnership (4) 75 State Street, Ste. 2600 Boston, MA 02109	1,457,405	7.1
Thomas F. Pyle, Jr. 415 Farwell Drive Madison, WI 53704	2,022,785	9.9
David A. Jones (5)	232,025	1.1
Judith D. Pyle	0	0.0
Marvin G. Siegert	205,105	1.0
Kent J. Hussey	0	0.0
Roger F. Warren	569,735	2.8
Trygve Lonnebotn	410,210	2.0
Scott A. Schoen (3)(6)	69,955	*
Thomas R. Shepherd (6)	36,435	*
Warren C. Smith, Jr. (3)(6)	58,305	*
All directors and executive officers of the Company as a group (10 persons) (3)(6)	1,672,930	8.2%

*Less than 1%.

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

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

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

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

(5) Includes 4,130 shares representing Mr. Jones' proportional interest in Thomas H. Lee Equity Fund III, L.P.

(6) Includes 69,955 shares, 36,435 shares and 58,305 shares, representing the proportional interests of Messrs. Schoen, Shepherd and Smith, respectively, in THL-CCI Limited Partnership; and 13,680 shares which Mr. Smith

may be deemed to beneficially own as a result of Mr. Smith's children's proportional beneficial interest in THL-CCI Limited Partnership.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

The Company and Thomas F. Pyle, Jr. are parties to a Consulting Agreement (the "Consulting Agreement") and a Confidentiality, Non-Competition, No-Solicitation and No-Hire Agreement (the "Non-Competition Agreement"). Under the Consulting Agreement, the Company has engaged Mr. Pyle to provide consulting services for an annual fee of $200,000 plus expenses (the "Consulting Fee") for such period as Mr. Pyle is entitled to the Consulting Fee. Mr. Pyle is not entitled to the Consulting Fee in the event that (a) THL Co. or an affiliate of THL Co. no longer receives the Management Fee or (b) Mr. Pyle (i) is no longer subject to the provisions of the Non-Competition Agreement or (ii) ceases to retain at least 5% of the outstanding capital stock of the Company (on a fully diluted basis). In the event that the Management Fee is reduced or increased, the Consulting Fee shall also be reduced or increased on a pro rata basis. Under the Non-Competition Agreement, Mr. Pyle has agreed, among other things, to hold in strict confidence and to not disclose to any person or use any confidential information or materials received by Mr. Pyle from the Company. Additionally, Mr. Pyle has agreed not to engage or have a financial interest in any business which is involved in industries in which the Company is engaged, for a period of five years.

The Company leases its corporate headquarters facilities and other properties from partnerships in which Thomas F. Pyle, Jr. is a partner. The Company has annual minimum rental commitments on its corporate headquarters facilities of approximately $3.0 million, subject to adjustment based upon changes in the consumer price index.

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

DESCRIPTION OF THE CREDIT AGREEMENT

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

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

As shown in the table below, quarterly amortization of the Tranche A loans is in aggregate amounts ranging from $1.0 million to $3.75 million beginning December 31, 1996. Amortization of the Tranche B loans is in aggregate quarterly amounts of $0.0625 million during each of the first six years and $5.875 million during the seventh year beginning December 31, 1996. Amortization of the Tranche C loans will be in aggregate quarterly amounts of $0.0625 million during each of the first seven years and $5.8125 million during the eighth year beginning December 31, 1996. The Revolving Credit Facility must be reduced for 30 consecutive days each year to no more than $10.0 million for the fiscal year ending September 30, 1997, $5.0 million for fiscal year ending September 30, 1998 and is not required to be reduced for any fiscal year thereafter.

Term Loan Quarterly Amortization
(Dollars in millions)

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

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

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

The Credit Agreement contains financial and other restrictive covenants customary and usual for credit facilities of this type, including those involving maintenance of minimum coverage for fixed charges, a required minimum level of earnings before income taxes, depreciation and amortization, a required minimum net worth and a required maximum leverage. Credit Agreement covenants also restrict the ability of the Company to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, merge or acquire or sell assets, make capital expenditures and restrict certain other activities.

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

DESCRIPTION OF THE NOTES

General

As used below in this "Description of the Notes" section, references to the "Notes" refer to the Old Notes and the New Notes, unless the context otherwise requires.

The Old Notes were issued and the New Notes will be issued pursuant to an Indenture (the "Indenture") between the Company and Marine Midland Bank, as trustee (the "Trustee"). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (the "Trust Indenture Act"). The Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the Indenture does not purport to be complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. Copies of the Indenture and the Registration Rights Agreement are available as set forth under "--Additional Information." The definitions of certain terms used in the following summary are set forth below under "--Certain Definitions."

The Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future Senior Debt, and ranking senior in right of payment to all future subordinated Indebtedness of the Company. The Company's payment obligations under the Notes are guaranteed on a senior subordinated basis by the Guarantors. The Guarantees are subordinated to the guarantees by the Guarantors of Senior Debt. See "--Subordination"; "--Subsidiary Guarantees."

The operations of the Company are conducted in part through its Subsidiaries and, therefore, the Company is dependent in part upon the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes are effectively subordinated to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Company's Subsidiaries that are not Guarantors. Any right of the Company to receive assets of any of its Subsidiaries upon the latter's liquidation or reorganization (and the consequent right of the Holders of the Notes to participate in those assets) are effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Company is itself recognized as a creditor of such Subsidiary, in which case the claims of the Company would still be subordinate to any security in the assets of such Subsidiary and any indebtedness of such Subsidiary senior to that held by the Company.

Principal, Maturity and Interest

The Notes are limited in aggregate principal amount to $100.0 million and will mature on November 1, 2006. Interest on the Notes will accrue at the rate of 10-1/4% per annum and will be payable semi-annually in arrears on May 1 and November 1, commencing on May 1, 1997, to Holders of record on the immediately preceding April 15 and October 15. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal, premium and interest and Liquidated Damages, if any, on the Notes will be payable at the office or agency of the Company maintained for such purpose within the City and State of New York or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders of the Notes at their respective addresses set forth in the register of Holders of Notes; provided that all payments with respect to Global Notes and Certificated Securities the Holders of which have given wire transfer instructions to the Company will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof. Until otherwise designated by the Company, the Company's office or agency in New York will be the office of the Trustee maintained for such purpose. The Notes will be issued in denominations of $1,000 and integral multiples thereof.

Subsidiary Guarantees

The Company's payment obligations under the Notes will be jointly and severally guaranteed by the Guarantors. The Guarantee of each Guarantor will be subordinated to the prior payment in full of all Senior Debt of such Guarantor, which on a pro forma basis would have had no Senior Debt outstanding at June 30, 1996 (except the Guarantee of obligations under the Credit Agreement), and the amounts for which the Guarantors will be liable

under the guarantees issued from time to time with respect to Senior Debt (including obligations under the Credit Agreement). The obligations of each Guarantor under its Guarantee will be limited so as not to constitute a fraudulent conveyance under applicable law.

Subordination

The payment of principal of, premium, if any, interest and Liquidated Damages, if any, on the Notes is subordinated in right of payment, as set forth in the Indenture, to the prior payment in full, in cash, of all Obligations with respect to Senior Debt, whether outstanding on the date of the Indenture or thereafter incurred.

Upon any payment or distribution to creditors of the Company or any Guarantor in a liquidation or dissolution of the Company or any Guarantor or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or any Guarantor or its property, an assignment for the benefit of creditors or any marshalling of the assets and liabilities of the Company or any Guarantor, the holders of Senior Debt of the Company or such Guarantor, as applicable, will be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest accruing after the commencement of any such proceeding at the rate specified in the applicable Senior Debt) before the Holders of Notes will be entitled to receive any payment or distribution with respect to the Notes or the Guarantees, as applicable, and until all Obligations with respect to the Senior Debt are paid in full in cash, any payment or distribution to which the Holders of Notes would be entitled shall be made to the holders of Senior Debt (except that Holders of Notes may receive securities under a plan of reorganization that are subordinated at least to the same extent as the Notes to Senior Debt and any securities issued in exchange for Senior Debt and payments made from the trust described under "--Legal Defeasance and Covenant Defeasance").

Neither the Company nor any Guarantor may make any payment or distribution upon or in respect of the Notes, including, without limitation, by way of set-off or otherwise, or redeem (or make a deposit in redemption of), defease or acquire any of the Notes, for cash, property or securities (except in such subordinated securities in such plan of reorganization) if (i) a default in the payment of any Obligation of the Company or such Guarantor, as applicable, with respect to (a) any Designated Senior Debt or (b) any Senior Debt permitted by clause (xiv) of the second paragraph of the covenant described under the caption "Incurrence of Indebtedness and Issuance of Preferred Stock" and any other Senior Debt issued in a single transaction or a series of related transactions having an aggregate principal amount outstanding of $5.0 million or more ("Significant Senior Debt"), occurs and is continuing or (ii) any other default (or any event that, after notice or passage of time would become an event of default) occurs and is continuing with respect to any Designated Senior Debt and, in the case of clause (ii), the Trustee receives notice of such default (a "Payment Blockage Notice") from the holders (or the agent or representative of such holders) of any Designated Senior Debt. Payment on the Notes may and shall be resumed (i) in the case of a payment default, upon the date on which such default is cured or waived and (ii) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any such Designated Senior Debt or Significant Senior Debt has been accelerated. No new period of payment blockage may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Indenture further requires that the Company promptly notify holders of Senior Debt if payment of the Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a liquidation or insolvency, Holders of Notes may recover less ratably than creditors of the Company who are holders of Senior Debt. As of June 30, 1996, on a pro forma basis giving effect to the Recapitalization, including borrowings under the Credit Agreement, and the sale of the Notes, the Company and its subsidiaries would have had $131.0 million of Senior Debt and $5.2 million of indebtedness and capitalized lease obligations of foreign subsidiaries which would rank senior or effectively rank senior, as the case may be, in right of payment to the Notes. The Indenture limits, subject to certain financial tests, the amount of additional Indebtedness, including Senior Debt, that the Company and its subsidiaries can incur. See "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock."

Optional Redemption

The Notes are not redeemable at the Company's option prior to November 1, 2001. Thereafter, the Notes will be subject to redemption at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

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

Notwithstanding the foregoing, at any time during the first 36 months after the date of the Indenture, the Company may redeem up to 35% of the initial principal amount of the Notes originally issued with the net proceeds of one or more public offerings of equity securities of the Company, at a redemption price equal to 109.250% of the principal amount of such Notes, plus accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption; provided that at least 65% of the principal amount of Notes originally issued remain outstanding immediately after the occurrence of any such redemption and that such redemption occurs within 60 days following the closing of each such public offering.

Mandatory Redemption

Except as set forth below under "--Repurchase at the Option of Holders," the Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 in principal amount or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Change of Control Payment"). Within 30 calendar days following any Change of Control, the Company will mail a notice to each Holder stating: (i) that the Change of Control Offer is being made pursuant to the covenant entitled "Change of Control" and that all Notes tendered will be accepted for payment; (ii) the purchase price and the purchase date, which will be no earlier than 30 calendar days nor later than 60 calendar days from the date such notice is mailed (the "Change of Control Payment Date"); (iii) that any Note not tendered will continue to accrue interest; (iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date; (v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes purchased; and (vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes in connection with a Change of Control.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (iii)

deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of the Notes or portions thereof required to be purchased by the Company. The Paying Agent will promptly mail to each Holder of Notes so accepted the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. The Indenture provides that, prior to complying with the provisions of this covenant, but in any event within 90 calendar days following a Change of Control, the Company shall either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this covenant. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Change of Control provisions described above would be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar restructuring, nor does it contain any other similar "event risk" protections for Holders of the Notes.

Although the Change of Control provision may not be waived by the Company, and may be waived by the Trustee only in accordance with the provisions of the Indenture unless the Notes are defeased, there can be no assurance that any particular transaction (including a highly leveraged transaction) cannot be structured or effected in a manner not constituting a Change of Control.

The Credit Agreement currently prohibits the Company from prepaying or redeeming any Notes prior to maturity (except that the Company may redeem up to $35.0 million principal amount of the Notes with the net cash proceeds of an initial public offering), and also provides that certain change of control events with respect to the Company would constitute a default thereunder. Any future credit agreements or other agreements relating to Senior Debt to which the Company becomes a party may contain similar restrictions and provisions. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Company will remain prohibited from purchasing Notes. In such case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under the Credit Agreement. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

"Change of Control" means the occurrence of any of the following: (i) (a) any transaction (including a merger or consolidation) the result of which is that any "person" or "group" (each within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than the Principals, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of all Capital Stock of the Company or a successor entity normally entitled to vote in the election of directors, managers or trustees, as applicable, calculated on a fully diluted basis, and (b) as a result of the consummation of such transaction, any "person" or "group" (each as defined above) becomes the "beneficial owner" (as defined above), directly or indirectly, of more of the voting stock of the Company than is at the time "beneficially owned" (as defined above) by the Principals, or (ii) the first day on which a majority of the members of the Board of Directors are not Continuing Directors, or (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Principals or their Related Parties. For purposes of this definition, any transfer of an Equity Interest of an entity that was formed for the purpose of acquiring voting stock of the Company shall be deemed to be a transfer of such percentage of such voting stock as corresponds to the percentage of the equity of such entity that has been so transferred.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date of the Indenture or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Principals" means Thomas H. Lee Equity Fund III, L.P. and its co-investors, Thomas H. Lee Foreign Fund III, L.P. and Thomas H. Lee Company, and any Affiliates of Thomas H. Lee Company.

"Related Party" with respect to any Principal means (i) any controlling stockholder, 80% (or more) owned Subsidiary, or spouse or immediate family member (in the case of an individual) of such Principal or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (i).

Asset Sales

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, (i) sell, lease, convey or otherwise dispose of any assets (including by way of a sale and leaseback) other than sales of inventory in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company is governed by the provisions of the Indenture described under the caption "--Change of Control" and/or the provisions described under the caption "--Certain Covenants--Merger, Consolidation or Sale of Assets" and not by the provisions of this covenant), or (ii) issue or sell Equity Interests of any of its Restricted Subsidiaries, in the case of either clause (i) or (ii) above, whether in a single transaction or a series of related transactions, (a) that have a fair market value in excess of $1.0 million, or (b) for net proceeds in excess of $1.0 million (each of the foregoing, an "Asset Sale"), unless (x) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by an Officers' Certificate delivered to the Trustee, and for Asset Sales having a fair market value or net proceeds in excess of $5.0 million, evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets sold or otherwise disposed of and (y) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents; provided, however, that the amount of (A) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and (B) any notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are immediately converted by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) or Cash Equivalents, shall be deemed to be cash for purposes of this provision; and provided, further, that the 75% limitation referred to in this clause (y) shall not apply to any Asset Sale in which the cash portion of the consideration received therefrom, determined in accordance with the foregoing proviso, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 75% limitation. Notwithstanding the foregoing: (i) a transfer of assets by the Company to a Wholly Owned Restricted Subsidiary or by a Wholly Owned Restricted Subsidiary to the Company or to another Wholly Owned Restricted Subsidiary, (ii) an issuance of Equity Interests (other than Disqualified Stock) by a Wholly Owned Restricted Subsidiary to the Company or another Wholly Owned Restricted Subsidiary, (iii) issuances of Equity Interests by the Company pursuant to warrants outstanding on the date of the Indenture, (iv) a Restricted Payment that is permitted by the covenant described under the caption "--Certain Covenants--Restricted Payments," (v) the surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind (other than assignment of such rights or claims for value outside the ordinary course of business) or (vi) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registration therefor and other similar intellectual property, is not deemed to be an Asset Sale. In addition, notwithstanding the foregoing, the Company and any of its Restricted Subsidiaries may create or assume Liens (or permit any foreclosure thereon) securing Indebtedness to the extent that such Lien does not violate the covenant described under the caption "--Certain Covenants--Liens".

Within 270 days after the receipt of any Net Proceeds from any Asset Sale, the Company may apply such Net Proceeds from such Asset Sale to permanently reduce Senior Debt in accordance with the terms of the Credit Agreement, if applicable, or to the extent not required to be applied thereunder, may, at its option, apply such Net Proceeds to repayment of Indebtedness of a Restricted Subsidiary (in the case of Net Proceeds from an Asset Sale effected by a Restricted Subsidiary) or to an investment in a Restricted Subsidiary or in another business or capital expenditure or other long-term/tangible assets, in each case, in the same or a similar line of business as the Company

or any of its Restricted Subsidiaries were engaged in on the date of the Indenture or in businesses reasonably related thereto. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Senior Debt or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from an Asset Sale that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company will be required to make an offer to all Holders of Notes (an "Asset Sale Offer") to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided that no Notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

Certain Covenants

Restricted Payments

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company) or to any direct or indirect holders of the Company's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or such Restricted Subsidiary or dividends or distributions payable to the Company or any Wholly Owned Restricted Subsidiary of the Company); (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any Restricted Subsidiary or other Affiliate of the Company (other than any such Equity Interests owned by the Company or any Wholly Owned Restricted Subsidiary of the Company that is a Guarantor); (iii) purchase, redeem, defease or otherwise acquire or retire for value prior to a scheduled mandatory sinking fund payment date or final maturity date any Indebtedness that is pari passu with or subordinated to the Notes; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(c) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the date of the Indenture (including Restricted Payments

permitted by the next succeeding paragraph), is less than (w) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date of the Indenture to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, 100% of such deficit), plus (x) 100% of the aggregate net cash proceeds received by the Company from the issuance or sale after the date of the Indenture of Equity Interests of the Company or of debt securities of the Company that have been converted into such Equity Interests (other than Equity Interests (or convertible debt securities) sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or debt securities that have been converted into Disqualified Stock), plus (y) $2.0 million, plus (z) to the extent that any Unrestricted Subsidiary is designated to be a Restricted Subsidiary, the fair market value (as determined in good faith by the Board of Directors) of the Company's Equity Interests in such Subsidiary at the time of such designation.

The foregoing provisions do not prohibit: (i) the payment of any dividend or other distribution within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture; (ii) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Company in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of other Equity Interests of the Company (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(x) of the preceding paragraph; (iii) the defeasance, redemption or repurchase of pari passu or subordinated Indebtedness with the net proceeds from an incurrence of Refinancing Indebtedness or the substantially concurrent sale (other than to a Subsidiary of the Company) of Equity Interests of the Company (other than Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(x) of the preceding paragraph; (iv) the purchase, redemption or other acquisition prior to the stated maturity thereof of Indebtedness that is subordinated to the Notes in exchange for or out of the net cash proceeds of a substantially concurrent issue and sale (other than to the Company or any of its Restricted Subsidiaries) of new Indebtedness; provided that (x) the principal amount of such new Indebtedness shall not exceed the principal amount of Indebtedness so refinanced (plus the amount of such reasonable expenses incurred in connection therewith), (y) such new Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being refinanced, and (z) the new Indebtedness shall be subordinate in right of payment to the Notes; (v) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company held by any member of the Company's (or any of its Restricted Subsidiaries') management pursuant to any management equity subscription agreement or stock option agreement or in connection with the termination of employment of any employees or management of the Company or its Subsidiaries; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $2.0 million in the aggregate plus the aggregate cash proceeds received by the Company after the date of the Indenture from any reissuance of Equity Interests by the Company to members of management of the Company and its Restricted Subsidiaries; (vi) Investments received by the Company and its Restricted Subsidiaries as non-cash consideration from Asset Sales to the extent permitted by the covenant described under the caption "--Repurchase at the Option of Holders--Asset Sales;" and (vii) the repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer; and no Default or Event of Default shall have occurred and be continuing immediately after any such transaction.

The Board of Directors may designate a Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash or Government Securities) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this covenant. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of all Restricted Payments (other than cash or Government Securities) shall be the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) on the date of the Restricted Payment of the asset(s) proposed to be transferred by the Company or such Subsidiary, as the case may be, pursuant to the Restricted Payment. Not later than the date of making any Restricted

Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant described under the caption "--Restricted Payments" were computed, which calculations may be based upon the Company's latest available financial statements.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guaranty or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company may incur Indebtedness or issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The foregoing limitations do not apply to: (i) the incurrence by the Company of Senior Bank Debt; (ii) Guarantees of the Senior Bank Debt permitted under or required by the Credit Agreement and Guarantees permitted under or required by the Indenture; (iii) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness; (iv) the incurrence by the Company of Indebtedness represented by the Notes and the Indenture, and the incurrence by Restricted Subsidiaries of Guarantees required or permitted to be incurred under the Indenture; (v) the incurrence by the Company or any of its Restricted Subsidiaries of Capital Lease Obligations and/or additional Indebtedness constituting purchase money obligations in an aggregate principal amount not to exceed $5.0 million at any time outstanding; (vi) the incurrence by the Company of additional Indebtedness for any corporate purposes in an outstanding principal amount (or accreted value, as applicable) at no time exceeding $25.0 million (which may, but need not be, borrowed under the Credit Agreement); (vii) the incurrence by any Foreign Subsidiary of Indebtedness, which when aggregated with the principal amount of Indebtedness of all Foreign Subsidiaries then outstanding and incurred pursuant to this clause (vii) does not exceed $5.0 million (or the equivalent thereof in any other currency) at any one time outstanding; (viii) the incurrence by any Restricted Subsidiary of the Company of Acquired Debt in an aggregate principal amount not to exceed $20.0 million for all Restricted Subsidiaries (reduced by the amount of Acquired Debt repaid with the Net Proceeds of Asset Sales of any Restricted Subsidiary subject to such Acquired Debt) that (a) has not been incurred in connection with, or in contemplation of such Restricted Subsidiary becoming a Restricted Subsidiary, or a merger of a Person subject to such Acquired Debt with or into such Restricted Subsidiary, and (b) is without recourse to the Company or any of its Restricted Subsidiaries or any of their respective assets (other than the Restricted Subsidiary subject to such Acquired Debt and its assets), and is not guaranteed by any such Person; provided that (A) after giving pro forma effect to the incurrence thereof as if incurred by the Company, the Company could incur at least $1.00 of Indebtedness under the first paragraph of this "Incurrence of Indebtedness and Issuance of Preferred Stock" covenant, (B) any Refinancing Indebtedness with respect thereto may not be incurred by any Person other than the Restricted Subsidiary that is the obligor on such Acquired Indebtedness, and (C) such Restricted Subsidiary becomes an Additional Guarantor upon incurrence of such Acquired Debt in accordance with the Indenture; (ix) the incurrence by the Company of Indebtedness in connection with the issuance of notes in payment of the repurchase, redemption, acquisition or retirement of Equity Interests of the Company or any Restricted Subsidiary of the Company to the extent permitted by the covenant described under the caption "--Restricted Payments;" (x) Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the Credit Agreement or the Indenture to be outstanding; (xi) Indebtedness arising out of letters of credit, performance bonds, surety bonds, guarantees resulting from endorsements of negotiable instruments and bankers' acceptances, incurred in the ordinary course of business; (xii) all Obligations with respect to the foregoing; (xiii) the incurrence by the Company and its Restricted Subsidiaries of Indebtedness issued in exchange for, or the proceeds of which are used to repay, redeem, defease, extend, refinance, renew, replace or refund Indebtedness referred to in clauses (ii) through (xii) above, and this clause (xiii) (the "Refinancing Indebtedness"); provided that (a) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of Indebtedness so extended, refinanced, renewed, replaced, substituted or refunded

(plus the amount of fees, premiums, consent fees, prepayment penalties and expenses incurred in connection therewith); (b) in the case of Refinancing Indebtedness for Indebtedness permitted under clause (iii) or (viii) of this paragraph, the Refinancing Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced or refunded or shall mature after the scheduled maturity date of the Notes; (c) to the extent such Refinancing Indebtedness refinances Indebtedness subordinate to the Notes, such Refinancing Indebtedness shall be subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced or refunded; and (d) with respect to Refinancing Indebtedness incurred by a Guarantor, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Guarantee of such Guarantor as the Indebtedness being extended, refinanced, renewed, replaced or refunded; (xiv) Indebtedness of the Company (A) not to exceed an aggregate principal amount of $8.0 million outstanding at any time arising as a result of the issuance of tax-exempt industrial development bonds or similar tax-exempt public financing, and (B) additional Indebtedness arising out of the issuance of additional tax-exempt public financing obligations, but only to the extent that Indebtedness owing under the Credit Agreement is prepaid, concurrently with the receipt of the net proceeds of such issuance, in an amount at least equal to the amount of such net proceeds, and term indebtedness or the availability of revolving credit borrowings under the Credit Agreement is permanently reduced by the amount of such net proceeds; and (xv) the incurrence of Indebtedness between (a) the Company and its Restricted Subsidiaries and (b) the Restricted Subsidiaries; provided that (x) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Wholly Owned Restricted Subsidiary shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be.

Liens

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their property, assets or revenue now owned or hereafter acquired by them, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens; provided, however, that in addition to creating Permitted Liens on its properties or assets, the Company may create any Lien upon any of its properties or assets if the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligation is no longer secured by a Lien.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(a) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (x) on its Capital Stock or (y) with respect to any other interest or participation in, or measured by, its profits, or (b) pay any indebtedness owed to the Company or any of its Restricted Subsidiaries, (ii) make loans or advances to the Company or any of its Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (a) Existing Indebtedness as in effect on the date of the Indenture, (b) the Credit Agreement and all related Senior Bank Debt documents as in effect as of the date of the Indenture, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive with respect to such dividend and other payment restrictions than those contained in the Credit Agreement as in effect on the date of the Indenture, (c) the Indenture, the Guarantee and the Notes, (d) applicable law, (e) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that the Consolidated Cash Flow of such Person is not taken into account in determining whether such acquisition was permitted by the terms of the Indenture, (f) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (g) purchase money obligations or Capital Lease Obligations for property acquired in the

ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (h) permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, (i) customary restrictions imposed on the transfer of copyrighted or patented materials and customary provisions in agreements that restrict the assignees of such agreements or any rights thereunder or (j) restrictions with respect to a Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

Merger, Consolidation, or Sale of Assets

The Indenture provides that the Company may not consolidate or merge with or into (whether or not the Company is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless: (i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (a) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (b) will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock;" provided, however, that this provision shall not prohibit any merger or consolidation among the Company and one or more of its Wholly Owned Restricted Subsidiaries that is a Guarantor. The term "all or substantially all" is not defined in the Indenture. Accordingly, the term would likely be interpreted by reference to applicable state law at the time, and the interpretation will be dependent on the facts and circumstances existing at the time. As a result, under certain circumstances there could be uncertainty as to whether a particular transaction is prohibited by the Indenture.

Transactions with Affiliates

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to or enter into any other transaction with, or for the benefit of, an Affiliate of the Company (an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person and (ii) the Company delivers to the Trustee (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1.0 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (b) with respect to any Affiliate Transaction involving aggregate consideration in excess of $5.0 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing; provided that (v) the Employment Agreement and any employment agreement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and consistent with the past practice (other than past practice with respect to Thomas F. Pyle) of the Company or such Restricted Subsidiary, (w) transactions between or among the Company and/or its Restricted Subsidiaries, (x) investment banking and management fees in an aggregate amount no greater than $360,000 per annum plus reimbursement of expenses to be paid by the Company to Thomas H. Lee Company, (y) payments to Thomas F. Pyle pursuant to the Consulting Agreements (whether or not Thomas F. Pyle would be considered an Affiliate) and (z) transactions permitted by the covenant described under the caption "--Restricted Payments," in each case, shall not be deemed

Affiliate Transactions; further provided, however, that (A) the provisions of clause (ii) shall not apply to sales of inventory by the Company or any Restricted Subsidiary to any Affiliate in the ordinary course of business and (B) the provisions of clause (ii)(b) shall not apply to loans or advances to the Company or any Restricted Subsidiary from, or equity investments in the Company or any Restricted Subsidiary by, any Affiliate to the extent permitted by the covenant described under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock."

No Senior Subordinated Debt

The Indenture provides that (i) the Company will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Senior Debt of the Company and senior in any respect in right of payment to the Notes and (ii) the Company will not permit any Guarantor to incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to its Senior Debt and senior in any respect in right of payment to its Guarantee.

Limitations on Guarantees of Company Indebtedness by Restricted Subsidiaries

The Indenture provides that in the event that any Restricted Subsidiary, directly or indirectly, guarantees any Indebtedness of the Company other than the Notes (the "Other Indebtedness"), the Company shall cause such Restricted Subsidiary to deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary shall concurrently guarantee the Company's Obligations under the Indenture and the Notes to the same extent that such Restricted Subsidiary guaranteed the Company's Obligations under the Other Indebtedness (including waiver of subrogation, if any), provided that if such Other Indebtedness is Senior Debt, the Additional Guarantee shall be subordinated in right of payment to the guarantee of such Other Indebtedness, as provided by the provisions of the Indenture described under the caption "--Subordination," and such Additional Guarantee shall be on the same terms and subject to the same conditions as the initial Guarantee given by ROV Holding under the Indenture. Each Additional Guarantee shall by its terms provide that the Additional Guarantor making such Additional Guarantee will be automatically and unconditionally released and discharged from its obligations under such Additional Guarantee upon the release or discharge of the guarantee of the Other Indebtedness that resulted in the creation of such Additional Guarantee, except a discharge or release by, or as a result of, any payment under the guarantee of such Other Indebtedness by such Additional Guarantor.

Additional Guarantees

The Indenture provides that (i) if the Company or any of its Restricted Subsidiaries shall, after the date of the Indenture, transfer or cause to be transferred, including by way of any Investment, in one or a series of transactions (whether or not related), any assets, businesses, divisions, real property or equipment having an aggregate fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million to any Restricted Subsidiary that is not a Guarantor, (ii) if the Company or any of its Restricted Subsidiaries shall acquire another Restricted Subsidiary having total assets with a fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million, or (iii) if any Restricted Subsidiary shall incur Acquired Debt, then the Company shall, at the time of such transfer, acquisition or incurrence, (i) cause such transferee, acquired Restricted Subsidiary or Restricted Subsidiary incurring Acquired Debt (if not then a Guarantor) to execute a Guarantee of the Obligations of the Company hereunder in the form set forth in the Indenture and (ii) deliver to the Trustee an Opinion of Counsel, in form reasonably satisfactory to the Trustee, that such Guarantee is a valid, binding and enforceable obligation of such transferee, acquired Restricted Subsidiary or Restricted Subsidiary incurring Acquired Debt, subject to customary exceptions for bankruptcy and equitable principles. Notwithstanding the foregoing, the Company or any of its Restricted Subsidiaries may make a Restricted Investment in any Wholly Owned Restricted Subsidiary of the Company without compliance with this covenant provided that such Restricted Investment is permitted by the covenant described under the caption, "Restricted Payments."

The Indenture provides that no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person (other than the Company) whether or not affiliated with such Guarantor unless: (i) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under its Guarantee, the Notes and the Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) such Guarantor, or any Person formed by or surviving any such consolidation or merger, (a) would

have Consolidated Net Worth (immediately after giving effect to such transaction), equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction and (b) would be permitted by virtue of the Company's pro forma Fixed Charge Coverage Ratio to incur, immediately after giving effect to such transaction, at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock."

The Indenture provides that in the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the capital stock of any Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the Person acquiring the property (in the event of a sale or other disposition of all of the assets of such Guarantor) will be released and relieved of any obligations under its Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture. See "--Repurchase at the Option of Holders --Asset Sales." In the event the Board of Directors designates a Guarantor to be an Unrestricted Subsidiary, such Guarantor will be released and relieved of any obligation under its Guarantee, provided that such designation is conducted in accordance with the applicable provisions of the Indenture including, but not limited to, the covenant described under the caption "--Restricted Payments."

Reports

The Indenture provides that, whether or not required by the rules and regulations of the Securities and Exchange Commission (the "Commission"), so long as any Notes are outstanding, the Company and, if the Company is required to file separate financial statements for any Guarantor, such Guarantor will furnish to the Trustee and to all Holders (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company and/or any Guarantor were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's and/or the Guarantor's certified independent accountants and (ii) all financial information that would be required to be filed with the Commission on Form 8-K if the Company and/or any Guarantor were required to file such reports. In addition, whether or not required by the rules and regulations of the Commission, the Company will file a copy of all such information with the Commission for public availability (unless the Commission will not accept such a filing) and promptly make such information available to all securities analysts and prospective investors upon written request. In addition, the Company and the Guarantors have agreed that, for so long as any Notes remain outstanding, they will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Events of Default and Remedies

The Indenture provides that each of the following constitutes an Event of Default: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages, if any, with respect to, the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company to comply with the provisions described under the caption "--Repurchase at the Option of Holders--Change of Control;" (iv) failure by the Company or any Guarantor for 60 days after notice to comply with any of its other agreements in the Indenture, the Notes or the Guarantees; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, if (a) such default results in the acceleration of such Indebtedness prior to its express maturity or shall constitute a default in the payment of such Indebtedness at final maturity of such Indebtedness, and (b) the principal amount of any such Indebtedness that has been accelerated or not paid at maturity, when added to the aggregate principal amount of all other Indebtedness that has been accelerated or not paid at maturity, exceeds $5.0 million; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $5.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries; and (viii) except as permitted by the Indenture, any Guarantee issued by a Guarantor shall

be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor or any Person acting on behalf of any Guarantor shall deny or disaffirm its obligations under its Guarantee.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that if any Obligation with respect to Designated Senior Debt is outstanding upon a declaration of acceleration of the Notes, the principal, premium, if any, interest and Liquidated Damages, if any, on the Notes will not be payable until the earlier of (i) the day which is five business days after written notice of acceleration is received by the Bank Agent or any other agent acting in a similar capacity with regard to any Designated Senior Debt, or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary that is a Significant Subsidiary, the principal of, and premium, if any, and any accrued and unpaid interest and Liquidated Damages, if any, on all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (v) of the preceding paragraph, the declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (v) have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (a) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction, and (b) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs prior to November 1, 2001 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to such date, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, the Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note and the related Guarantees waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes ("Legal Defeasance") except for (i) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest and Liquidated Damages on such Notes when such payments are due from the trust referred to below, (ii) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith and (iv) the Legal Defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership and insolvency events) described under "--Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance, (i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest and Liquidated Damages on the outstanding Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date; (ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 123rd day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound; (vi) the Company must have delivered to the Trustee an opinion of counsel to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (vii) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and (viii) the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for Notes).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder) (i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes in a manner adverse to the Holders of the Notes, (iii) reduce the rate of or change the time for payment of interest on any Note, (iv) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration), (v) make any Note payable in money other than that stated in the Notes, (vi) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of or premium, if any, or interest on the Notes, (vii) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described under the caption "--Repurchase at the Option of Holders"), (viii) except pursuant to the Indenture, release any Guarantor from its obligations under its Guarantee, or change any Guarantee in any manner that would adversely affect the Holders, or (ix) make any change in the foregoing amendment and waiver provisions. In addition, any amendment to the provisions of Article 10 of the Indenture (which relate to subordination) will require the consent of the Holders of at least 75% in aggregate principal amount of the Notes then outstanding if such amendment would adversely affect the rights of Holders.

Notwithstanding the foregoing, without the consent of any Holder of Notes, the Company and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Additional Information

Anyone who receives this Prospectus may obtain a copy of the Indenture and the Registration Rights Agreement without charge by writing to Rayovac Corporation, 601 Rayovac Drive, Madison, Wisconsin 53711-2497, Attention: Secretary.

Book-Entry, Delivery and Form

Except as set forth in the next paragraph, the Notes to be resold as set forth herein will initially be issued in the form of one Global Note (the "Global Note"). The Global Note will be deposited on the date of the closing of the sale of the Notes offered hereby (the "Closing Date") with, or on behalf of, The Depository Trust Company (the "Depositary") and registered in the name of Cede & Co., as nominee of the Depositary (such nominee being referred to herein as the "Global Note Holder"), or will remain in the custody of the Trustee pursuant to the FAST Balance Certificate Agreement between the Depositary and the Trustee.

In the case of Old Notes that were (i) originally issued to or transferred to "institutional accredited investors" who are not "qualified institutional buyers" (as such terms are defined under "Notice to Investors" elsewhere herein) (the "Non-Global Purchasers") or (ii) issued as described below under "Certificated Securities," New Notes will be issued in the form of registered definitive certificates (the "Certificated Securities"). Upon the transfer to a qualified institutional buyer of Certificated Securities initially issued to a Non-Global Purchaser, such Certificated Securities may, unless the Global Note has previously been exchanged for Certificated Securities, be exchanged for an interest in the Global Note representing the principal amount of Notes being transferred.

The Depositary is a limited-purpose trust company that was created to hold securities for its participating organizations (collectively, the "Participants" or the "Depositary's Participants") and to facilitate the clearance and settlement of transactions in such securities between Participants through electronic book-entry changes in accounts of its Participants. The Depositary's Participants include securities brokers and dealers (including the Initial Purchaser), banks and trust companies, clearing corporations and certain other organizations. Access to the Depositary's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the "Indirect Participants" or the "Depositary's Indirect Participants") that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of the Depositary only through the Depositary's Participants or the Depositary's Indirect Participants.

The Company expects that, pursuant to procedures established by the Depositary, (i) upon deposit of the Global Note, the Depositary will credit the accounts of Participants designated by the Initial Purchaser with portions of the principal amount of the Global Note and (ii) ownership of the Notes evidenced by the Global Note will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depositary (with respect to the interests of the Depositary's Participants), the Depositary's Participants and the Depositary's Indirect Participants. Prospective purchasers are advised that the laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer Notes evidenced by the Global Note will be limited to such extent.

So long as the Global Note Holder is the registered owner of any Notes, the Global Note Holder will be considered the sole Holder under the Indenture of any Notes evidenced by the Global Note. Beneficial owners of Notes evidenced by the Global Note will not be considered the owners or Holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions or approvals to the Trustee thereunder. Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records of the Depositary or for maintaining, supervising or reviewing any records of the Depositary relating to the Notes.

Payments in respect of the principal of, premium, if any, interest and Liquidated Damages, if any, on any Notes registered in the name of the Global Note Holder on the applicable record date will be payable by the Trustee to or at the direction of the Global Note Holder in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee may treat the persons in whose names Notes, including the Global Note, are registered as the owners thereof for the purpose of receiving such payments. Consequently, neither the Company nor the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of Notes. The Company believes, however, that it is currently the policy of the Depositary to immediately credit the accounts of the relevant Participants with such payments, in amounts proportionate to their respective holdings of beneficial interests in the relevant security as shown on the records of the Depositary. Payments by the Depositary's Participants and the Depositary's Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practice and will be the responsibility of the Depositary's Participants or the Depositary's Indirect Participants.

Certificated Securities

Subject to certain conditions, any person having a beneficial interest in the Global Note may, upon request to the Trustee, exchange such beneficial interest for Notes in the form of Certificated Securities. Upon any such issuance, the Trustee is required to register such Certificated Securities in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof). All such certificated Old Notes will continue to be subject to the legend requirements described thereon. In addition, if (i) the Company notifies the Trustee in writing that the Depositary is no longer willing or able to act as a depositary and the Company is unable to locate a qualified successor within 90 days or (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Notes in the form of Certificated Securities under the Indenture, then, upon surrender by the Global Note Holder of its Global Note, Notes in such form will be issued to each person that the Global Note Holder and the Depositary identify as being the beneficial owner of the related Notes.

Neither the Company nor the Trustee will be liable for any delay by the Global Note Holder or the Depositary in identifying the beneficial owners of Notes and the Company and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or the Depositary for all purposes.

Same-Day Settlement and Payment

The Indenture requires that payments in respect of the Notes represented by the Global Note (including principal, premium, if any, interest and Liquidated Damages, if any) be made by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. With respect to Certificated Securities, the Company will make all payments of principal, premium, if any, interest and Liquidated Damages, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder's registered address. Secondary trading in long-term notes and debentures of corporate issuers is generally settled in clearing-house or next-day funds. In contrast, the New Notes represented by the Global Note are expected to trade in the Depositary's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by the Depositary to be settled in immediately available funds. The Company expects that secondary trading in the Certificated Securities will also be settled in immediately available funds.

Registration Rights; Liquidated Damages

Holders of New Notes are not entitled to any registration rights with respect to the New Notes. Pursuant to the Registration Rights Agreement, holders of Old Notes were entitled to certain registration rights. Under the Registration Rights Agreement, the Company agreed to file with the Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the New Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Company will offer to the Holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for New Notes. If (i) the Company is not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy or (ii) any Holder of Transfer Restricted Securities notifies the Company within the specified time period that (a) it is prohibited by law or Commission policy from participating in the Exchange Offer or (b) that it may not resell the New Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales or (c) that it is a broker-dealer and owns Notes acquired directly from the Company or an affiliate of the Company, the Company will file with the Commission a Shelf Registration Statement to cover resales of the Notes by the Holders thereof who satisfy certain conditions relating to the provision of information in connection with the Shelf Registration Statement. The Company will use its reasonable best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Commission. For purposes of the foregoing, "Transfer Restricted Securities" means each Old Note until (i) the date on which such Old Note has been exchanged by a person other than a broker-dealer for a New Note in the Exchange Offer, (ii) following the exchange by a broker-dealer in the Exchange Offer of an Old Note for a New Note, the date on which such New Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Note is distributed to the public pursuant to Rule 144 under the Act.

The Registration Rights Agreement provides that (i) the Company will file an Exchange Offer Registration Statement with the Commission on or prior to December 21, 1996, (ii) the Company will use its reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the Commission on or prior to March 7, 1997, (iii) unless the Exchange Offer would not be permitted by applicable law or Commission policy, the Company will commence the Exchange Offer and use its reasonable best efforts to issue, on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the Commission, New Notes in exchange for all Notes tendered prior thereto in the Exchange Offer and (iv) if obligated to file the Shelf Registration Statement, the Company will use its reasonable best efforts to file the Shelf Registration Statement with the Commission on or prior to 60 days after such filing obligation arises and to cause the Shelf Registration Statement to be declared effective by the Commission on or prior to April 16, 1997. If (a) the Company fails to file any of the Registration Statements required by the Registration Rights Agreement on or before the date specified for such filing, (b) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"), (c) the Company fails to consummate the Exchange Offer within 30 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement, or (d) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the Registration Rights Agreement (each such event referred to in clauses (a) through (d) above, a "Registration Default"), then the Company will pay Liquidated Damages to each Holder of Notes, with respect to the first 90-day period immediately following the occurrence of such Registration Default in an amount equal to $.05 per week per $1,000 principal amount of Notes held by such Holder. The amount of the Liquidated Damages will increase by an additional $.05 per week per $1,000 principal amount of Notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of $.50 per week per $1,000 principal amount of Notes. All accrued Liquidated Damages will be paid by the Company on each Damages Payment Date to the Global Note Holder by wire transfer of immediately available funds or by federal funds check and to Holders of Certificated Securities by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease.

Holders of Old Notes will be required to make certain representations to the Company (as described in the Registration Rights Agreement) in order to participate in the Exchange Offer and will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Notes included in the Shelf Registration Statement and benefit from the provisions regarding Liquidated Damages set forth above.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness encumbering any asset acquired by such specified Person.

"Additional Guarantee" means any guarantee of the Company's obligations under the Indenture and the Notes issued after the Issue Date as described in "--Certain Covenants--Limitations on Guarantees of Company Indebtedness by Restricted Subsidiaries" and "--Certain Covenants--Additional Guarantees."

"Additional Guarantor" means any Subsidiary of the Company that guarantees the Company's obligations under the Indenture and the Notes issued after the Issue Date as described in "--Certain Covenants--Limitations on Guarantees of Company Indebtedness by Restricted Subsidiaries" and "--Certain Covenants--Additional Guarantees."

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control"

(including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Bank Agent" means Bank of America National Trust and Savings Association, in its capacity as administrative agent for the lenders party to the Credit Agreement, or any successor or successors thereto in such capacity.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person (including, without limitation, membership interests in a limited liability company).

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or guaranteed by a government that is a member of the Organization for Economic Cooperation and Development ("OECD Country") or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America or such OECD Country, as applicable, is pledged in support thereof) having maturities of not more than three years from the date of acquisition of such security, (ii) marketable direct obligations issued by any State of the United States of America or any local government or other political subdivision thereof rated (at the time of acquisition of such security) at least AA by Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. ("S&P") or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's") having maturities of not more than one year from the date of acquisition of such security, (iii) U.S. dollar denominated time deposits, certificates of deposit and bankers' acceptances of (a) any domestic commercial bank of recognized standing having capital and surplus in excess of $250 million or (b) any bank whose short-term commercial paper rating (at the time of acquisition of such security) by S&P is at least A-1 or the equivalent thereof, in each case with maturities of not more than six months from the date of acquisition of such security, (iv) commercial paper and variable rate notes issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating (at the time of acquisition of such security) of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long-term unsecured debt rating (at the time of acquisition of such security) of at least AA or the equivalent thereof by Moody's and in each case maturing within one year after the date of acquisition of such security and (v) repurchase agreements with any lender under the Credit Agreement or any primary dealer maturing within one year from the date of acquisition that are fully collateralized by investment instruments that would otherwise be Cash Equivalents; provided that the terms of such repurchase agreements comply with the guidelines set forth in the Federal Financial Institutions Examination Council Supervisory Policy--Repurchase Agreements of Depository Institutions With Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication, (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, (iii) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and other charges incurred in respect of letters of credit or bankers' acceptance financings and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated

Net Income, (iv) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period and deferred finance charges) and other non-cash charges of such Person and its Restricted Subsidiaries for such period (excluding non-cash charges to the extent that such non-cash charges represent an accrual of or reserve for cash charges to be incurred in any future period), to the extent that such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income, including without limitation non-cash charges recorded in the period ended September 30, 1996 for the write-offs or write-downs of assets related to (A) the rationalization of manufacturing operations located in the United Kingdom, and (B) adjustments of Renewal Power Station inventory valuation, and (v) the following non-recurring expenses related to the recapitalization of the Company consummated on September 13, 1996 (the "Recapitalization"): (A) up to $2.3 milion of debt prepayment penalties incurred in connection with the prepayment of the Company's Indebtedness outstanding prior to the Recapitalization; (B) up to $2.2 million of advisory fees paid to the financial advisor to the Company's shareholders who sold shares in the Recapitalization; (C) legal and consulting fees incurred in connection with the Recapitalization of up to $4.2 million; and (D) up to $7.1 million of compensation expense paid to present and former officers of the Company with respect to obligations to such present and former officers arising as a result of the Recapitalization, in each case to the extent that such expenses were paid in cash during the period ended September 30, 1996 (or, in the case of up to $2.0 million of expenses incurred pursuant to clause (D) above, during the period ended September 30, 1998), and deducted in computing Consolidated Net Income for such period. Notwithstanding the foregoing, the provision for taxes on the income or profits of, and the depreciation and amortization and other non-cash charges of, a Subsidiary of the referent Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in same proportion) that the Net Income of such Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Subsidiary or its stockholders.

"Consolidated Net Income" means, with respect to any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that (i) the Net Income (but not loss) of any Restricted Subsidiary that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the Company or any of its Wholly Owned Restricted Subsidiaries, (ii) the Net Income of any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary shall only be included to the extent of the amount of dividends or distribution paid to the Company or any of its Wholly Owned Restricted Subsidiaries, provided, however, that notwithstanding the foregoing, if at least 80% of the Equity Interests having ordinary voting power (without regard to the occurrence of any contingency) for the election of directors or other governing body of a Restricted Subsidiary is owned by the Company directly or indirectly through one or more of its Wholly Owned Restricted Subsidiaries, all of the Net Income of such Restricted Subsidiary shall be included, (iii) the Net Income of any Restricted Subsidiary acquired directly or indirectly by the Company in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iv) the cumulative effect of a change in accounting principles shall be excluded, (v) the Net Income of any Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained), directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders and (vi) the Net Income of any Unrestricted Subsidiary shall be excluded, whether or not distributed to the Company or one of its Subsidiaries.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Restricted Subsidiaries as of such date plus (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less (a) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the date

of the Indenture in the book value of any asset owned by such Person or a consolidated Restricted Subsidiary of such Person, and (b) all investments as of such date in unconsolidated Restricted Subsidiaries and in Persons that are not Restricted Subsidiaries (except, in each case, Permitted Investments), and (c) all unamortized debt discount and expense and unamortized deferred charges as of such date, all of the foregoing determined in accordance with GAAP.

"Consulting Agreements" means (i) the Consulting Agreement dated September 12, 1996 between the Company and Thomas H. Pyle and (ii) the Confidentiality, Non-Competition, No Solicitation and No Hire Agreement between the Company and Thomas H. Pyle, each as in effect on the date of the Indenture and as amended from time to time in a manner no less favorable, taken as a whole, to the Company.

"Credit Agreement" means that certain Credit Agreement, dated as of September 12, 1996, by and among the Company, the lenders party thereto, DLJ Capital Funding, Inc., as documentation and joint syndication agent, and the Bank Agent, as amended, supplemented or otherwise modified from time to time. References to the Credit Agreement shall also include any credit agreement or agreements entered into by the Company to replace, extend, renew, increase, refund or refinance all or a portion of the Indebtedness under the Credit Agreement; provided that the aggregate principal amount of Indebtedness outstanding or available thereunder will not be increased except to the extent permitted by the covenant described above under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock."

"Default" means any event or condition that is or with the passage of time or the giving of notice or both would, unless cured or waived, be an Event of Default.

"Designated Senior Debt" means (i) so long as Senior Bank Debt is outstanding, the Senior Bank Debt and (ii) thereafter, any other Senior Debt permitted under the Indenture the principal amount of which is $25.0 million or more and which has been designated by the Company as "Designated Senior Debt."

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, mandatorily or at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to the date on which the Notes are scheduled to mature.

"Employment Agreement" means the Employment Agreement dated September 12, 1996 between the Company and David A. Jones, as in effect on the date of the Indenture and as amended from time to time in a manner no less favorable, taken as a whole, to the Company.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Existing Indebtedness" means (i) Indebtedness of the Company and its Subsidiaries (other than under the Credit Agreement) in existence on the date of the Indenture, until such amounts are repaid, and (ii) Indebtedness incurred after the date of the Indenture pursuant to the following agreements in aggregate principal amount outstanding not to exceed $7.0 million (or the equivalent thereof in any foreign currency), as each such agreement is in effect as of the date of the Indenture and as the same may be amended on terms, taken as a whole, that are no less favorable to the Company: (a) the Credit Agreement between Rayovac Europe B.V. and ABN Amro Bank N.V.; (b) the Credit Agreement between Rayovac (UK), Ltd. and NatWest Bank plc (England); and (c) the Credit Agreement between Rayovac (UK), Ltd. and NationsBank, N.A.

"Financing Lease" means any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"Fixed Charges" means, with respect to any Person for any period, the sum of (i) the consolidated interest expense of such Person for such period, whether paid or accrued, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount, non-cash interest payments and the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letters of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations, but

excluding amortization of deferred financing fees) and (ii) the consolidated interest expense of such Person and its Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries (whether or not such Guarantee is called upon or Lien is enforced) and (iv) the product of (a) all cash dividend payments (and non-cash dividend payments in the case of a person that is a Subsidiary) on any series of preferred stock of such Person, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Company or any of its Subsidiaries incurs, assumes, guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (iii) of the proviso set forth in the definition of Consolidated Net Income, and (ii) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Subsidiaries following the Calculation Date.

"Foreign Subsidiary" means a Restricted Subsidiary not organized or existing under the laws of the United States, any state or territory thereof, or the District of Columbia.

"GAAP" means generally accepted accounting principles set forth from time to time 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 agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

"Guarantee" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement or take-or-pay contract and shall include, without limitation, the contingent liability of such Person in connection with any application for a letter of credit or letter of guarantee.

"Guarantor" means, collectively, ROV Holding, Inc., a Delaware corporation, and each Subsidiary of the Company that has executed a Guarantee in accordance with the covenants described under the captions "--Certain Covenants--Limitations on Guarantees of Company Indebtedness by Restricted Subsidiaries" and "--Certain Covenants--Additional Guarantees," and their successors and assigns.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Indebtedness" means, with respect to any Person, without duplication: (i) all indebtedness of such Person for borrowed money; (ii) all obligations issued, undertaken or assumed by such Person as the deferred purchase price of property or services (other than trade payables entered into and accrued expenses arising in the ordinary course of business on ordinary terms); (iii) all non-contingent reimbursement or payment obligations with respect to surety instruments; (iv) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (v) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (vi) all Capital Lease Obligations of such Person; (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; (viii) all Hedging Obligations of such Person; and (ix) all Guarantees of such Person in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (viii) above.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including Guarantees), advances or capital contributions (excluding commission, travel and similar advances and loans and other arrangements, in each case made to officers and employees in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided that an acquisition of assets, Equity Interests or other securities by the Company for consideration consisting of common equity securities of the Company shall not be deemed to be an Investment. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of.

"Joint Venture" means a corporation, partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) which is not a Subsidiary of the Company or any of its Restricted Subsidiaries and which is now or hereafter formed by the Company or any of its Restricted Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"Legal Holiday" means a Saturday, a Sunday or a day on which commercial banks in the City of New York, Chicago or San Francisco or at a place of payment are authorized or required by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing (other than any option, call or similar right relating to treasury shares of the Company to the extent that such option, call or similar right is granted (i) under any employee stock option plan, employee stock ownership plan or similar plan or arrangement of the Company or its Subsidiaries or (ii) in connection with the issuance of Indebtedness permitted under the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock").

"Liquidated Damages" means the additional amounts (if any) payable by the Company in the event of a Registration Default under, and as defined in, the Registration Rights Agreement.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment

of any Indebtedness of such Person or any of its Subsidiaries and (ii) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale, which amount is equal to the excess, if any, of (i) the cash received by the Company or such Restricted Subsidiary (including any cash payments received by way of deferred payment pursuant to, or monetization of, a note or installment receivable or otherwise, but only as and when received) in connection with such disposition over (ii) the sum of (a) the amount of any Indebtedness which is secured by such asset and which is required to be repaid in connection with the disposition thereof, plus (b) the reasonable out-of-pocket expenses incurred by the Company or such Restricted Subsidiary, as the case may be, in connection with such disposition or in connection with the transfer of such amount from such Restricted Subsidiary to the Company, plus (c) provisions for taxes, including income taxes, reasonably estimated to be attributable to the disposition of such asset or attributable to required prepayments or repayments of Indebtedness with the proceeds thereof, plus (d) if the Company does not first receive a transfer of such amount from the relevant Restricted Subsidiary with respect to the disposition of an asset by such Restricted Subsidiary and such Restricted Subsidiary intends to make such transfer as soon as practicable, the out-of-pocket expenses and taxes that the Company reasonably estimates will be incurred by the Company or such Restricted Subsidiary in connection with such transfer at the time such transfer is expected to be received by the Company (including, without limitation, withholding taxes on the remittance of such amount).

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise), or (c) constitutes the lender, and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer, or the principal accounting officer of the Company, that meets the requirements of the Indenture.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of the Indenture. The counsel may be an employee of or counsel to the Company (or any Guarantor, if applicable), any Subsidiary of the Company or the Trustee.

"Permitted Investments" means: (i) any Investments in the Company or in a Wholly Owned Restricted Subsidiary of the Company which, with respect to any such Wholly Owned Restricted Subsidiary, has a fair market value which does not exceed $1.0 million in the aggregate, or any Investments in a Wholly Owned Restricted Subsidiary that (A) is a Guarantor, or (B) is not a Guarantor, but is a Foreign Subsidiary and the aggregate fair market value of all Investments made after the date of the Indenture in Foreign Subsidiaries does not exceed $3.0 million (or the equivalent thereof in one or more foreign currencies); (ii) any Investments in Cash Equivalents; (iii) Investments by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment (a) such Person becomes a Wholly Owned Restricted Subsidiary of the Company that is a Guarantor or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Wholly Owned Restricted Subsidiary of the Company that is a Guarantor; (iv) Investments in accounts and notes receivable acquired in the ordinary course of business; (v) notes from employees, officers, directors, and their transferees and Affiliates issued to the Company representing payment of the exercise price of options to purchase common stock of the Company; (vi) other Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described under the caption "--Repurchase at the Option of Holders--Asset Sales;" (vii) Investments by the Company and its Subsidiaries in Joint Ventures in the form of

contributions of capital, loans, advances or Guarantees; provided that, immediately before and after giving effect to such Investment, (a) no Event of Default shall have occurred and be continuing, and (b) the aggregate fair market value of all Investments pursuant to this clause (vii) shall not exceed $2.0 million in the aggregate; (viii) Hedging Obligations permitted by the terms of the Credit Agreement and the Indenture to be outstanding; and (ix) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value) not to exceed $5.0 million at any time outstanding. For purposes of this definition, the aggregate fair market value of any Investment shall be measured on the date such Investment is made without giving effect to subsequent changes in value and shall be valued at the cash amount thereof, if in cash, the fair market value thereof as determined by the Board of Directors, if in property, and at the maximum amount thereof, if in Guarantees.

"Permitted Liens" means

(i) any Lien existing on property of the Company or any Subsidiary on the date of the Indenture securing Indebtedness outstanding on such date;

(ii) any Lien securing obligations under the Senior Bank Debt and any Guarantee thereof, which obligations or Guarantee are permitted by the terms hereof to be incurred and outstanding;

(iii) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP are being maintained;

(iv) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(v) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(vi) Liens on property of the Company or any Subsidiary securing (a) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases and statutory obligations, (b) surety bonds (excluding appeal bonds and bonds posted in connection with court proceedings or judgments) and (c) other non-delinquent obligations of a like nature, including pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation, in each case, incurred in the ordinary course of business;

(vii) Liens consisting of judgment or judicial attachment Liens and Liens securing contingent obligations on appeal bonds and other bonds posted in connection with court proceedings or judgments; provided that the enforcement of such Liens is effectively stayed and all such Liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed $3.0 million;

(viii) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries taken as a whole;

(ix) purchase money security interests on any property acquired by the Company or any Subsidiary in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; provided that (a) any such Lien attaches to such property concurrently with or within 90 days after the acquisition thereof, (b) such Lien attaches solely to the property so acquired in such transaction, (c) the principal amount of the Indebtedness secured thereby does not exceed 100% of the cost of such property and (d) the principal amount of the Indebtedness secured by all such purchase money security interests shall not at any time exceed $5.0 million;

(x) Liens securing obligations in respect of Capital Lease Obligations on assets subject to such leases, provided that such Capital Lease Obligations are otherwise permitted hereunder;

(xi) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (a) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the Federal Reserve Board, and (b) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution;

(xii) Liens in favor of the Company or any Wholly Owned Restricted Subsidiary that is a Guarantor;

(xiii) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary or such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company;

(xiv) Liens on property existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such acquisition;

(xv) extensions, renewals and replacements of Liens referred to in clauses (i) through (xiv) above; provided that any such extension, renewal or replacement Lien is limited to the property or assets covered by the Lien extended, renewed or replaced and does not secure any Indebtedness in addition to that secured immediately prior to such extension, renewal or replacement;

(xvi) Liens securing Indebtedness permitted by clause (xiv) of the second paragraph of the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock;" and

(xvii) Liens securing other Indebtedness of the Company and its Subsidiaries not expressly permitted by clauses (i) through (xvi) above; provided that the aggregate amount of the Indebtedness secured by Liens permitted pursuant to this clause (xvii) does not exceed $3.0 million in the aggregate.

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or any agency or political subdivision thereof) or other entity of any kind.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means, with respect to any Person, any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Senior Bank Debt" means all Obligations outstanding under or in connection with the Credit Agreement as such agreement may be restated, further amended, supplemented or otherwise modified or replaced from time to time hereafter, together with any refunding or replacement of such Indebtedness, up to an aggregate maximum principal amount outstanding or available at any time of $170 million plus the aggregate principal amount of Indebtedness issued under the Credit Agreement pursuant to clause (vi) of the second paragraph of the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock," less all outstanding Obligations with respect to Existing Indebtedness, less the aggregate principal amount of Indebtedness issued pursuant to clause (xiv) (B) of the second paragraph of the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock," less, without duplication, the aggregate amount of all mandatory repayments of principal (which may not be reborrowed) of and/or mandatory permanent reductions of availability of Indebtedness under such Senior Bank Debt and any optional prepayments on any term loans under the Credit Agreement that have been made since the date of the Indenture (including, without limitation, the aggregate amount of all such mandatory payments and reductions made pursuant to the covenant described under the caption "--Repurchase at the Option of Holders--Asset Sales").

"Senior Debt" means (i) the Senior Bank Debt and (ii) any other Indebtedness permitted to be incurred by the Company or any Guarantor, as the case may be, under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes; provided that the amount of any Guarantee of Senior Bank Debt that constitutes Senior Debt with respect to any Guarantor shall be determined without regard to any reduction in the amount of any Guarantee of

such Senior Bank Debt necessary to cause such Guarantee not to be a fraudulent conveyance. Notwithstanding anything to the contrary in the foregoing, Senior Debt shall not include (a) any liability for federal, state, local or other taxes owed or owing by the Company, (b) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (c) any trade payables or (d) any Indebtedness that is incurred in violation of the Indenture.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Subsidiary Guarantee" means, individually and collectively, the guarantees given by ROV Holding, Inc. and any Additional Guarantor pursuant to the terms of the Indenture.

"Unrestricted Subsidiary" means (i) Minera Vidaluz, S.A. de C.V., (ii) Zoe Phos International, N.V., (iii) any Subsidiary that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary: (a) has no Indebtedness other than Non-Recourse Debt; (b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary of the Company than those that might be obtained at the time from Persons who are not Affiliates of the Company; (c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interest or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and (d) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by the covenant described under the caption "--Certain Covenants--Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock," the Company shall be in default of such covenant). The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted under the covenant described under the caption "--Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock," and (ii) no Default or Event of Default would be in existence following such designation.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" means any Restricted Subsidiary of the Company all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by the Company or by one or more Wholly Owned Restricted Subsidiaries of the Company.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax consequences associated with the exchange of the Old Notes for the New Notes pursuant to the Exchange Offer. The summary is based upon current laws, regulations, rulings and judicial decisions all of which are subject to change, possibly with retroactive effect. The discussion below does not address all aspects of U.S. federal income taxation that may be relevant to particular holders in the context of their specific investment circumstances or certain types of holders subject to special treatment under such laws (e.g., financial institutions, tax-exempt organizations, foreign corporations, and individuals who are not citizens or residents of the U.S.). In addition, the discussion does not address any aspect of state, local or foreign taxation.

The exchange of the Old Notes for the New Notes pursuant to the Exchange Offer will not be treated as an "exchange" for federal income tax purposes because the New Notes do not differ materially in either kind or extent from the Old Notes. Rather, the New Notes received by a holder will be treated as a continuation of the Old Notes in the hands of such holder. As a result, there generally will be no federal income tax consequences to holders exchanging the Old Notes for the New Notes pursuant to the Exchange Offer. In addition, any "market discount" on the Old Notes should carry over to the New Notes. Holders should consult their tax advisors regarding the application of the market discount rules to the New Notes received in exchange for the Old Notes pursuant to the Exchange Offer.

Interest accruing throughout the term of the New Notes at a rate of 10-1/4% per annum will be includable in gross income in accordance with a holder's regular method of accounting. If Liquidated Damages are paid (in addition to the accrual of interest at a rate of 10-1/4% per annum) on the Old Notes as described above under "Description of the Notes--Registration Rights; Liquidated Damages," such Liquidated Damages payments generally should be includable in a holder's gross income as ordinary income when such payment is made.

EACH HOLDER SHOULD CONSULT HIS TAX ADVISOR IN DETERMINING THE FEDERAL, STATE, LOCAL AND ANY OTHER TAX CONSEQUENCES TO THE PARTICULAR HOLDER OF THE EXCHANGE OF OLD NOTES FOR NEW NOTES AND THE OWNERSHIP AND DISPOSITION OF THE OLD NOTES AND THE NEW NOTES.

PLAN OF DISTRIBUTION

Each broker-dealer who holds Old Notes for its own account as a result of market-making activities or other trading activities, and who receives New Notes in exchange for such Old Notes pursuant to the Exchange Offer, may be a statutory underwriter and must deliver a prospectus in connection with any resale of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. The Company has agreed that for a period of 180 days after the date of this Prospectus, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until [ ], 1997 (180 days after the date of this Prospectus), all dealers effecting transactions in the New Notes may be required to deliver a prospectus.

The Company will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that is an "underwriter" within the meaning the Securities Act.

For a period of 180 days after the date of this Prospectus, the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal.

LEGAL MATTERS

Certain legal matters with respect to the validity of the issuance of the New Notes will be passed upon for the Company by Whyte Hirschboeck Dudek S.C.

EXPERTS

The financial statements and schedules of the Company and Subsidiaries as of June 30, 1995 and 1996 and as of September 30, 1996 and for each of the years in the three-year period ended June 30, 1996, and the Transition Period ended September 30, 1996 included herein and elsewhere in the Registration Statement have been included herein and in the Registration Statement in reliance upon the reports of Coopers & Lybrand L.L.P., independent certified public accountants, appearing elsewhere herein, given upon the authority of said firm as experts in accounting and auditing.

RAYOVAC CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Rayovac Corporation

We have audited the accompanying combined consolidated balance sheets of Rayovac Corporation and Subsidiaries as of June 30, 1995 and 1996 and September 30, 1996, and the related combined consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 1996 and the period July 1, 1996 to September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rayovac Corporation and Subsidiaries as of June 30, 1995 and 1996 and September 30, 1996, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1996 and the period July 1, 1996 to September 30, 1996 in conformity with generally accepted accounting principles.

Milwaukee, Wisconsin
November 22, 1996

RAYOVAC CORPORATION AND SUBSIDIARIES

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

	June 30, 1995	June 30, 1996	September 30, 1996
Assets			
Current assets:			
Cash and cash equivalents	$ 2,645	$ 2,190	$ 4,255
Receivables:			
Trade accounts receivable, net of allowances for doubtful accounts of $702, $786, and $722, respectively	50,887	55,830	62,320
Other	1,811	2,322	4,156
Inventories	65,540	66,941	70,121
Deferred income taxes	5,668	5,861	9,958
Prepaid expenses and other	5,651	4,975	4,864
Total current assets	132,202	138,119	155,674
Property, plant and equipment, net	77,963	73,938	69,397
Deferred charges and other	10,270	9,655	7,413
Debt issuance costs	155	173	12,764
Total assets	$ 220,590	$ 221,885	$ 245,248
Liabilities and Shareholders' Equity (Deficit)			
Current liabilities:			
Current maturities of long-term debt	$ 11,916	$ 11,631	$ 8,818
Accounts payable	39,171	38,695	46,921
Accrued liabilities:			
Wages and benefits	9,372	6,126	5,894
Other	15,861	19,204	15,904
Recapitalization and other special charges	--	--	14,942
Total current liabilities	76,320	75,656	92,479
Long-term debt, net of current maturities	76,377	69,718	224,845
Employee benefit obligations, net of current portion	10,954	12,141	12,138
Deferred income taxes	2,394	2,584	942
Other	958	162	564
Shareholders' equity (deficit):			
Common stock, $.01 par value, authorized 90,000 shares; issued 50,000 shares; outstanding 50,000, 49,500 and 20,470 shares, respectively	500	500	500
Rayovac International Corporation common stock, $.50 par value, authorized 18 shares; issued and outstanding 10, 10 and 0 shares, respectively	5	5	--
Additional paid-in capital	12,000	12,000	15,970
Foreign currency translation adjustment	1,979	1,650	1,689
Note receivable officer/shareholder	--	--	(500)
Retained earnings	39,103	48,002	25,143
	53,587	62,157	42,802
Less treasury stock, at cost, 500 and 29,530 shares, respectively	--	(533)	(128,522)
Total shareholders' equity (deficit)	53,587	61,624	(85,720)
Total liabilities and shareholders' equity (deficit) .	$ 220,590	$ 221,885	$ 245,248

The accompanying notes are an integral part of these combined consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

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

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Net sales	$386,176	$ 390,988	$399,384	$ 94,981
Cost of goods sold	234,870	237,126	239,343	59,242
Gross profit	151,306	153,862	160,041	35,739
Operating expenses:				
Selling	103,846	84,467	92,555	20,897
General and administrative	29,356	32,861	31,767	8,628
Research and development	5,684	5,005	5,442	1,495
Recapitalization charges	--	--	--	12,326
Other special charges	1,522	--	--	16,065
	140,408	122,333	129,764	59,411
Income (loss) from operations	10,898	31,529	30,277	(23,672)
Interest expense	7,725	8,644	8,435	4,430
Other (income) expense, net	(601)	230	552	76
Income (loss) before income taxes and extraordinary item	3,774	22,655	21,290	(28,178)
Income tax expense (benefit)	(582)	6,247	7,002	(8,904)
Income (loss) before extraordinary item	4,356	16,408	14,288	(19,274)
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $777	--	--	--	(1,647)
Net income (loss)	$ 4,356	$ 16,408	$ 14,288	$(20,921)
Net income (loss) per common share:				
Income (loss) before extraordinary item	$ 0.09	$ 0.33	$ 0.29	$ (0.44)
Extraordinary item	--	--	--	(0.04)
Net income (loss)	$ 0.09	$ 0.33	$ 0.29	$ (0.48)
Weighted average shares of common stock outstanding	50,000	50,000	49,500	43,820

The accompanying notes are an integral part of these combined consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Cash flows from operating activities:				
Net income (loss)	$ 4,356	$ 16,408	$ 14,288	$(20,921)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:				
Recapitalization and other special charges	--	--	--	28,391
Extraordinary item, loss on early extinguishment of debt	--	--	--	2,424
Amortization of debt issuance costs	101	103	53	1,609
Depreciation	10,252	11,024	11,932	3,279
Deferred income taxes	(1,086)	346	3	(5,739)
Loss (gain) on disposal of fixed assets	340	110	(108)	1,289
Changes in assets and liabilities:				
Accounts receivable	(9,211)	(2,537)	(6,166)	(8,940)
Inventories	(18,545)	9,004	(1,779)	(3,078)
Prepaid expenses and other	(489)	(990)	1,148	741
Accounts payable and accrued liabilities	(4,426)	2,051	(1,526)	(185)
Net cash (used in) provided by operating activities	(18,708)	35,519	17,845	(1,130)
Cash flows from investing activities:				
Purchases of property, plant and equipment	(12,464)	(16,938)	(6,646)	(1,248)
Proceeds from sale of property, plant and equipment	35	139	298	1,281
Notes receivable officer/shareholder	--	--	--	(500)
Net cash used in investing activities	(12,429)	(16,799)	(6,348)	(467)
Cash flows from financing activities:				
Reduction of debt	(79,844)	(106,383)	(104,526)	(107,090)
Proceeds from debt financing	114,350	85,698	96,252	259,489
Cash overdraft	(202)	3,925	2,339	(2,493)
Debt issuance costs	--	--	--	(14,373)
Extinguishment of debt	--	--	--	(2,424)
Distributions from DISC	(3,500)	(1,500)	(5,187)	(1,943)
Acquisition of treasury stock	--	--	(533)	(127,425)
Payments on capital lease obligation	--	--	(295)	(84)
Net cash provided by (used in) financing activities	30,804	(18,260)	(11,950)	3,657
Effect of exchange rate changes on cash and cash equivalents	57	(345)	(2)	5
Net (decrease) increase in cash and cash equivalents	(276)	115	(455)	2,065
Cash and cash equivalents, beginning of period	2,806	2,530	2,645	2,190
Cash and cash equivalents, end of period	$ 2,530	$ 2,645	$ 2,190	$ 4,255
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 7,692	$ 8,789	$ 7,535	$ 7,977
Cash paid for income taxes	$ 4,664	$ 8,821	$ 5,877	$ 419

The accompanying notes are an integral part of these combined consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

COMBINED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands)

	Common Stock		Additional Paid-in	Rayovac International Corporation Common Stock (DISC)	
	Shares	Amount	Capital	Shares	Amount
Balances July 1, 1993	50,000	$500	$12,000	10	$ 5
Net income	--	--	--	--	--
Distributions from DISC	--	--	--	--	--
Translation adjustment	--	--	--	--	--
Adjustment of additional minimum pension liability	--	--	--	--	--
Balances June 30, 1994	50,000	500	12,000	10	5
Net income	--	--	--	--	--
Distributions from DISC	--	--	--	--	--
Translation adjustment	--	--	--	--	--
Adjustment of additional minimum pension liability	--	--	--	--	--
Balances June 30, 1995	50,000	500	12,000	10	5
Net income	--	--	--	--	--
Distributions from DISC	--	--	--	--	--
Translation adjustment	--	--	--	--	--
Adjustment of additional minimum pension liability	--	--	--	--	--
Treasury stock acquired	(500)	--	--	--	--
Balances June 30, 1996	49,500	500	12,000	10	5
Net loss	--	--	--	--	--
Common stock acquired in Recapitalization	(29,030)	--	--	--	--
Exercise of stock options	--	--	3,970	--	--
Increase in cost of existing treasury stock	--	--	--	--	--
Note receivable, officer/ shareholder	--	--	--	--	--
Termination of DISC	--	--	--	(10)	(5)
Translation adjustment	--	--	--	--	--
Balances September 30, 1996	20,470	$500	$15,970	--	$--

	Foreign Currency Translation Adjustment	Notes Receivable Officer/ Shareholder	Retained Earnings	Treasury Stock	Total Shareholders' Equity (Deficit)
Balances July 1, 1993	$1,415	$ --	$ 23,029	$ --	$ 36,949
Net income	--	--	4,356	--	4,356
Distributions from DISC	--	--	(3,500)	--	(3,500)
Translation adjustment	140	--	--	--	140
Adjustment of additional minimum pension liability	--	--	(23)	--	(23)
Balances June 30, 1994	1,555	--	23,862	--	37,922
Net income	--	--	16,408	--	16,408
Distributions from DISC	--	--	(1,500)	--	(1,500)
Translation adjustment	424	--	--	--	424
Adjustment of additional minimum pension liability	--	--	333	--	333
Balances June 30, 1995	1,979	--	39,103	--	53,587
Net income	--	--	14,288	--	14,288
Distributions from DISC	--	--	(5,187)	--	(5,187)
Translation adjustment	(329)	--	--	--	(329)
Adjustment of additional minimum pension liability	--	--	(202)	--	(202)
Treasury stock acquired	--	--	--	(533)	(533)
Balances June 30, 1996	1,650	--	48,002	(533)	61,624
Net loss	--	--	(20,921)	--	(20,921)
Common stock acquired in Recapitalization	--	--	--	(127,425)	(127,425)
Exercise of stock options	--	--	--	--	3,970
Increase in cost of existing treasury stock	--	--	--	(564)	(564)
Note receivable, officer/ shareholder	--	(500)	--	--	(500)
Termination of DISC	--	--	(1,938)	--	(1,943)
Translation adjustment	39	--	--	--	39

$1,689	$(500)	$ 25,143	$(128,522)	$ (85,720)

The accompanying notes are an integral part of these combined consolidated financial statements.

1. RECAPITALIZATION

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

Effective as of September 12, 1996, the Company, all of the shareholders of the Company, Thomas H. Lee Equity Fund III L.P. (the "Lee Fund") and other affiliates of Thomas H. Lee Company (THL Co.) completed a recapitalization of the Company (the "Recapitalization") pursuant to which: (i) the Company obtained senior financing in an aggregate of $170.0 million, of which $131.0 million was borrowed at the closing of the Recapitalization; (ii) the Company obtained $100.0 million in financing through the issuance of senior subordinated increasing rate notes of the Company (the "Bridge Notes"); (iii) the Company redeemed a portion of the shares of common stock held by the former President and Chief Executive Officer of the Company; (iv) the Lee Fund and other affiliates of THL Co. purchased for cash shares of common stock owned by shareholders of the Company; and, (v) the Company repaid certain of its outstanding indebtedness, including prepayment fees and penalties. The prepayment fees and penalties paid have been recorded as an extraordinary item in the Combined Consolidated Statements of Operations. Other non-recurring charges of $12,326,000 related to the Recapitalization were also expensed.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

a. Principles of Combination and Consolidation: The combined consolidated financial statements include the accounts of Rayovac Corporation and its wholly-owned subsidiaries and Rayovac International Corporation, a Domestic International Sales Corporation (DISC) which is owned by the Company's shareholders. All intercompany transactions have been eliminated. See also Note 6.

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

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

d. Cash Equivalents: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

e. Concentrations of Credit Risk and Major Customers: The Company's trade receivables are subject to concentrations of credit risk as three principal customers accounted for 21%, 26% and 24% of the outstanding trade receivables as of June 30, 1995 and 1996 and September 30, 1996, respectively. The Company derived 28%, 27%, 28% and 25% of its net sales during the years ending June 30, 1994, 1995 and 1996 and the Transition Period, respectively, from the same three customers. The Company has one customer that represented over 10% of its net sales. The Company derived 17%, 16%, 19% and 18% of its net sales from this customer during the years ending June 30, 1994, 1995 and 1996 and the Transition Period, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Displays and Fixtures: The costs of displays and fixtures are capitalized and recorded as a prepaid asset and charged to expense when shipped to a customer location. Such prepaid assets amount to approximately $1,300,000, $1,068,000 and $730,000 as of June 30, 1995 and 1996 and September 30, 1996, respectively.

g. Inventories: Inventories are stated at lower of cost (first-in, first-out (FIFO) method) or market (net realizable value).

h. Property, Plant and Equipment: Property, plant and equipment are recorded at cost. The Company provides for depreciation over the estimated useful lives of plant and equipment on the straight-line basis. Depreciable lives by major classification are as follows:

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

Maintenance and repairs are charged to operations as incurred and major renewals and betterments are capitalized. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations.

i. Debt Issuance Costs: Debt issuance costs are capitalized and amortized to interest expense over the lives of the debt agreements. Amortization of debt issuance costs during the Transition Period relates principally to the Bridge Notes.

j. Accounts Payable: Included in accounts payable at June 30, 1995 and 1996 and September 30, 1996 is approximately $5,466,000, $7,805,000 and $5,312,000, respectively, of book overdrafts on disbursement accounts which were replenished prior to the presentation of checks for payment.

k. Income Taxes: Deferred income tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

l. Foreign Currency Translation: Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses, and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are accumulated as a separate component of shareholders' equity. Exchange gains (losses) on foreign currency transactions aggregating $290,000, ($112,000), ($750,000) and ($70,000) for the years ended June 30, 1994, 1995 and 1996, and the Transition Period, respectively, are included in other expense, net, in the Combined Consolidated Statements of Operations.

m. Advertising Costs: The Company incurred expenses for advertising of $34,139,000, $25,014,000, $23,466,000 and $5,191,000 in the years ended June 30, 1994, 1995 and 1996, and the Transition Period, respectively. The Company's policy with regard to advertising production costs is to expense such costs as incurred.

n. Net Income Per Share: Net income (loss) per common share is computed using the weighted average number of common shares outstanding during the period.

o. Financial Instruments: At September 30, 1996, the Company had approximately $2,850,000 of commodity hedge contracts outstanding. The commodity contracts relate to certain metals used in the manufacturing process and are short-term in nature.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q. Stock Split: In September 1996, the Company's board of directors declared a five-for-one stock split. A total of 16,376,000 additional shares were issued in conjunction with the stock split to shareholders of record. All applicable share and per share amounts herein have been restated to reflect the stock split retroactively .

3. INVENTORIES

Inventories consist of the following (in thousands):

	June 30, 1995	June 30, 1996	September 30, 1996
Raw material	$19,815	$17,592	$21,325
Work-in-process	20,832	26,104	19,622
Finished goods	24,893	23,245	29,174
	$65,540	$66,941	$70,121

4. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	June 30, 1995	June 30, 1996	September 30, 1996
Land, building and improvements	$ 16,472	$ 15,469	$ 16,824
Machinery, equipment and other	114,341	119,619	120,125
Construction in process	4,233	5,339	6,232
	135,046	140,427	143,181
Less accumulated depreciation	57,083	66,489	73,784
	$ 77,963	$ 73,938	$ 69,397

5. DEBT

Debt consists of the following (in thousands):

	June 30, 1995	June 30, 1996	September 30, 1996
Term loan facility	$ --	$ --	$105,000
Bridge Notes	--	--	100,000
Revolving credit facility	--	--	23,500
Debt paid September 1996 due to Recapitalization:			
Senior Secured Notes due 1997 through 2002	32,429	29,572	--
Subordinated Notes due through 2003	8,180	7,270	--
Revolving credit facility	39,500	39,250	--
Other:			
Notes payable in Pounds Sterling to a foreign bank, due on demand, with interest at bank's base rate plus 1.87% (7.87% at September 30, 1996)	2,551	1,242	939
Capitalized lease obligation	--	1,330	1,246
Notes and obligations, with a weighted average interest rate of 8.0% at September 30, 1996	5,633	2,685	2,978
	88,293	81,349	233,663
Less current maturities	11,916	11,631	8,818
Long-term debt	$76,377	$ 69,718	$224,845

5. DEBT (Continued)

On September 12, 1996, the Company executed a new Credit Agreement (the "Agreement") arranged by BA Securities, Inc., Donaldson, Lufkin & Jenrette Securities Corporation and certain of its affiliates for a group of financial institutions and other accredited investors. The Agreement provides for senior bank facilities, including term and revolving credit facilities in an aggregate amount of $170.0 million, as described below. Interest on borrowings is computed, at the Company's option, based on the Bank of America National Trust and Savings Association's base rate (as defined) ("Base Rate") or the Interbank Offering Rate ("IBOR").

The term loan facility includes: (i) Tranche A term loan of $55.0 million, quarterly amortization ranging from $1.0 million to $3.75 million beginning December 31, 1996 through September 30, 2002, interest at the Base Rate plus 1.5% per annum or at IBOR plus 2.5% per annum (9.75 % at September 30, 1996); (ii) Tranche B term loan of $25.0 million, quarterly amortization amounts of $62,500 during each of the first six years and $5.875 million in the seventh year beginning December 31, 1996 through September 30, 2003, interest at the Base Rate plus 2.0% per annum, or IBOR plus 3.0% per annum (10.25% at September 30, 1996); (iii) Tranche C term loan of $25.0 million, quarterly amortization of $62,500 during each of the first seven years and $5.8125 million during the eighth year beginning December 31, 1996 through September 30, 2004; interest at the Base Rate plus 2.25% per annum or IBOR plus 3.25% per annum (10.50% at September 30, 1996).

The revolving credit facility provides for aggregate working capital loans up to $65.0 million through September 30, 2002, reduced by outstanding letters of credit ($10.0 million limit). Interest on borrowings is at the Base Rate plus 1.5% per annum or LIBOR plus 2.5% per annum (9.75% at September 30, 1996). The Company had outstanding letters of credit of approximately $3.1 million at September 30, 1996.

The Agreement contains financial covenants with respect to borrowings which include, minimum earnings before interest, income taxes, depreciation, and amortization, fixed charge coverage and tangible net worth. In addition, the Agreement restricts capital expenditures and the payment of dividends. The Company is required to pay a commitment fee of 0.50% per annum on the average daily unused portion of the revolving credit facility. Borrowings under the Agreement are collateralized by substantially all the assets of the Company.

The Bridge Notes bear interest at prime plus 3.5% (11.75% at September 30, 1996). The Bridge Notes were paid in full in October 1996. See also Note 16.

The aggregate scheduled maturities of debt during subsequent years are as follows (in thousands):

Year ending September 30,	
1997	$ 8,818
1998	6,970
1999	8,886
2000	10,500
2001	12,500
Thereafter	185,989
	$233,663

The capital lease obligation is payable in Pounds Sterling in installments of $390,000 in 1997, $470,000 in 1998 and $386,000 in 1999. For purposes of the Combined Consolidated Statements of Cash Flows, the assets acquired under capital lease and the obligation are considered a non-cash transaction.

The carrying values of the debt instruments noted above approximate their estimated fair values.

6. SHAREHOLDERS' EQUITY (DEFICIT)

During the year ended June 30, 1996, the former principal shareholder of the Company granted an officer and a director consideration options to purchase 235,000 shares of common stock owned by the shareholder personally at exercise prices per share ranging from $3.65 to $5.77 (the book values per share at the respective dates of grant). These options were exercised in conjunction with the Recapitalization and resulted in a charge to earnings of approximately $3,970,000 during the Transition Period and an increase in additional paid-in capital in the Combined Consolidated Statements of Shareholders' Equity (Deficit).

Treasury stock acquired during the year ended June 30, 1996 was subject to an agreement which provided the selling shareholder with additional compensation for the common stock sold, if a change in control occurred within a specified period of time. As a result of the Recapitalization, the selling shareholder was entitled to an additional $564,000, which is reflected as an increase in treasury stock in the Combined Consolidated Statements of Shareholders' Equity (Deficit).

Retained earnings includes DISC retained earnings of $3,605,000 and $1,594,000 at June 30, 1995 and 1996, respectively. In August 1996, the DISC was terminated and the net assets were distributed to its shareholders.

7. STOCK OPTION PLAN

Effective September 1996, the Company's Board of Directors (the "Board") approved the Rayovac Corporation Stock Option Plan (the "Plan") which is intended to afford an incentive to select employees and directors of the Company to promote the interests of the Company. Under the Plan, stock options to acquire up to 3.0 million shares of common stock, in the aggregate, may be granted under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the common stock on the date of grant. The time-vesting options become exercisable in equal 20% increments over a five year period. The performance-vesting options become exercisable at the end of ten years with accelerated vesting over each of the next five years if the Company achieves certain performance goals.

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

	Shares	Weighted-Average Exercise Price
Granted	1,464,339	$4.39
Exercised	--	--
Forfeited	--	--
Outstanding, end of period	1,464,339	$4.39

The stock options outstanding on September 30, 1996 have a weighted-average remaining contractual life estimated at eight years. The weighted average fair value of each option issued was $1.92. The risk free interest rate utilized to determine the fair value of the options was 6.78%. None of these options are currently exercisable.

The Company applies APB Opinion 25 and related Interpretations in accounting for its plan. Accordingly, no compensation cost has been recognized in the statement of operations. Had the Company recognized compensation expense determined based on the fair value at the grant date for awards under the plans, consistent with the method prescribed by FASB Statement 123, the Company's net loss and loss per share, on a pro forma basis, for the Transition Period would have been increased to $21,035,000 and $0.48 per share, respectively.

8. INCOME TAXES

Pretax earnings (earnings before income taxes and extraordinary item) and income tax (benefit) expense consists of the following (in thousands):

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Pretax earnings:				
United States	$ 1,031	$ 16,505	$ 17,154	$(27,713)
Outside the United States	2,743	6,150	4,136	(2,889)
Total pretax earnings	$ 3,774	$ 22,655	$ 21,290	$(30,602)
Income tax (benefit) expense:				
Current:				
Federal	$ 230	$ 3,923	$ 5,141	$ (3,870)
Foreign	528	797	1,469	(72)
State	(254)	1,181	389	--
Total current	504	5,901	6,999	(3,942)
Deferred:				
Federal	(1,342)	799	54	(3,270)
Foreign	386	(544)	(57)	(847)
State	(130)	91	6	(1,622)
Total deferred	(1,086)	346	3	(5,739)
	$ (582)	$ 6,247	$ 7,002	$ (9,681)

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

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Statutory Federal income tax rate	35.0%	35.0%	35.0%	35.0%
DISC commission income	(27.4)	(5.9)	(5.2)	0.4
Effect of foreign items and rate differentials	(5.6)	(4.0)	1.0	(1.2)
State income taxes, net	(8.5)	3.6	1.1	3.9
Prior year taxes	(11.4)	--	--	--
Nondeductible recapitalization charges	--	--	--	(6.2)
Other	2.5	(1.1)	1.0	(0.3)
	(15.4)%	27.6%	32.9%	31.6%

8. INCOME TAXES (Continued)

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

	June 30, 1995	June 30, 1996	September 30, 1996
Current deferred tax assets:			
Recapitalization charges	$ --	$ --	$ 3,791
Inventories and receivables	1,894	1,395	1,407
Marketing and promotional accruals	906	1,498	1,252
Employee benefits	1,312	1,554	1,780
Environmental accruals	442	420	752
Other	1,114	994	976
Total current deferred tax assets	$ 5,668	$ 5,861	$ 9,958
Noncurrent deferred tax assets:			
Employee benefits	$ 2,719	$ 3,053	$ 3,704
State net operating loss carryforwards	--	--	1,249
Package design expense	661	532	523
Promotional expense	216	784	854
Other	1,410	1,516	1,475
Total noncurrent deferred tax assets	5,006	5,885	7,805
Noncurrent deferred tax liabilities:			
Property, plant, and equipment	(7,395)	(8,430)	(8,708)
Other	(5)	(39)	(39)
Total noncurrent deferred tax liabilities	(7,400)	(8,469)	(8,747)
Net noncurrent deferred tax liabilities	$(2,394)	$(2,584)	$ (942)

At September 30, 1996, the Company has operating loss carryforwards for state income tax purposes of approximately $2.2 million, which expire generally in years through 2011.

During 1995, the Company used approximately $3,200,000 of foreign net operating loss carryforwards for which a deferred tax asset had not been recognized in prior years due to uncertainty regarding future earnings of the subsidiaries to which the carryforwards related. As a result, the Company reversed the valuation allowance of $1,240,000 recorded at June 30, 1994 in 1995.

Provision has not been made for United States income taxes on a portion of the undistributed earnings of the Company's foreign subsidiaries (approximately $2,563,000, $4,342,000 and $4,216,000 at June 30, 1995 and 1996, and September 30, 1996, respectively), either because any taxes on dividends would be offset substantially by foreign tax credits or because the Company intends to reinvest those earnings. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings.

9. LEASES

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

Year ending September 30:	
1997	$ 7,140
1998	6,088
1999	5,293
2000	4,613
2001	4,311
Thereafter	11,706
	$39,151

The above lease commitments include payments under leases for the corporate headquarters facilities and other properties from partnerships in which one of the Company's shareholders is a partner. Annual minimum rental commitments on the headquarters facility of $3,042,000 are subject to an adjustment based upon changes in the Consumer Price Index. The leases on the other properties require annual lease payments of $451,000 subject to annual 3% increases. All of the leases expire during the years 2003 through 2021.

Total rental expense was $8,006,000, $8,189,000, $8,213,000 and $1,995,000 for the years ended June 30, 1994, 1995, and 1996 and the Transition Period, respectively.

10. POSTRETIREMENT PENSION BENEFITS

The Company has various defined benefit pension plans covering substantially all of its domestic employees. Plans covering salaried employees provide pension benefits that are based on the employee's average compensation for the five years which yield the highest average during the 10 consecutive years prior to retirement. Plans covering hourly employees and union members generally provide benefits of stated amounts for each year of service.

The Company's policy is to fund pension costs at amounts within the acceptable ranges established by the Employee Retirement Income Security Act of 1974.

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

Net periodic pension cost for the aforementioned plans is summarized as follows (in thousands):

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Service cost	$ 1,576	$ 1,711	$ 1,501	$ 2,149
Interest cost	3,069	3,390	3,513	944
Actual return on plan assets	(2,377)	(2,054)	(7,880)	(605)
Net amortization and deferral	(181)	(708)	4,994	(166)
Net periodic pension cost	$ 2,087	$ 2,339	$ 2,128	$ 2,322

10. POSTRETIREMENT PENSION BENEFITS (Continued)

The following tables set forth the plans' funded status (in thousands):

	June 30, 1995	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligations:		
Vested benefit obligation	$19,860	$18,844
Accumulated benefit obligation	$20,292	$19,636
Projected benefit obligation	$ 25,209	$ 19,636
Plan assets at fair value, primarily listed stocks, bonds and cash equivalents	25,358	10,196
Projected benefit obligation (less than) in excess of plan assets	(149)	9,440
Unrecognized net loss	684	1,384
Unrecognized net obligation (asset)	589	(5,245)
Additional minimum liability	--	3,866
Pension liability	$ 1,124	$ 9,445

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

10. POSTRETIREMENT PENSION BENEFITS (Continued)

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

Assumptions used in the aforementioned actuarial valuations were:

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Discount rate used for funded status calculation	7.5 %	8.0 %	7.5 %	7.5 %
Discount rate used for net periodic pension cost calculations	7.5 %	7.5 %	8.0 %	7.5 %
Rate of increase in compensation levels (salaried plan only)	5.5 %	5.5 %	5.0 %	5.0 %
Expected long-term rate of return on assets	9.0 %	9.0 %	9.0 %	9.0 %

The Company has recorded an additional minimum pension liability of $3,866,000, $3,823,000 and $2,067,000 at June 30, 1995 and 1996, and September 30, 1996, respectively, to recognize the underfunded position of certain of its benefits plans. An intangible asset of $3,827,000, $3,582,000 and $1,826,000 at June 30, 1995 and 1996, and September 30, 1996, respectively, equal to the unrecognized prior service cost of these plans, has also been recorded. The excess of the additional minimum liability over the unrecognized prior service cost of $39,000 at June 30, 1995 and $241,000 at June 30 and September 30, 1996, has been recorded as a reduction of shareholders' equity.

The Company sponsors a defined contribution pension plan for its domestic salaried employees which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually 1% of participants' compensation, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the years ended June 30, 1994, 1995 and 1996, and the Transition Period were $827,000, $1,273,000, $1,000,000 and $181,000, respectively.

11. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

The following sets forth the plan's funded status reconciled with amounts reported in the Company's combined consolidated balance sheet (in thousands):

	June 30, 1995	June 30, 1996	September 30, 1996
Accumulated postretirement benefit obligation (APBO):			
Retirees	$ 444	$ 723	$ 687
Fully eligible active participants	489	805	820
Other active participants	495	896	970
Total APBO	1,428	2,424	2,477
Unrecognized net loss	(287)	(1,269)	(1,246)
Unrecognized transition obligation	(681)	(641)	(631)
Accrued postretirement benefit liability	$ 460	$ 514	$ 600

Net periodic postretirement benefit cost includes the following components (in thousands):

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Service cost	$102	$110	$129	$ 58
Interest	79	85	111	44
Net amortization and deferral	40	40	54	35
Net periodic postretirement benefit cost	$221	$235	$294	$137

A 9.5% annual rate of increase in the per capita costs of covered health care benefits was assumed for fiscal 1996, gradually decreasing to 5.5% by fiscal 2025. Increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of June 30, 1995 and 1996, and September 30, 1996 by $78,000, $144,000 and $147,000 respectively, and increase the aggregate of the service cost and interest cost components of net periodic postretirement benefit cost for the year ended June 30, 1994, 1995 and 1996, and the Transition Period by $16,000, $13,000, $12,000 and $3,000, respectively. A discount rate of 7.5% was used to determine the accumulated postretirement benefit obligation.

12. BUSINESS SEGMENT AND INTERNATIONAL OPERATIONS

Information about the Company's operations in different geographic areas is summarized as follows (in thousands):

	Years Ended June 30,			Transition Period Ended September 30,
	1994	1995	1996	1996
Net sales to unaffiliated customers:				
United States	$320,933	$ 315,579	$ 321,866	$ 76,434
Foreign:				
Western Europe	51,270	59,560	61,336	14,527
Other	13,973	15,849	16,182	4,020
Total	$386,176	$ 390,988	$ 399,384	$ 94,981
Transfers between geographic areas:				
United States	$ 23,393	$ 26,928	$ 27,097	$ 7,431
Foreign:				
Western Europe	1,722	1,637	730	422
Other	54	49	--	--
Total	$ 25,169	$ 28,614	$ 27,827	$ 7,853
Net sales:				
United States	$344,326	$342,507	$348,963	$ 83,865
Foreign:				
Western Europe	52,992	61,197	62,066	14,949
Other	14,027	15,898	16,182	4,020
Eliminations	(25,169)	(28,614)	(27,827)	(7,853)
Total	$386,176	$390,988	$399,384	$ 94,981
Income from operations:				
United States	$ 7,709	$ 24,335	$ 24,759	$(20,983)
Foreign:				
Western Europe	2,851	5,410	5,002	(2,539)
Other	338	1,784	516	(150)
	$ 10,898	$ 31,529	$ 30,277	$ (23,672)
Total assets:				
United States	$199,840	$189,557	$193,198	$215,287
Foreign:				
Western Europe	30,174	34,345	33,719	35,065
Other	12,032	16,093	17,532	18,782
Eliminations	(19,610)	(19,405)	(22,564)	(23,886)
Total	$222,436	$220,590	$221,885	$245,248

13. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements to purchase certain equipment and to pay annual royalties. In a December 1991 agreement, the Company committed to pay annual royalties of $1,500,000 for the first five years, beginning in 1993, plus $500,000 for each year thereafter, as long as the related equipment patents are enforceable (2012). In a March 1994 agreement, the Company committed to pay annual royalties of $500,000 for five years beginning in 1995.

13. COMMITMENTS AND CONTINGENCIES (Continued)

The estimated fair value of these commitments, based on current rates offered to the Company for debt with the same remaining maturities, is $8,498,000 at September 30, 1996. Additionally, the Company has committed to purchase tooling of $1,466,000 related to this equipment at an unspecified date in the future and purchase manganese ore amounting to $560,000 by March 1998.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. In addition, the Company, together with other parties, has been designated a potentially responsible party of various third-party sites on the United States EPA National Priorities List (Superfund). The Company provides for the estimated costs of investigation and remediation of these sites when the amounts can be reasonably estimated. The actual cost incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of the amounts provided of $2.1 million, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity, or cash flow of the Company.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities are not likely to result in a loss in excess of amounts recorded of $750,000 at September 30, 1996.

14. RELATED PARTY TRANSACTIONS

The Company and THL Co. are parties to a Management Agreement pursuant to which the Company has engaged THL Co. to provide consulting and management advisory services for an initial period of five years through September 12, 2001. Under the Management Agreement and in connection with the closing of the Recapitalization, the Company paid THL Co. and an affiliate $3.25 million. In consideration of ongoing consulting and management advisory services, the Company will pay THL Co. an aggregate annual fee of $360,000 plus expenses.

The Company and 9.9% shareholder of the Company (the principal shareholder prior to the Recapitalization) are parties to a Consulting Agreement which includes noncompetition provisions. Terms of the agreement require the shareholder to provide consulting services for an annual fee of $200,000 plus expenses. The term of this agreement runs concurrent with the Management Agreement, subject to certain conditions as defined in the agreement.

The Company has a note receivable from an officer/shareholder in the amount of $500,000, generally payable in five years, which bears interest at 7%. Since the officer/shareholder utilized the proceeds of the note to purchase common stock of the Company, the note has been recorded as a reduction of shareholders' equity.

15. OTHER SPECIAL CHARGES

During the Transition Period, the Company recorded special charges as follows: (i) $2.7 million of charges related to the exit of certain manufacturing operations, (ii) $1.7 million of charges to increase net deferred compensation plan obligations to reflect curtailment of such plans; (iii) $1.5 million of charges reflecting the present value of lease payments for land which management has determined will not be used for any future productive purpose; (iv) $6.9 million in costs and asset write-downs principally related to changes in product pricing strategies adopted by management subsequent to the Recapitalization; and (v) $3.3 million of employee termination benefits and other charges.

In 1994, the Company recorded a pre-tax charge of approximately $1.5 million related to a plan to reduce the Company's cost structure and to improve productivity through an approximate 2.5% reduction in headcount on worldwide basis. This charge included severance costs, out-placement service, and other employee benefits, the majority of which was completed during 1995.

16. SUBSEQUENT EVENTS

Subsequent to September 30, 1996, the Company recorded a pre-tax charge of approximately $2.7 million related to a reduction of employees. The charge included severance, out-placement services and other employee benefits.

On October 22, 1996, the Company paid the Bridge Notes described in Note 5 utilizing the proceeds from a private debt offering of Senior Subordinated Notes (the "Notes"). On or after November 1, 2001 or in certain circumstances, after a public offering of equity securities of the Company, the Notes will be redeemable at the option of the Company, in whole or in part, at prescribed redemption prices plus accrued and unpaid interest. 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) incur dividend and other payment restrictions affecting subsidiaries, (v) enter into mergers, consolidations or sales of all or substantially all of the assets of the Company, (vi) make asset sales, (vii) enter into transactions with affiliates, and (viii) issue or sell capital stock of wholly owned subsidiaries of the Company. Payment obligations under the Notes will be fully and unconditionally guaranteed on a joint and several basis by the Company's directly and wholly-owned subsidiary, ROV Holding, Inc. (ROV or Guarantor Subsidiary). The foreign subsidiaries of the Company, which will not guarantee the payment obligations under the Notes (Nonguarantor Subsidiaries), are directly and wholly-owned by ROV.

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

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 1996
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,983	$ 57	$ 1,215	$ --	$ 4,255
Receivables:					
Trade accounts receivable, net	45,614	--	16,706	--	62,320
Other	15,128	162	95	(11,229)	4,156
Inventories	57,615	--	13,303	(797)	70,121
Deferred income taxes	8,688	1,026	244	--	9,958
Prepaid expenses and other	3,457	--	1,407	--	4,864
Total current assets	133,485	1,245	32,970	(12,026)	155,674
Property, plant and equipment, net	62,252	--	7,145	--	69,397
Deferred charges and other	6,815	--	598	--	7,413
Debt issuance costs	12,764	--	--	--	12,764
Investment in subsidiaries	12,056	12,098	--	(24,154)	--
Total assets	$ 227,372	13,343	$ 40,713	$(36,180)	$ 245,248
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Current maturities of long-term debt	$ 4,500	$ --	$ 4,318	$ --	$ 8,818
Accounts payable	40,830	597	16,505	(11,011)	46,921
Accrued liabilities:					
Wages and benefits	4,759	--	1,135	--	5,894
Other	12,915	484	2,505	--	15,904
Recapitalization and other special charges	11,645	--	3,297	--	14,942
Total current liabilities	74,649	1,081	27,760	(11,011)	92,479
Long-term debt, net of current maturities	223,990	--	855	--	224,845
Employee benefit obligations, net of current portion	12,138	--	--	--	12,138
Deferred income taxes	736	206	--	--	942
Other	564	--	--	--	564
Shareholders' equity (deficit):					
Common stock	500	--	12,072	(12,072)	500
Additional paid-in capital	15,970	3,525	750	(4,275)	15,970
Foreign currency translation adjustment	1,689	1,689	1,689	(3,378)	1,689
Note receivable officer/shareholder	(500)	--	--	--	(500)
Retained earnings	26,158	6,842	(2,413)	(5,444)	25,143
	43,817	12,056	12,098	(25,169)	42,802
Less treasury stock	(128,522)	--	--	--	(128,522)
Total shareholders' equity (deficit)	(84,705)	12,056	12,098	(25,169)	(85,720)
Total liabilities and shareholders' equity (deficit)	$ 227,372	$13,343	$40,713	$(36,180)	$ 245,248

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF OPERATIONS
TRANSITION PERIOD ENDED SEPTEMBER 30, 1996
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net sales	$ 83,865	$ --	$18,970	$ (7,854)	$ 94,981
Cost of goods sold	53,480	--	13,470	(7,708)	59,242
Gross profit	30,385	--	5,500	(146)	35,739
Operating expenses:					
Selling	17,644	--	3,253	--	20,897
General and administrative	6,508	2	2,109	9	8,628
Research and development	1,495	--	--	--	1,495
Recapitalization charges	12,326	--	--	--	12,326
Other special charges	12,768	--	3,297	--	16,065
	50,741	2	8,659	9	59,411
Loss from operations	(20,356)	(2)	(3,159)	(155)	(23,672)
Interest expense	4,320	--	110	--	4,430
Equity in loss of subsidiary	2,508	2,611	--	(5,119)	--
Other (income) expense, net	(170)	(162)	408	--	76
Loss before income taxes and extraordinary item	(27,014)	(2,451)	(3,677)	4,964	(28,178)
Income tax (benefit) expense	(7,895)	57	(1,066)	--	(8,904)
Loss before extraordinary item	(19,119)	(2,508)	(2,611)	4,964	(19,274)
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $777	(1,647)	--	--	--	(1,647)
Net loss	$(20,766)	$(2,508)	$(2,611)	$ 4,964	$(20,921)

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF CASH FLOWS
TRANSITION PERIOD ENDED SEPTEMBER 30, 1996
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net cash provided by (used in) operating activities	$ (2,078)	$16	$ 932	$--	$ (1,130)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(912)	--	(336)	--	(1,248)
Proceeds from sale of property, plant and equipment	1,281	--	--	--	1,281
Notes receivable officer/shareholder	(500)	--	--	--	(500)
Net cash provided by (used in) investing activities	(131)	--	(336)	--	(467)
Cash flows from financing activities:					
Reduction of debt	(104,138)	--	(2,952)	--	(107,090)
Proceeds from debt financing	256,500	--	2,989	--	259,489
Cash overdraft	(2,493)	--	--	--	(2,493)
Debt issuance costs	(14,373)	--	--	--	(14,373)
Extinguishment of debt	(2,424)	--	--	--	(2,424)
Distributions from DISC	(1,943)	--	--	--	(1,943)
Acquisition of treasury stock	(127,425)	--	--	--	(127,425)
Payments on capital lease obligation	--	--	(84)	--	(84)
Net cash provided by (used in) financing activities	3,704	--	(47)	--	3,657
Effect of exchange rate changes on cash and cash equivalents	--	--	5	--	5
Net increase (decrease) in cash and cash equivalents	1,495	16	554	--	2,065
Cash and cash equivalents, beginning of period	1,488	41	661	--	2,190
Cash and cash equivalents, end of period	$ 2,983	$57	$ 1,215	$--	$ 4,255

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING BALANCE SHEET
JUNE 30, 1996
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,488	$ 41	$ 661	$ --	$ 2,190
Receivables:					
Trade accounts receivable, net	40,138	--	15,692	--	55,830
Other	11,434	318	780	(10,210)	2,322
Inventories	54,486	--	12,951	(496)	66,941
Deferred income taxes	5,439	179	243	--	5,861
Prepaid expenses and other	3,415	--	1,560	--	4,975
Total current assets	116,400	538	31,887	(10,706)	138,119
Property, plant and equipment, net	66,504	--	7,434	--	73,938
Deferred charges and other	9,047	--	608	--	9,655
Debt issuance costs	173	--	--	--	173
Investment in subsidiaries	14,524	14,670	--	(29,194)	--
Total assets	$ 206,648	$15,208	$39,929	$(39,900)	$ 221,885
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Current maturities of long-term debt	$ 7,350	$ --	$ 4,281	$ --	$ 11,631
Accounts payable	32,906	492	15,145	(9,848)	38,695
Accrued liabilities:					
Wages and benefits	5,077	--	1,049	--	6,126
Other	15,375	(14)	3,843	--	19,204
Total current liabilities	60,708	478	24,318	(9,848)	75,656
Long-term debt, net of current maturities	68,777	--	941	--	69,718
Employee benefit obligations, net of current portion	12,141	--	--	--	12,141
Deferred income taxes	2,378	206	--	--	2,584
Other	162	--	--	--	162
Shareholders' equity (deficit):					
Common stock	500	--	12,072	(12,072)	500
Rayovac International Corporation common stock	5	--	--	--	5
Additional paid-in capital	12,000	3,525	750	(4,275)	12,000
Foreign currency translation adjustment	1,650	1,650	1,650	(3,300)	1,650
Retained earnings	48,860	9,349	198	(10,405)	48,002
	63,015	14,524	14,670	(30,052)	62,157
Less treasury stock, at cost	(533)	--	--	--	(533)
Total shareholders' equity (deficit)	62,482	14,524	14,670	(30,052)	61,624
Total liabilities and shareholders' equity (deficit)	$206,648	$15,208	$39,929	$ (39,900)	$221,885

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1996
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net sales	$348,964	$ --	$78,247	$(27,827)	$399,384
Cost of goods sold	213,349	--	53,846	(27,852)	239,343
Gross profit	135,615	--	24,401	25	160,041
Operating expenses:					
Selling	79,385	--	13,170	--	92,555
General and administrative	25,967	12	5,775	13	31,767
Research and development	5,442	--	--	--	5,442
	110,794	12	18,945	13	129,764
Income (loss) from operations	24,821	(12)	5,456	12	30,277
Interest expense	7,731	--	704	--	8,435
Equity in income of subsidiary	(2,507)	(2,167)	--	4,674	--
Other (income) expense, net	(51)	(570)	1,173	--	552
Income before income taxes	19,648	2,725	3,579	(4,662)	21,290
Income tax expense	5,372	218	1,412	--	7,002
Net income	$ 14,276	$ 2,507	$ 2,167	$ (4,662)	$ 14,288

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996
(in thousands)

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

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING BALANCE SHEET
JUNE 30, 1995
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 707	$ 203	$ 1,735	$ --	$ 2,645
Receivables:					
Trade accounts receivable, net	37,698	--	13,189	--	50,887
Other	8,312	119	254	(6,874)	1,811
Inventories	52,076	--	14,136	(672)	65,540
Deferred income taxes	5,509	--	159	--	5,668
Prepaid expenses and other	3,936	--	1,715	--	5,651
Total current assets	108,238	322	31,188	(7,546)	132,202
Property, plant and equipment, net	70,480	--	7,483	--	77,963
Deferred charges and other	9,609	--	661	--	10,270
Debt issuance costs	155	--	--	--	155
Investment in subsidiaries	12,346	12,961	--	(25,307)	--
Total assets	$200,828	$13,283	$39,332	$(32,853)	$220,590
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Current maturities of long-term debt	$ 3,777	$ --	$ 8,139	$ --	$ 11,916
Accounts payable	33,419	222	12,207	(6,677)	39,171
Accrued liabilities:					
Wages and benefits	8,514	--	858	--	9,372
Other	11,055	715	4,091	--	15,861
Total current liabilities	56,765	937	25,295	(6,677)	76,320
Long-term debt, net of current maturities	76,377	--	--	--	76,377
Employee benefit obligations, net of current portion	10,836	--	118	--	10,954
Deferred income taxes	2,394	--	--	--	2,394
Other	--	--	958	--	958
Shareholders' equity (deficit):					
Common stock	500	--	12,072	(12,072)	500
Rayovac International Corporation common stock	5	--	--	--	5
Additional paid-in capital	12,000	3,525	750	(4,275)	12,000
Foreign currency translation adjustment	1,979	1,979	1,979	(3,958)	1,979
Retained earnings	39,972	6,842	(1,840)	(5,871)	39,103
Total shareholders' equity (deficit)	54,456	12,346	12,961	(26,176)	53,587
Total liabilities and shareholders' equity (deficit)	$200,828	$13,283	$ 39,332	$(32,853)	$220,590

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1995
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net sales	$342,507	$ --	$77,095	$(28,614)	$390,988
Cost of goods sold	214,119	--	51,781	(28,774)	237,126
Gross profit	128,388	--	25,314	160	153,862
Operating expenses:					
Selling	71,626	--	12,841	--	84,467
General and administrative	27,556	(651)	5,872	84	32,861
Research and development	5,005	--	--	--	5,005
	104,187	(651)	18,713	84	122,333
Income from operations	24,201	651	6,601	76	31,529
Interest expense	7,889	--	755	--	8,644
Equity in income of subsidiary	(5,520)	(4,928)	--	10,448	--
Other (income) expense, net	(116)	(319)	665	--	230
Income before income taxes	21,948	5,898	5,181	(10,372)	22,655
Income tax expense	5,616	378	253	--	6,247
Net income	$ 16,332	$ 5,520	$ 4,928	$ (10,372)	$ 16,408

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1995
(in thousands)

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

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1994
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net sales	$344,325	$ --	$67,020	$(25,169)	$386,176
Cost of goods sold	213,551	--	46,756	(25,437)	234,870
Gross profit	130,774	--	20,264	268	151,306
Operating expenses:					
Selling	92,317	--	11,529	--	103,846
General and administrative	24,482	7	4,841	26	29,356
Research and development	5,684	--	--	--	5,684
Other special charges	1,522	--	--	--	1,522
	124,005	7	16,370	26	140,408
Income (loss) from operations	6,769	(7)	3,894	242	10,898
Interest expense	7,072	--	653	--	7,725
Equity in income of subsidiary	(1,998)	(2,251)	--	4,249	--
Other (income) expense, net	(1,081)	407	73	--	(601)
Income before income taxes	2,776	1,837	3,168	(4,007)	3,774
Income tax (benefit) expense	(1,338)	(161)	917	--	(582)
Net income	$ 4,114	$ 1,998	$ 2,251	$ (4,007)	$ 4,356

16. SUBSEQUENT EVENTS (Continued)

CONDENSED COMBINED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1994
(in thousands)

	Parent and DISC	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Combined Consolidated
Net cash provided by (used in) operating activities	$(17,709)	$(747)	$ (979)	$ 727	$ (18,708)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(11,475)	--	(989)	--	(12,464)
Proceeds from sale of property, plant and equipment	35	--	--	--	35
Net cash used in investing activities	(11,440)	--	(989)	--	(12,429)
Cash flows from financing activities:					
Reduction of debt	(77,751)	--	(2,093)	--	(79,844)
Proceeds from debt financing	110,775	--	4,300	(725)	114,350
Cash overdraft	(202)	--	--	--	(202)
Distributions from DISC	(3,500)	--	--	--	(3,500)
Intercompany dividends	--	150	(150)	--	--
Net cash provided by (used in) financial activities	29,322	150	2,057	(725)	30,804
Effect of exchange rate changes on cash and cash equivalents	--	--	59	(2)	57
Net increase (decrease) in cash and cash equivalents	173	(597)	148	--	(276)
Cash and cash equivalents, beginning of year	651	724	1,431	--	2,806
Cash and cash equivalents, end of year	$ 824	$ 127	$ 1,579	$ --	$ 2,530

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED COMBINED CONSOLIDATED BALANCE SHEET (Unaudited)
September 30, 1995
(in thousands, except per share amounts)

Assets	
Current assets:	
Cash and cash equivalents	$ 2,431
Receivables:	
Trade accounts receivable, net of allowances for doubtful accounts of $433	66,833
Other	1,009
Inventories	73,189
Deferred income taxes	5,757
Prepaid expenses and other	6,208
Total current assets	155,427
Property, plant and equipment, net	75,833
Deferred charges and other	10,289
Total assets	$241,549
Liabilities and Shareholders' Equity	
Current liabilities:	
Current maturities of long-term debt	$ 11,973
Accounts payable	49,877
Accrued liabilities:	
Wages and benefits	6,095
Other	18,962
Total current liabilities	86,907
Long-term debt, net of current maturities	87,127
Employee benefit obligations, net of current portion	11,035
Deferred income taxes	2,339
Other	938
Shareholders' equity:	
Common stock, $.01 par value, authorized 90,000 shares; issued 50,000 shares; outstanding 49,500 shares	500
Rayovac International Corporation common stock, $.50 par value, authorized 18 shares; issued and outstanding 10 shares	5
Additional paid-in capital	12,000
Foreign currency translation adjustment	2,362
Retained earnings	38,869
	53,736
Less treasury stock, at cost, 500 shares	(533)
Total shareholders' equity	53,203
Total liabilities and shareholders' equity	$241,549

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
For the Period July 1, 1995 Through September 30, 1995
(in thousands, except per share amount)

Net sales	$100,627
Cost of goods sold	64,116
Gross profit	36,511
Operating expenses:	
Selling	23,214
General and administrative	7,386
Research and development	1,361
	31,961
Income from operations	4,550
Interest expense	2,413
Other expense, net	29
Income before income taxes	2,108
Income taxes	742
Net income	$ 1,366
Net income per common share	$ 0.28
Weighted average shares of common stock outstanding	49,500

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

CONDENSED COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Period July 1, 1995 Through September 30, 1995
(in thousands)

Net cash used in operating activities	$ (9,627)
Cash flows from investing activities:	
Purchases of property, plant and equipment	(1,097)
Net cash used in investing activities	(1,097)
Cash flows from financing activities:	
Reduction of debt	(18,424)
Proceeds from debt financing	29,230
Cash overdraft	1,293
Distributions from DISC	(1,600)
Net cash provided by financing activities	10,499
Effect of exchange rate changes on cash and cash equivalents	11
Net decrease in cash and cash equivalents	(214)
Cash and cash equivalents, beginning of period	2,645
Cash and cash equivalents, end of period	$ 2,431

The accompanying notes are an integral part of these condensed combined consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The condensed combined consolidated financial statements for the period July 1, 1995 through September 30, 1995 are unaudited. These financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position, results of operations and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations.

These condensed combined consolidated financial statements should be read in conjunction with the annual audited financial statements and notes thereto.

2. INVENTORIES

Inventories at September 30, 1995 consist of the following (in thousands):

Raw material	$21,400
Work-in-process	24,224
Finished goods	27,565
	$73,189

3. COMMON STOCK

In September 1996, the Company's Board of Directors declared a five-for-one stock split. All applicable share and per share amounts herein have been restated to reflect the stock split retroactively.

4. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements to purchase certain equipment and to pay annual royalties. In a December 1991 agreement, the Company committed to pay annual royalties of $1,500,000 for the first five years, beginning in 1993, plus $500,000 for each year thereafter, as long as the related equipment patents are enforceable (2012). In a March 1994 agreement, the Company committed to pay annual royalties of $500,000 for five years beginning in 1995. Additionally, the Company has committed to purchase tooling of $1,745,000 related to this equipment at an unspecified date in the future.

The Company is involved in various stages of investigation relative to hazardous waste sites, some of which are on the United States EPA National Priorities List (Superfund). While it is impossible at this time to determine with certainty the ultimate outcome of such environmental matters, they are not expected to materially affect the Company's financial position.

No dealer, sales representative, or any other person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Initial Purchasers. This Prospectus does not constitute an offer to sell or a solicitation of any offer to buy any securities other than the Notes to which it relates or an offer to, or a solicitation of, any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company or that information contained herein is correct as of any time subsequent to the date hereof.

TABLE OF CONTENTS

Until , 1997 (90 days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

$100,000,000

[Rayovac logo]

Rayovac
Corporation

10-1/4% Series B Senior Subordinated
Notes due 2006

PROSPECTUS

, 1997

Part II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

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

Securities and Exchange Commission Registration Fee	$34,500
Legal Fees and Expenses	$95,000
Trustee's and Exchange Agent's Fees and Expenses	3,500
Accounting Fees and Expenses	70,000
Printing Expenses	*
Miscellaneous	*
Total	$ *

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* To be supplied by amendment.

Item 14. Indemnification of Directors and Officers.

Sections 180.0851 through 180.0859 of Chapter 180 of the Wisconsin Business Corporation Law, as amended ("BCL"), provide that a corporation shall indemnify a director or officer to the extent and under the circumstances set forth therein.

Article VIII of the Company's Restated By-Laws, as amended (the "By-Laws"), a copy of which is filed herein as Exhibit 3.2, provides for indemnification of directors and officers of the Company to the fullest extent permitted or required by the BCL, but not for any action, suit, arbitration or other proceeding initiated by a director or officer. However, the By-Laws provide that no indemnification shall be required to be paid by the Company if (i) a disinterested quorum determines, by majority vote, that the director or officer requesting indemnification engaged in misconduct constituting a breach of duty or (ii) a disinterested quorum cannot be obtained.

The By-Laws also provide that the Company shall pay or reimburse the reasonable expenses of the director or officer as such expenses are incurred provided the director or officer furnishes 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 an unsecured executed written agreement to repay any advances made if it is ultimately determined that he or she is not entitled to be indemnified.

The By-Laws require the Company to indemnify a director or officer of an affiliate (who is not otherwise serving as a director or officer) against all liabilities and advance the reasonable expenses incurred by such director or officer in a proceeding, if such director or officer is a party because he or she is or was a director or officer of the affiliate. The Company may also indemnify its employees or agents for liabilities incurred and/or reasonable expenses pursuant to a majority vote of the Board of Directors.

The Company currently maintains liability insurance for the benefit of its directors and officers.

Item 15. Recent Sales of Unregistered Securities

1. Credit Agreement Financing

As of September 12, 1996, in connection with the recapitalization of the Company, the Company entered into a Credit Agreement, a copy of which is filed herein as Exhibit 4.4, with BA Securities, Inc. and Donaldson, Lufkin & Jenrette Securities Corporation, as arrangers for a group of financial institutions and other accredited investors, pursuant to which, among other things, the Company issued notes representing aggregate loans to the Company of $170.0 million. These securities were not registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering.

2. Bridge Financing

As of September 12, 1996, in connection with the recapitalization of the Company, the Company entered into a Securities Purchase Agreement with RC Funding, Inc. and Bank of America National Trust and Savings Association (the "Bridge Lenders"), pursuant to which, among other things, the Company issued and sold to the Bridge Lenders $100 million aggregate principal amount of its Senior Subordinated Increasing Rate Notes (the "Bridge Notes"). The Bridge Notes were not registered under the Securities Act of 1933 in reliance on the exemption provided by Section 4(2) thereof as an offer and sale of securities which does not involve a public offering.

3. 10-1/4% Senior Subordinated Notes

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

Item 16. Exhibits and Financial Statement Schedules

(a) The exhibits listed in the following Exhibit Index are filed as part of the Registration Statement.

Exhibit Number	Description
2.1*	Stock Purchase and Redemption Agreement, dated September 12, 1996, by and among the Company, certain affiliates of Thomas H. Lee Company, Thomas H. Lee Equity Fund III, L.P., Thomas H. Lee Foreign Fund III, L.P., THL-CCI Limited Partnership, David A. Jones and the then-existing shareholders of the Company.
3.1*	Restated Articles of Incorporation of the Company.
3.2*	Restated By-Laws of the Company.
4.1*	Indenture, dated as of October 22, 1996, by and among the Company, ROV Holding, Inc. and Marine Midland Bank, as trustee relating to the Company's 10-1/4% Senior Subordinated Notes due 2006.
4.2*	Registration Rights Agreement, dated as of October 17, 1996, by and among the Company, Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") and BA Securities, Inc.
4.3*	Specimen of the Notes (included as an exhibit to Exhibit 4.1).
4.4*	Credit Agreement, dated as of September 12, 1996, by and among the Company, the lenders party thereto, Bank of America National Trust and Savings Association ("BofA") and DLJ Capital Funding, Inc. (the "Credit Agreement").
4.5*	Amendment No. 1 to the Credit Agreement.
4.6*	The Security Agreement, dated as of September 12, 1996, among the Company, ROV Holding, Inc. and BofA.
4.7*	The Company Pledge Agreement among the Company and BofA, dated as of September 12, 1996.
5.1*	Opinion of Whyte Hirschboeck Dudek S.C.
10.1*	Purchase Agreement, dated October 17, 1996, by and among the Company, DLJ and BA Securities, Inc.
10.2*	Management Agreement, dated as of September 12, 1996, by and between the Company and Thomas H. Lee Company.
10.3*	Consulting Agreement, dated as of September 12, 1996, by and between the Company and Thomas F. Pyle, Jr.
10.4*	Confidentiality, Non-Competition, No-Solicitation and No-Hire Agreement dated as of September 12, 1996 by and between the Company and Thomas F. Pyle.
10.5*	Employment Agreement, dated as of September 12, 1996, by and between the Company and David A. Jones, including the Full Recourse Promissory Note, dated September 12, 1996 by David A. Jones in favor of the Company.

Exhibit Number	Description
10.6*	Severance Agreement by and between Company and Trygve Lonnebotn.
10.7*	Severance Agreement by and between Company and Kent J. Hussey.
10.8*	Severance Agreement by and between Company and Roger F. Warren.
10.9*	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993 and December 31, 1995.
10.10*	Building Lease between the Company and SPG Partners, dated May 14, 1985, as amended June 24, 1986 and June 10, 1987.
12.1*	Statement re. Computation of Ratios.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Coopers & Lybrand L.L.P.
23.2*	Consent of Whyte Hirschboeck Dudek S.C. (included in Exhibit 5.1).
24.1*	Power of Attorney, included on page II-5.
25.1*	Statement of Eligibility of Trustee.
27*	Financial Data Schedules.
99.1*	Form of Letter of Transmittal.
99.2*	Form of Notice of Guaranteed Delivery.
99.3*	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99.4*	Form of Letter to Clients.

*Filed herewith.

(b) Financial Statement Schedules
Schedule II--Valuation and Qualifying Accounts

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(b) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(d) For the purpose of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) To deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities

Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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

(g) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Madison, Wisconsin on December 13, 1996.

RAYOVAC CORPORATION

/s/ David A. Jones

David A. Jones
President, Chief Executive Officer and
Chairman of the Board

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on December 13, 1996.

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

RAYOVAC CORPORATION AND SUBSIDIARIES

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

Column A Descriptions	Column B Balance at Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Deductions	Column E Balance at End of Period
Transition Period Ended September 30, 1996:				
Allowance for doubtful accounts	$786	$147	$211	$722
June 30, 1996:				
Allowance for doubtful accounts	$702	$545	$461	$786
June 30, 1995:				
Allowance for doubtful accounts	$831	$714	$843	$702
June 30, 1994:				
Allowance for doubtful accounts	$829	$404	$402	$831

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STOCK PURCHASE AND REDEMPTION AGREEMENT

among

RAYOVAC CORPORATION
(Company),

CERTAIN AFFILIATES OF
THOMAS H. LEE COMPANY,
(Purchasers)

and

ALL THE SHAREHOLDERS
OF COMPANY
(Redemption Shareholders)

Dated as of September 12, 1996

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SCHEDULES

EXHIBITS

STOCK PURCHASE AND REDEMPTION AGREEMENT

Stock Purchase and Redemption Agreement (this "Agreement") dated as of September 12, 1996, by and among Rayovac Corporation, a Wisconsin corporation (the "Company"), certain affiliates of Thomas H. Lee Company listed on Exhibit A (individually a "Purchaser" and together the "Purchasers") and the existing shareholders of the Company, all of whom are listed on Exhibit B (individually a "Redemption Shareholder" and together the "Redemption Shareholders").

W I T N E S S E T H :

WHEREAS, the Company has 18,000,000 shares of capital stock, par value $.01 per share (the "Shares"), authorized for issuance (all of which are designated common stock), 9,902,000 shares of which are issued and outstanding (the "Outstanding Shares"); and

WHEREAS, Redemption Shareholders own all of the Outstanding Shares; and

WHEREAS, Purchasers wish to purchase certain Outstanding Shares, on the terms and conditions and for the consideration described in this Agreement; and

WHEREAS, Redemption Shareholders wish to have a portion of their Outstanding Shares either redeemed by the Company or sold to certain Purchasers, on the terms and conditions and for the consideration described in this Agreement, such that the Redemption Shareholders would retain 20% of the common equity interest in the Company after the transactions described in this Agreement; and

WHEREAS, Redemption Shareholders, other than the Thomas and Judith Pyle Charitable Remainder Trust created September 10, 1996, have designated Thomas F. Pyle, Jr. and Marvin G. Siegert (the "Redemption Shareholders' Agents") as their agents and attorneys-in-fact with the authority to act on their behalf, individually or collectively, in connection with the transactions contemplated hereby, pursuant to Shareholder Appointment of Agents and Power of Attorneys, a copy of which is attached hereto as Exhibit C (the "Powers of Attorney"); and

WHEREAS, a Purchaser has designated Warren C. Smith, Jr. and Scott A. Schoen (the "Purchaser's Agent") as its agent and attorney-in-fact with the authority to act on its behalf, individually or collectively, in connection with the transactions contemplated hereby, pursuant to Purchaser Appointment of Agent and Power of Attorney, a copy of which is attached hereto as Exhibit I; and

WHEREAS, immediately after the transactions contemplated by this Agreement, the Company is amending its Restated Articles of Incorporation to effect, among other things, a 5 for 1 stock split (the "Stock Split").

NOW, THEREFORE, in consideration of the mutual promises, covenants, representations and warranties made herein and of the mutual benefits to be derived herefrom, the parties hereto agree as follows:

1. PURCHASE, SALE AND REDEMPTION OF SHARES

1.1. Purchase and Sale of Investment Shares. In reliance upon the representations, warranties and covenants contained herein, at the Closing (as hereinafter defined), the Redemption Shareholders will sell an aggregate of 9,089,581 Outstanding Shares ("Investment Shares") to Purchasers, and Purchasers will purchase the Investment Shares from the Redemption Shareholders, for an aggregate purchase price of Seventy-Two Million Dollars ($72,000,000) (the "Investment Price"). The number of Investment Shares being purchased by each Purchaser and who the Purchaser is buying the Investment Shares from is set forth opposite such Purchaser's name on Exhibit A.

1.2. Redemption by the Company. In reliance upon the representations, warranties and covenants contained herein, the Company agrees to redeem from Redemption Shareholders, and Redemption Shareholders agree to deliver and sell 5,807,904 Outstanding Shares ("Redemption Shares"), for the per share purchase price described in Section 1.4 below (the "Purchase Price"), in an amount such that together with the sale of Investment Shares by the Redemption Shareholders to certain Purchasers, the Redemption Shareholders as a group will retain 20% of the outstanding Shares. The number of Redemption Shares being redeemed by the Company from each Redemption Shareholder and the number of Shares being sold to the Purchasers (and which Purchasers such Shares are being sold to) is set forth opposite such Redemption Shareholder's name on Exhibit B.

1.3. Closing. The closing (the "Closing") of the transactions described herein shall take place immediately upon execution hereof at the office of Mayer, Brown & Platt, Chicago, Illinois, at 9:00 a.m., local time. For all accounting, tax and other purposes, the Closing shall be effective as of the close of business on the date hereof and is referred to herein as the "Closing Date". At the Closing, the following will simultaneously occur:

(a) The Redemption Shareholders will deliver to Purchasers the Investment Shares duly endorsed in blank or accompanied by a stock power or other proper instrument of assignment duly executed in blank and having all requisite stock transfer stamps attached.

(b) Purchasers will deliver or cause to be delivered the Investment Price to Redemption Shareholders' Agents through a wire transfer of immediately available funds to the account or accounts designated by Redemption Shareholders' Agents.

(c) The Company will repay all of its outstanding long-term debt as of the Closing Date, which outstanding debt is described in Schedule 2.2(o)(vi)(b)-(f) (the "Long-Term Debt").

(d) Redemption Shareholders will deliver to Company the Redemption Shares, duly endorsed in blank or accompanied by a stock power or other proper instrument of assignment duly executed in blank and having all requisite stock transfer stamps attached.

(e) The Company will deliver its portion of the Purchase Price to Redemption Shareholders' Agents through a wire transfer of immediately available funds to the account or accounts designated by Redemption Shareholders' Agents.

(f) The parties will deliver any other document or take any other action set forth in Article 5.

1.4. Determination of Purchase Price. The Purchase Price shall equal $217,425,400. The per share Purchase Price is approximately $21.94.

2. REPRESENTATIONS AND WARRANTIES OF REDEMPTION SHAREHOLDERS

2.1. Representations and Warranties by Redemption Shareholders. Redemption Shareholders make the following representations and warranties to Company and Purchasers:

(a) Power. Each Redemption Shareholder has full power, legal right and authority to enter into, execute and deliver this Agreement and the other agreements, instruments and documents contemplated hereby (such other documents sometimes referred to herein as "Ancillary Instruments"), to perform such Redemption Shareholder's obligations hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby. Pursuant to the Powers of Attorney, each of the Redemption Shareholders has designated Thomas F. Pyle, Jr. and Marvin G. Siegert as their agents and attorneys-in-fact with the authority to act on their behalf, individually or collectively, with respect to the matters referred to herein. The Powers of Attorney are sufficient to authorize the Redemption Shareholders' Agents to act on behalf of the Redemption Shareholders with respect to the execution, delivery and performance of this Agreement and the Ancillary Instruments and the consummation of the transactions contemplated hereby and thereby.

(b) Authorization, etc. The execution and delivery of this Agreement and the Ancillary Instruments and the consummation of the transactions contemplated herein and therein have been duly authorized by each Redemption Shareholder. Upon execution by the parties hereto, this Agreement and the Ancillary Instruments to which such Redemption Shareholder is a party will constitute the legal, valid and binding obligations of such Redemption Shareholder enforceable against him/her in accordance with their respective terms, except to the extent enforceability may be limited by (i) the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights and remedies of creditors generally, (ii) general principles of equity, whether such enforceability is considered in a proceeding in equity or at law, and the discretion of the court before which any proceeding therefor may be brought, and (iii) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of a party with respect to a liability where such indemnification is contrary to public policy.

(c) Title to Stock, etc. Each Redemption Shareholder is the record and beneficial owner of and has good, valid and marketable title to its Outstanding Shares, free and clear of any lien, pledge, security interest, encumbrance, title retention agreement, adverse claim, option or other encumbrance of any nature whatsoever ("Lien"), and upon the delivery of and payment for the Redemption Shares and Investment Shares being sold by Redemption Shareholders to Purchasers at the Closing as provided for in this Agreement, each Redemption Shareholder will transfer good, valid and marketable title thereto, free and clear of any Lien (other than a Lien created by the Purchasers). Exhibit B sets forth the names and record owners of all Outstanding Shares.

(d) No Conflict. Except as set forth in Schedule 2.1(d), the execution and delivery of this Agreement by each Redemption Shareholder and the consummation of the transactions contemplated hereby do not and will not conflict in any material respect with (i) any note, bond, mortgage, indenture, license agreement, lease or other agreement, instrument or obligation to which such Redemption Shareholder is a party or to which any of such Redemption Shareholder's properties or assets may be bound or (ii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to such Redemption Shareholder, except for conflicts, violations or defaults that would not reasonably be expected to impair in any material respect the performance by such Redemption Shareholder of such Redemption Shareholder's obligations hereunder.

(e) No Consent. No Consent (hereinafter defined) is required to be obtained by the Redemption Shareholders in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for Consents which, if not obtained, would not in the aggregate reasonably be expected to impair in any material respect the Redemption Shareholders' performance of their obligations hereunder.

2.2. Representations and Warranties by the Company.

The Schedules to this Section 2.2 are arranged in subsections corresponding to the numbered and lettered subsections contained in this Section 2.2 and the disclosure in any subsection shall qualify only the corresponding subsection in this Section 2.2. The Company makes the following representations and warranties to Purchasers:

(a) Organization. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Wisconsin.

(b) Corporate Power and Authorization.

(i) Company has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as and where such is now being conducted. Company has the requisite corporate power and authority to enter into, execute and deliver this Agreement and each Ancillary Instrument to which it is a party, to perform its obligations hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.

(ii) The execution and delivery of this Agreement and the Ancillary Instruments and the consummation of the transactions contemplated herein and therein have been duly authorized by the Company. Upon execution by the parties hereto, this Agreement and the Ancillary Instruments to which the Company is a party constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, except to the extent enforceability may be limited by (i) the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights and remedies of creditors generally, (ii) general principles of equity, whether such enforceability is considered in a proceeding in equity or at law, and the discretion of the court before which any proceeding therefor may be brought, and (iii) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of a party with respect to a liability where such indemnification is contrary to public policy.

(c) Qualification. Company is duly licensed or qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction wherein the character of the properties owned or leased by it, or the nature of its business, makes such licensing or qualification necessary. The states in which Company is licensed or qualified to do business are listed in Schedule 2.2(c).

(d) Subsidiaries. Schedule 2.2(d) sets forth the name, jurisdiction of incorporation, capitalization, ownership and officers and directors of each corporation in which the Company has a direct or indirect equity interest ("Subsidiaries"). Each Subsidiary is in good standing in its jurisdiction of incorporation and is duly licensed or qualified to do business as a foreign corporation, and is in good standing, in each jurisdiction wherein the character of the properties owned or leased by it, or the nature of its business, makes such licensing or qualification necessary. Except as listed in Schedule 2.2(d), the Company does not own, directly or indirectly, any capital stock or other equity securities of any corporation or have any direct or indirect equity or other ownership interest in any entity or business. Except as listed on Schedule 2.2(d), all of the outstanding shares of capital stock of each Subsidiary are owned directly by the Company or a Subsidiary. All outstanding shares of capital stock of each Subsidiary are free and clear of any Liens and are validly issued, fully paid, nonassessable and free of preemptive rights with no personal liability attaching to the ownership thereof. There are no (a) securities convertible into or exchangeable for the capital stock or other securities of any Subsidiary, (b) options, warrants or other rights to purchase or subscribe to capital stock or other securities of any Subsidiary or securities which are convertible into or exchangeable for capital stock or other securities of any Subsidiary or, (c) contracts, commitments, agreements, understandings or arrangements of any kind relating to the issuance, sale or transfer of any capital stock or other equity securities of any Subsidiary, any such convertible or exchangeable securities or any such options, warrants or other rights. Each Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, (ii) has full corporate power and authority to carry on its business as it is now being conducted and to own and lease the properties and assets it now owns and leases, and (iii) is in good standing and is duly qualified or licensed to do business as a foreign corporation in each of the jurisdictions listed opposite the name of such Subsidiary in Schedule 2.2(d), which are the only jurisdictions in which such Subsidiary is required to be so qualified or licensed. The term "Company" as used hereinafter

means the Company and its Subsidiaries, except where the context or specific provision provide otherwise.

(e) Capitalization of Company. The authorized capital stock of the Company (not including Subsidiaries) consists of $18,000,000 shares of capital stock, par value $.01 per share, all of which are designated common stock, of which 9,902,000 shares are issued and outstanding and owned beneficially and of record by Redemption Shareholders. The Outstanding Shares have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights with no personal liability attaching to the ownership thereof except to the extent provided by Section 180.0622(2)(b) of the Wisconsin Business Corporation Law. There are 100,000 Shares held in the Company's treasury. Except as set forth in Schedule 2.2(e), there are no outstanding options, warrants, conversion or other rights, and there are no agreements or commitments of any kind (other than this Agreement) obligating Redemption Shareholders, or the Company, as the case may be, contingently or otherwise, to issue or sell any shares, options, warrants or conversion or other rights. The Investment Shares have been duly authorized and reserved for issuance and, when issued pursuant to the terms of this Agreement, will be duly authorized, validly issued, fully paid and nonassessable (except as provided by Section 180.0622(2)(b) of the Wisconsin Business Corporation Law).

(f) No Conflict, etc. Except as set forth in Schedule 2.2(f), the execution and delivery of this Agreement and the Ancillary Instruments to which the Company is a party, the performance by the Company of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby do not and will not conflict in any respect with, or result in any violation of or default (or give rise to any right of termination, cancellation or acceleration) under (i) any provision of the charter documents or by-laws of the Company, (ii) any note, bond, mortgage, indenture, lease or other agreement of the Company or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company, except (in the case of clauses (ii) and (iii)) for conflicts, violations and defaults that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. The term "Material Adverse Effect" shall mean any event, occurrence, fact, condition, change or effect that is materially adverse to the business, assets, liabilities, results of operations, or financial condition of the Company and Subsidiaries, taken as a whole. No consent, approval, authorization, order, filing, registration or

qualification with or to any person including, but not limited to, any governmental authority ("Consent") is required to be obtained by the Company in connection with the execution and delivery of this Agreement and the Ancillary Instruments to which the Company is a party, the performance by the Company of its obligations hereunder and thereunder or the consummation of the transactions contemplated hereby and thereby other than any Consent in respect of which the failure to obtain such Consent, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect or materially impair the ability of the Company to perform its obligations hereunder.

(g) Financial Statements. Redemption Shareholders' Agents have delivered to Purchasers complete and correct copies of the audited combined consolidated financial statements of the Company for the years ended June 30, 1994, 1995 and 1996 (collectively, the "Financial Statements" and for the year ended June 30, 1996, the "1996 Consolidated Financial Statements"), in each case, audited by Coopers & Lybrand L.L.P., independent certified public accountants, whose audit reports thereon are included therein consisting of combined consolidated balance sheets as of such respective dates and the related combined consolidated statements of income and retained earnings, and cash flows for each of the fiscal years then ended. The Financial Statements have been prepared in accordance with generally accepted accounting principles ("GAAP") throughout the periods involved, and present fairly, in all material respects, the consolidated financial position, consolidated results of operations and cash flows of the Company, as at and for the periods indicated.

(h) Insurance. Schedule 2.2(h) contains a complete and correct list and summary description of all insurance policies maintained at present by or on behalf of the Company. The Company has made available to Purchasers complete and correct copies of all such policies together with all riders and amendments thereto. Such policies are in full force and effect, and all premiums due thereon have been paid. The Company has complied in all material respects with the terms and provisions of such policies, and no notice of cancellation or termination has been received with respect to any such policy. Such policies are sufficient for compliance with all requirements of law and of all agreements to which the Company is a party; are valid, outstanding and enforceable policies. The Company has not been refused any insurance with respect to its assets or operations, nor has its coverage been limited, by any insurance carrier to which

it has applied for any such insurance or with which it has carried insurance during the past two (2) years.

(i) Litigation. Except as set forth in Schedule 2.2(i) or Schedule 2.2(u), there are no judicial or administrative actions, suits, proceedings, claims, arbitrations or investigations pending or, to the Knowledge (hereinafter defined) of the Company, threatened against the Company or any Redemption Shareholder (i) which, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect, (ii) which question the validity of this Agreement, or (iii) which seek to enjoin any action taken or to be taken in connection herewith or the consummation of the transactions contemplated hereby.

(j) Compliance with Laws. Except as set forth in Section 2.2(u), (i) to the Knowledge of the Company, it is not in violation of or in default under any judgment, order, writ, injunction or decree of any court or administrative agency or any statute, law, ordinance, rule or regulation, and (ii) the Company has not received any written notice alleging any such violation or default.

(k) Tax Matters.

(i) The term "Tax" shall mean any federal, state, local or foreign income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, customs duties, severance, environmental (including taxes under section 59A of the Internal Revenue Code of 1986, as amended ("Code")), real property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other similar tax, duty, fee, assessment or other governmental charge or deficiencies thereof (including all interest and penalties thereon and additions thereto). The term "Tax Return" shall mean any tax return, report, information, return, schedule or other document (including any related or supporting information) filed or required to be filed with respect to Taxes.

(ii) Except as set forth on Schedule 2.2(k):

(A) (1) all Tax Returns relating to the Company and the business or assets thereof that were required to be filed on or before the Closing Date have been duly and timely filed, (2) the Company has paid or made adequate provision for all Taxes that are due or claimed to be due by any taxing authority and (3) the Company is not currently the beneficiary of any extension of time within which to file any Tax Return;

(B) there has been no claim or issue (other than a claim or issue that has been finally settled) concerning any material liability for Taxes of the Company asserted, raised or threatened by any taxing authority;

(C) the Company has not (1) waived any statute of limitations or (2) agreed to any extension of the period for assessment or collection;

(D) there are no liens for Taxes upon any assets of the Company except for statutory liens for current Taxes not yet due;

(E) the statutes of limitations for all Tax Returns of the Company have expired for all federal, state, local and foreign Tax purposes, or Tax Returns of the Company have been examined by the appropriate taxing authorities for all periods;

(F) no power of attorney has been executed by the Company with respect to any matter relating to Taxes that is currently in force;

(G) the Company is not a party to any agreement, contract, or other arrangement that would result, separately or in the aggregate, in the requirement to pay any "excess parachute payment" within the meaning of Section 280G of the Code; and

(H) all Taxes that the Company is required by law to withhold or to collect for payment have been duly withheld and

collected, and have been paid or accrued, reserved against and entered on the books of the Company.

(l) Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried out without the intervention of any person acting on behalf of Redemption Shareholders or the Company in such manner as to give rise to any valid claim against Purchasers, Redemption Shareholders or the Company for any brokerage or finder's commission, fee or similar compensation, except for Merrill Lynch & Co.

(m) Absence of Certain Changes. Except as set forth on Schedule 2.2(m) or as otherwise contemplated by this Agreement, since the 1996 Consolidated Financial Statements (i) there has been no change that has had or would reasonably be expected to have a Material Adverse Effect, except for any change resulting from general and publicly known economic, financial or market conditions, (ii) there has been no physical damage, destruction or loss that, after taking into account any insurance recoveries payable in respect thereof, has had or would reasonably be expected to have, a Material Adverse Effect, (iii) there has been no sale, assignment or transfer of any material assets of the Company except in the ordinary course of business, (iv) except as required by GAAP, the Company has not changed any of its accounting principles or the methods by which such principles are applied for tax or financial reporting purposes, and (v) the Company has not entered into any agreement to do any of the things described in this Section 2.2(m).

(n) Title to Properties, etc. Schedule 2.2(n)(i) contains a complete and correct list of all real property currently owned by the Company, and Schedule 2.2(n)(ii) sets forth a complete and correct list of any lease pursuant to which the Company currently leases real property (collectively, the "Real Property"). The Company has:

(i) good, valid and marketable title to all of its respective owned real property listed on Schedule 2.2(n)(i);

(ii) valid leasehold interests in all real properties listed on Schedule 2.2(n)(ii); and

(iii) legal and beneficial ownership of its personal properties, including, without limitation, all those reflected in the combined consolidated balance sheet of the Company contained in the 1996 Consolidated Financial Statement ("Balance Sheet") or acquired after such date (except for inventories and other assets sold or otherwise disposed of in the ordinary course of business since the 1996 Consolidated Financial Statements),

in each case free and clear of all Liens (and, in the case of Real Property, not subject to any rights of way, building use restrictions, reservations or encumbrances of any nature) other than (u) with respect to leasehold interests, all matters and encumbrances affecting landlord's fee interest in the real properties, which to the Knowledge of the Company are not in violation of the applicable lease; (v) Liens shown on the Balance Sheet as securing specified liabilities or obligations, and Liens incurred in connection with the purchase of property and/or assets, if such purchase was effected after the date of the Balance Sheet, in either case with respect to which no default exists; (w) Liens for taxes and assessments not yet due and payable or which are being contested in good faith and by appropriate proceedings; (x) Liens that are set forth in Schedule 2.2(n)(iii); (y) Liens and imperfections in title which individually or in the aggregate do not materially detract from the value, or impair in any significant manner the use, of the property subject thereto or the operations of the Company; and (z) statutory Liens incurred in the ordinary course of business, none of which is substantial in amount and which individually or in the aggregate do not materially detract from the value, or impair in any significant manner the use, of the property subject thereto or the operations of the Company. All leases with respect to the leasehold interests listed on Schedule 2.2(n)(ii) are valid, binding and enforceable in accordance with their terms, and are in full force and effect; there are no existing defaults by the Company thereunder; no event of default has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a default thereunder by the Company, except such defaults as would not reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect on the business of the Company.

(o) Material Contracts. Schedule 2.2(o) contains a list of:

(i) all contracts and agreements with current officers, other employees, consultants, agents, contractors, advisors, sales representatives, distributors, or dealers of the Company other than (x) contracts which by their terms are cancelable by the Company with notice of not more than 60 days and (y) contracts which provide for payments based solely on products sold and require no minimum payments;

(ii) all collective bargaining agreements with any labor union currently representing employees of the Company;

(iii) all mortgages, indentures, pledges or security agreements, notes, loan agreements or guarantees of the obligations of third parties binding upon the Company or similar documents relating to borrowed money (including without limitation interest rate or currency swaps, hedges or straddles or similar transactions) to which the Company is a party or by which any of its assets are bound, restricted or encumbered in excess of $100,000;

(iv) joint venture and limited partnership agreements of the Company;

(v) distribution and marketing agreements of the Company involving in excess of $500,000 worth of product per year;

(vi) license or other agreements of the Company providing in whole or in part for the use of any patents, trademarks, trade names, service marks, copyrights, inventions, trade secrets or other proprietary know-how or other intellectual property, whether the Company is the licensor or the licensee thereunder, and all settlements, consents or forbearance to sue agreements relating thereto; and

(vii) any contract or agreement entered into involving an estimated total future payment or payments to or from the Company in excess of $500,000.

The contracts set forth on Schedule 2.2(o) are collectively referred to as the "Material Contracts." The Company has made available to Buyer true and correct copies of all Material Contracts. To the Knowledge of the Company, neither the Company nor any other person is in default under any Material Contract, except for such defaults as would not reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect on the business of the Company.

(p) Compliance with ERISA.

(i) Schedule 2.2(p)(i) contains a complete list of each pension, retirement, profit-sharing, deferred compensation, bonus or other incentive, medical, health, life insurance, disability or other welfare or severance plan, agreement or arrangement sponsored or contributed to by the Company or by any trade or business, whether or not incorporated (an "ERISA Affiliate"), that together with the Company would be deemed a "single employer" within the meaning of section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for the benefit of any employee or terminated employee of the Company or any ERISA Affiliate (individually a "Plan" and collectively, the "Plans"). All Plans comply with the applicable requirements of law, including but not limited to ERISA and the Code, except for failures to comply that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. No Plan which is subject to Part 3 of Subtitle B of Title I of ERISA has incurred any "accumulated funding deficiency," whether or not waived, within the meaning of section 302 of ERISA or section 412 of the Code and all contributions required to be made with respect thereto on or prior to the Closing Date have been timely made. Neither the Company nor any ERISA Affiliate has incurred any material liability pursuant to Title IV of ERISA with respect to any Plan and no condition exists that presents a material risk to the Company or any ERISA Affiliate of incurring liability under such Title. Neither the Company nor any ERISA Affiliate, nor any Plan, trust created thereunder or trustee or administrator thereof has engaged in a transaction in connection with which the Company or any ERISA Affiliate, any Plan, any such trust, or any trustee or administrator thereof, or any party dealing with any

Plan or any such trust could be subject to either a material civil penalty assessed pursuant to section 409 or 502(i) or ERISA or a material tax imposed pursuant to section 4975 or 4976 of the Code.

(ii) Except as provided on Schedule 2.2(p)(ii), no plan is a "multiemployer pension plan," as defined in section 3(37) of ERISA, nor is any Plan a plan described in section 4063(a) of ERISA. With respect to any ERISA Plan that is a "multiemployer pension plan," as such term is defined in section 3(37) of ERISA, covering employees of the Company or any ERISA Affiliate, (i) neither the Company nor any ERISA Affiliate has, since September 26, 1980, made or suffered a "complete withdrawal" or a "partial withdrawal," as such terms are respectively defined in sections 4203 and 4205 of ERISA, (ii) no event has occurred that presents a material risk of a partial withdrawal, (iii) neither the Company nor any ERISA Affiliate has any contingent liability under section 4204 of ERISA, and (iv) the aggregate withdrawal liability of the Company and the ERISA Affiliates, computed as if a complete withdrawal by the Company and the ERISA Affiliates had occurred under each such Plan on the date hereof, would not exceed $25,000. Each Plan intended to be "qualified" within the meaning of section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under section 501(a) of the Code. No amounts payable under the Plans or under any employment, severance or other agreements or arrangements maintained by the Company will fail to be deductible for federal income tax purposes by virtue of section 280G of the Code.

(iii) Except as provided on Schedule 2.2(p)(iii), no plan provides benefits, including without limitation death or medical benefits (whether or not insured), with respect to current or former employees of the Company or any ERISA Affiliate beyond their retirement or other termination of service (other than (i) coverage mandated by applicable law or (ii) death benefits or retirement benefits under any "employee pension plan," as that term is defined in section 3(2) of ERISA). To the Knowledge of the Company, there are no pending, threatened or anticipated claims by or on behalf of any Plan, by any employee or beneficiary covered under any such

Plan, or otherwise involving any such Plan (other than routine claims for benefits).

(iv) Schedule 2.2(p)(iv) sets forth the life insurance policies to be transferred to the Rabbi Trust (defined in Section 4.3) and remaining premiums to be paid under such policies by the Company.

(q) Intellectual Property.

(i) Schedule 2.2(q)(i) sets forth a list of all (A) registered and applied for trademarks, trade names, service marks and (B) registered and applied for copyrights, including registrations and applications to register or renew the registration of any of the foregoing, (C) patents and patent applications, and (D) inventions, trademarks, trade names, and service marks, trade secrets, copyrights (whether registered or unregistered), know-how and any other intellectual property ("Intellectual Property") owned by the Company and used in or material to the conduct of the Company's business as currently conducted (collectively, the "Owned Intellectual Property"). Owned Intellectual Property shall include, but Schedule 2.2(q) need not disclose, inventions, trade secrets and know-how and nonmaterial unregistered copyrights.

(ii) Except as set forth on Schedule 2.2(q)(ii), (A) the Company is the sole and exclusive and record and beneficial owner of the Owned Intellectual Property, free and clear of all Liens, subject only to such third party rights as are set forth in the Material Contracts listed in Schedule 2.2(o), and, to the Knowledge of the Company, the Company's use of the Owned Intellectual Property does not infringe on the rights of any third party; (B) there is no claim or demand of any person or entity pertaining to, or any proceeding which is pending or, to the Knowledge of the Company, threatened that challenges the rights of the Company with respect to any Owned Intellectual Property, other than infringements, claims, demands, or defaults that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (C) there are no royalties, honoraria, fees or other payments payable by the Company to any person by reason of ownership, use, licensure or sale

of any product embodying any Owned Intellectual Property or the conduct of the business as currently conducted except as set forth in the Material Contracts listed in Schedule 2.2(o); (D) the Company has not entered into and is not otherwise bound by any consent, forbearance to sue or settlement agreement which limits the Company's rights to use, sell or license any Owned Intellectual Property, except as set forth in the Material Contracts listed in schedule 2.2(o); (E) the patents, registrations and applications set forth on Schedule 2.2(q) are not subject to any pending or, to the Knowledge of the Company, threatened opposition, cancellation or similar proceeding before any court or registration authority; (F) to the Knowledge of the Company, no person has infringed, misappropriated or misused any of the Owned Intellectual Property and the Company has not asserted any claim of infringement, misappropriation or misuse against any person within the past three (3) years which remains unresolved; and (G) to the Knowledge of the Company, all issued patents and registrations set forth on Schedule 2.2(q) are valid and enforceable.

(iii) Schedule 2.2(q)(iii) sets forth a list of all written licenses (x) material to the conduct of the Company's business as presently conducted, (y) pursuant to which the use by any person or entity of Owned Intellectual Property is permitted by the Company, or (z) pursuant to which the use by the Company of Intellectual Property is permitted by any person. All such licenses are in full force and effect. To the Knowledge of Company, the Company is not in default under any such license.

(r) Labor Relations and Employment. Except to the extent set forth in Schedule 2.2(r), (i) there is no labor strike, dispute, slowdown, stoppage or lockout pending or, to the Knowledge of the Company, threatened against or affecting the Company; (ii) to the Knowledge of the Company, no union claims to represent the employees of the Company; (iii) the Company is not a party to or bound by any collective bargaining or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of the Company; (iv) none of the employees of the Company is represented by any labor organization and to the Knowledge of the Company, there is not any current union organizing activities

among the employees of the Company nor does any question concerning representation exist concerning such employees; (v) there is no unfair labor practice charge or complaint against the Company or, to the Knowledge of the Company, threatened before the National Labor Relations Board or any similar state or foreign agency; (vi) there is no grievance arising out of any collective bargaining agreement or other grievance procedure which, if adversely determined, would have a Material Adverse Effect; (vii) no charges with respect to or relating to the Company are pending before the Equal Employment Opportunity Commission or any other agency responsible for the prevention of unlawful employment practices which, if adversely determined, would have a Material Adverse Effect; (viii) the Company has not received written notice of the intent of any federal, state, local or foreign agency responsible for the enforcement of labor or employment laws to conduct an investigation of the Company nor is such an investigation in progress; (ix) there are no complaints, lawsuits or other proceedings pending or, to the Knowledge of the Company, threatened in any forum by or on behalf of any present or former employee of the Company which, if adversely determined or resolved would individually or in the aggregate, would have a Material Adverse Effect; and (x) no employee of the Company has suffered an "employment loss" (as defined in the Worker Adjustment and Restraining Notification Act) during the ninety (90) days prior to the date hereof.

(s) Absence of Undisclosed Liabilities. Except (i) as disclosed in Schedule 2.2(s), (ii) as and to the extent disclosed or reserved against in the 1996 Consolidated Financial Statements, or (iii) liabilities incurred after the date of the 1996 Consolidated Financial Statements in the ordinary course of the Company's business consistent with past practice the Company does not have any liabilities or obligations of any nature which, individually or in the aggregate, have had and would not reasonably be expected to have a Material Adverse Effect.

(t) Assets of the Company. The Company owns, or otherwise has legally enforceable rights to use, all of the properties and assets material to the conduct of the business of the Company as it is currently conducted.

(u) Environmental Matters.

(i) Except as set forth in Schedule 2.2(u), to the Knowledge of the Company, (A) the Company is in substantial compliance with all provisions of all statutes, laws, rules, regulations,

ordinances, codes or orders of any recognized governmental authority that are applicable to the business of the Company or the Real Property owned or leased by the Company relating to pollution or the protection of human health or the environment, or to any generation, processing, storage, holding, abatement, existence, release, threatened release or transportation of any Hazardous Substances (hereinafter defined), as in effect on the date hereof ("Environmental Laws"), except for such violations and defaults that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect (B) there are no circumstances that may prevent or interfere with such continued compliance in the future and (C) the Company has not received any written notice or other communication that alleges that the Company is not in such compliance, except for allegations that have been finally resolved without any material obligation on the part of the Company;

(ii) Schedule 2.2(u) sets forth all material Consents necessary for the conduct of the business of the Company as currently conducted pursuant to Environmental Laws (the "Environmental Permits"). The Company has duly obtained all such Environmental Permits, and all such Environmental Permits are in full force and effect. To the Knowledge of the Company, the Company is in substantial compliance with all Environmental Permits held by it, except for such failures to so possess or comply that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect;

(iii) Except as set forth on Schedule 2.2(u), to the Knowledge of Company, the Company has not received any written notification pursuant to any Environmental Law that the Company, any operations of the business of the Company, or its Real Property, is or may be the subject of any proceeding, investigation, claim, lawsuit or order by any governmental authority or other Person as to whether (x) any remedial action is or may be needed to respond to a release or (y) the Company is or may be a "potentially responsible party" pursuant to any Environmental Law;

(iv) Except as set forth on Schedule 2.2(u), to the Knowledge of the Company, the Company has not entered into any

written agreement with, or been issued any order by, any governmental authority by which the Company has assumed responsibility, either directly or as a guarantor or surety, for the remediation of any condition arising from or relating to a release or threatened release on or with respect to its Real Property or any other location; and

(v) Except as set forth on Schedule 2.2(u), to the Knowledge of the Company there is not now and has not been at any time in the past a release in connection with the conduct of the business of the Company of Hazardous Substances (x) for which the Company may be responsible and (y) which would reasonably be expected to have a Material Adverse Effect. The term "Hazardous Substances" shall mean any substance that requires investigation, removal or remediation under any Environmental Law, or is defined, listed or identified as a "hazardous waste" or "hazardous substance" or otherwise regulated thereunder.

(v) Product Liability. Except as set forth in Schedule 2.2(v), there is no action, suit, inquiry, proceeding or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or, to the Knowledge of the Company, threatened against or involving the Company relating to any product alleged to have been manufactured or sold by the Company and alleged to have been defective or improperly designed or manufactured.

(w) No Triggering Events. Except under the agreements set forth on Schedule 2.2(o)(i)(a) and (c) and any split dollar insurance agreements listed on Schedule 2.2(w) with the Company's executives, the execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby will not constitute a triggering event (including a "first trigger") under any employment, bonus, deferred compensation, incentive compensation, stock purchase, stock option, stock appreciation right, restricted stock, performance unit, severance or termination pay, hospitalization or other medical, life or other insurance, supplemental unemployment benefit, flexible benefit, profit-sharing, pension, employee stock ownership or retirement plan, program, fund, trust, agreement or arrangement sponsored, maintained, contributed to, required to be contributed to or entered into by the Company (or any trade or business, whether or not incorporated, that together with the Company

would be deemed a "single employer" within the meaning of section 4001(b)(1) of ERISA, and the rules and regulations promulgated thereunder) that will, or upon the occurrence of subsequent events would, accelerate the time of payment or vesting or increase the amount of compensation or benefits due to any director, officer, employee or former employee (or any dependent of a former employee) of the Company.

(x) Relationship with ROV Ltd. The agreements listed on Schedule 2.2(o)(ix)(g)-(j) are the only agreements between the Company and ROV Ltd., true and complete copies of which have been delivered to Purchasers.

(y) Consolidated Net Worth. The Consolidated Net Worth as of June 30, 1996 and as of the Closing Date is a minimum of $59,000,000. The term Consolidated Net Worth shall mean the consolidated net worth of the Company and its Subsidiaries on a GAAP basis and consistent with the Company's past practices, adding back, to the extent charged to income and not capitalized on or prior to the date hereof, the following amounts: (i) $2,253,980 representing any debt prepayment penalties for retiring the long-term debt (ii) $3,750,000 representing the fees and expenses for the purchase of bridge securities and not syndicating the senior bank debt; and (iii) $170,000 representing ordinary losses of the Company between June 30 and August 30, 1996 due to annual plant closing.

(z) Plant and Equipment. The plants, structures and equipment of the Company are structurally sound with no known defects and are in good operating condition and repair (except for ordinary wear and tear, and except for assets which do not materially impair the business of the Company) and are adequate for the uses to which they are being put; and none of such plants, structures or equipment are in need of maintenance or repairs except for ordinary, routine maintenance and repairs. To the Knowledge of the Company, the Company has not received notification that it is in violation of any applicable building, zoning or similar ordinance or regulation in respect of its plants or structures or their operations and no such violation exists.

(aa) Relationship with Rayovac International Corp. The agreements listed on Schedule 2.2(aa) are the only agreements between the Company and Rayovac International Corp., copies of which have been delivered to Purchasers.

3. REPRESENTATIONS AND WARRANTIES OF PURCHASERS

Purchasers represent and warrant to the Redemption Shareholders and Company as of the date hereof as follows:

3.1. Organization and Good Standing. Such Purchaser purporting to be a partnership is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

3.2. Power. Each Purchaser has full power, legal right and authority to enter into, execute and deliver this Agreement and the Ancillary Instruments, to perform such Purchaser's obligations hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.

3.3. Authorization. The execution and delivery of this Agreement and the Ancillary Instruments and the consummation of the transactions contemplated herein and therein have been duly authorized by each Purchaser. Upon execution by the parties hereto, this Agreement and the Ancillary Instruments will constitute the legal, valid and binding obligation of each Purchaser, enforceable against each Purchaser in accordance with its terms, except to the extent enforceability may be limited by (a) the effect of bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights and remedies of creditors generally, (b) general principles of equity, whether such enforceability is considered in a proceeding in equity or at law, and the discretion of the court before which any proceeding thereof or may be brought, and (c) the unenforceability under certain circumstances under law or court decisions of provisions providing for the indemnification of a party with respect to a liability where such indemnification is contrary to public policy.

3.4. No Conflict. The execution and delivery of this Agreement by each Purchaser and the consummation of the transactions contemplated hereby do not and will not conflict in any respect with or result in any violation of or default under (a) any note, bond, mortgage, indenture, license agreement, lease or other agreement, instrument or obligation to which Purchaser is a party or (c) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to such Purchaser, except in the case of clauses (b) and (c) for conflicts, violations or defaults that would not materially impair Purchaser's ability to perform his/her/its obligations hereunder.

3.5. No Consent. No Consent is required to be obtained by any Purchaser in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby except for Consents which, if not obtained, would not impair any Purchaser's ability to perform his/her/its obligations hereunder.

3.6. Litigation. There are no judicial or administrative actions, suits, proceedings or investigations pending, or to the knowledge of such Purchaser, threatened (a) which question the validity of this Agreement or (b) which prevent such Purchaser from consummating the transactions contemplated hereby.

3.7. Brokers, Finders, etc. All negotiations relating to this Agreement and the transactions contemplated hereby have been carried out without the intervention of any person acting on behalf of Purchasers in such manner as to give rise to any valid claim against Purchasers, Redemption Shareholders or the Company for any brokerage or finder's commission, fee or similar compensation.

3.8. Purchase for Investment. The Investments Shares purchased by Purchasers pursuant to this Agreement are being acquired for investment only and not with a view to any public distribution thereof in violation of any of the requirements of the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

4. MUTUAL COVENANTS. Each of the Company, Purchasers and Redemption Shareholders covenants and agrees as follows:

4.1. Capitalization. After giving effect to the transactions contemplated by this Agreement and the Stock Split, the authorized capital stock of the Company shall consist of 27,000,000 shares of Common Stock, par value $.01 per share, 20,510,480 shares of which shall be issued and outstanding. Exhibits A and B describe the record and beneficial owners of such shares. The parties acknowledge the cancellation prior to Closing by Richard Thornley and Arthur Homa of options to purchase 10,000 and 8,000 Shares, respectively, in consideration for the payment of a bonus to Mr. Thornley and the Company's agreement to grant an option for 40,000 shares of Common Stock to Mr. Homa (such number adjusted to reflect the Stock Split).

4.2. Transaction and Closing Fees. The Company shall pay all transaction fees, including those set forth in Section 1.4. It shall also pay to the Thomas H. Lee Company ("THL") and its affiliates, pursuant to a Management Agreement between the Company and THL, a closing fee not to exceed $3.25 Million Dollars.

4.3. RABBI Trusts. The Company has established a rabbi trust ("Rabbi Trust") pursuant to that certain Rayovac Corporation Irrevocable Trust Under Supplemental Retirement and Survivor Income Plan, dated September 12, 1996, as an unfunded plan maintained for the purpose of providing benefits to the participants in the Rayovac Corporation Supplemental Retirement and Survivor Income Plan (the "SRSIP"). Pursuant to the Rabbi Trust, the Company shall contribute to the Rabbi Trust the life insurance policies listed on Schedule 2.2(p)(iv) hereto ("Policies"). The Company shall, thereafter, pay the remaining premiums with respect to the Policies, also set forth on Schedule 2.2(p)(iv) hereto as they come due. The Company shall make no further contributions to the Rabbi Trust.

4.4. Records. After the Closing, upon reasonable written notice, Purchasers and Company shall furnish or cause to be furnished to Redemption Shareholders' Agents and their representatives, employees, counsel and accountants access to, during normal business hours, such assistance and information, including all original agreements, documents, books, records and files relating to the business of the Company in the possession of Purchasers or Company, as the case may be (collectively, "Records"), as is reasonably necessary for financial reporting and accounting matters, the preparation and filing of any tax returns, reports or forms or the defense of any tax claim or assessment controlled by the Company or Redemption Shareholders; provided, however, that such access does not unreasonably disrupt the normal operations of Purchasers or the Company and provided further that Redemption Shareholders' Agents shall have entered into a reasonable confidentiality agreement with the Company concerning the Records made available to them.

4.5. Further Actions. Each of the parties agrees to use all reasonable efforts to take or cause to be taken all actions, and to do or cause to be done all other things, necessary, proper or advisable to consummate and make effective the transactions contemplated hereby including, without limitation, obtaining all Consents from third parties required to be obtained by such party for the consummation of the transactions contemplated hereby, other than, in the case

of Purchasers, any Consents, the failure of which to be obtained, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect or materially impair the ability of Purchasers to perform their obligations hereunder.

5. CLOSING

5.1. Deliveries by Redemption Shareholders. Redemption Shareholders are herewith delivering to Purchasers or the Company or otherwise causing the Company to take the actions indicated below.

(a) Investment Shares. The issuance by the Company or delivery by Redemption Shareholders (and subsequent issuance by the Company) of certificates representing the Investment Shares to Purchasers as provided in Section 1.1 hereto.

(b) Redemption Shares. All of the certificates for the Redemption Shares as provided in Section 1.2 hereto.

(c) Resignation of Directors. The resignations of all directors and officers of the Company whose resignations have been requested by Purchasers not less than five (5) days prior to the Closing Date.

(d) Consents. Originally executed instruments evidencing the consents required by Purchasers to consummate the transactions contemplated hereby and listed on Schedule 5.1(d).

(e) Repayment of Indebtedness. All indebtedness and other amounts outstanding as of the Closing Date of the Company listed in Schedule 2.2(o)(vi)(b)-(f) or required to be so listed shall have been paid in full.

(f) Old Shareholders Agreement. Copies of instruments terminating each Amended and Restated Shareholders Agreement between the Company, Pyle and each Redemption Shareholder.

(g) New Shareholders Agreement. The Shareholders' Agreement by and between the Company, the Purchasers and each Redemption Shareholder who will be a shareholder of the Company immediately after the Closing, dated as of the Closing Date, in substantially the form of Exhibit D attached hereto.

(h) Opinions. The opinion of Foley & Lardner, dated the Closing Date and addressed to Purchasers, in substantially the form of Exhibit E attached hereto, along with the opinion of James A. Broderick, General Counsel of the Company, and addressed to Purchasers, in substantially the form of Exhibit K, relating to intellectual property matters.

(i) Recapitalization Accounting. A letter of Coopers & Lybrand L.L.P., the Company's independent auditors, dated the Closing Date and addressed to Purchasers, stating that the transactions contemplated by this Agreement will qualify for recapitalization accounting.

(j) Options. Appropriate instruments evidencing no outstanding options, warrants or other rights to purchase or subscribe to capital stock or other securities of the Company or securities which are convertible or exchangeable for capital stock or other securities of the Company.

(k) Resolutions. Copies of the resolutions of the Company's Board of Directors, authorizing and approving the execution of, delivery and performance under this Agreement and Ancillary Instruments, the issuance of Investment Shares, redemption of Redemption Shares and the consummation of the transactions contemplated hereby and thereby, certified as true and correct by its Secretary or any Assistant Secretary.

(l) Articles; Good Standing Certificate. A certificate from the State of Wisconsin certifying the valid organization and existence of the Company and Articles of Incorporation of Company certified by an appropriate government official as of a recent date.

(m) By-Laws. Company's Bylaws, certified by the Secretary or any Assistant Secretary of Company as of the date hereof.

(n) Consulting and Non-Competition Agreement. An executed Consulting Agreement in the form of Exhibit L and Confidentiality, Non-Competition, No-Solicitation, and No-Hire Agreement, each by and between Company and Thomas F. Pyle, Jr., dated the Closing Date, in substantially the form of Exhibit F attached hereto and a Confidentiality, Non-Competition, No-Hire and No-Solicitation Agreement by and between the Company and Judith Pyle, dated the Closing Date in substantially the form of Exhibit F attached hereto.

(o) Non-Competition Agreements. Executed Non-Competition Agreements by and between the Company and Marvin Siegert and Glynn Rossa, dated the Closing Date, in substantially the form of Exhibit G, attached hereto.

(p) Certain Assets. Originally executed instruments evidencing the Company's sale, distribution or assignment of (i) that certain Aircraft Lease dated May 30, 1996 between Fleet National Bank and the Company; (ii) that certain sublease for airport facilities and land between Big Sky Partners and the Company dated March 19, 1993; (iii) membership at La Quinta Country Club; (iv) the Company's rights to the luxury box at Camp Randall Stadium, floor seats at the Kohl Center, and Chicago Bulls season tickets; (v) condominium in the Dominican Republic; and (vi) the office furniture of Thomas and Judith Pyle, to certain executives of the Company or entities controlled by the Pyle Group.

(q) FIRPTA Certificate. Each Redemption Shareholder shall have delivered to Purchasers a certificate, as contemplated under and meeting the requirements of Section 1.1445-2(b)(2)(i) of the Treasury Regulations, to the effect that such Redemption Shareholder is not a "foreign person" within the meaning of the Code and applicable Treasury Regulations.

(r) Accountant's Letter. An accountant's letter of Coopers & Lybrand L.L.P., dated within five days of the Closing Date and addressed to Purchasers, in substantially the form of Exhibit J hereto.

(s) Releases. Such documents, instruments or writings in the form satisfactory to Purchasers' counsel evidencing the release of the Company from any indemnity or other obligations with respect to any assets transferred pursuant to Section 5.1(p).

(t) Officer's Certificates. An officer's certificate of the Chief Financial Officer of the Company certifying that the estimated Closing Date balance sheet of the Company, attached thereto, is true and correct in all material respects (such balance sheet indicating that the Company's Consolidated Net Worth is an amount in excess of $59,000,000) as well as an officer's certificate of the Chief Financial Officer of the Company with respect to the solvency of the Company.

5.2. Deliveries by Purchasers. Purchasers are hereby delivering to Redemption Shareholders or the Company the following:

(a) Investment Price. The Investment Price by wire transfer to the Company and Shareholders' Agent.

(b) Opinion. The opinion of Skadden, Arps, Slate, Meagher & Flom, dated the Closing Date and addressed to Redemption Shareholders, in substantially the form of Exhibit H attached hereto.

(c) New Shareholders Agreement. The executed Shareholders' Agreement between the Company, Redemption Shareholders who will be a shareholder of the Company immediately after the Closing and each Purchaser, dated the Closing Date, in substantially the form of Exhibit D attached hereto.

5.3. Deliveries by Company. The Company is hereby delivering to Redemption Shareholders or Purchasers the following:

(a) Investment Shares. To the Purchasers, stock certificates (in such denominations as described on Exhibit A) representing the Investment Shares. All stock certificates representing the Investment Shares delivered to Purchasers shall reflect the Stock Split and shall bear an appropriate legend as set forth in the Shareholders Agreement. In addition, the Company shall deliver to all Redemption Shareholders who will remain shareholders of the Company after the date hereof, new stock certificates which shall reflect the Stock Split and shall bear an appropriate legend as set forth in the Shareholders Agreement.

(b) Purchase Price. The Purchase Price by wire transfer to the Redemption Shareholders' Agent in accordance with Section 1.2 hereof.

6. INDEMNIFICATION

6.1. By Redemption Shareholders. Subject to the terms and conditions of this Article 6, each Redemption Shareholder severally but not jointly hereby agrees to indemnify, defend and hold harmless each Purchaser and the Company from and against all Claims asserted against, resulting to, imposed upon, or incurred by each Purchaser or the Company, directly or indirectly, by reason of, arising out of or resulting from (a) the inaccuracy or breach of any representation or warranty (including the Schedules to this Agreement) of any

Redemption Shareholder or Company contained in or made pursuant to this Agreement or (b) the breach of any covenant or other agreement of any Redemption Shareholder contained in this Agreement. Regardless of the foregoing, however, breaches of representations and warranties contained in Section 2.1 hereof shall be subject only to several indemnification by the respective Redemption Shareholders who shall have made and breached such representations and warranties. As used in this Article 6, the term "Claim" shall include (i) all debts, liabilities and obligations; (ii) all losses, damages (including, without limitation, consequential damages), judgments, awards, settlements, costs and expenses (including, without limitation, interest (including prejudgment interest in any litigated matter), penalties, court costs and attorneys fees and expenses); and (iii) all demands, claims, suits, actions, costs of investigation, causes of action, proceedings and assessments, whether or not ultimately determined to be valid. In this Article 6, for purposes of determining the existence of the inaccuracy or breach of any representation or warranty of any Redemption Shareholder or the Company, any requirement in any representation or warranty that an event or fact be material, meet a certain minimum dollar threshold or have a Material Adverse Effect in order for such event or fact to constitute breach of a representation or warranty shall be disregarded.

6.2. By Purchasers. Subject to the terms and conditions of this Article 6, Purchasers, severally hereby agree to indemnify, defend and hold harmless each Redemption Shareholder from and against all Claims asserted against, resulting to, imposed upon or incurred by any such person, directly or indirectly, by reason of or resulting from (a) the inaccuracy or breach of any representation or warranty of any Purchaser contained in or made pursuant to this Agreement or (b) the breach of any covenant or other agreement of any Purchaser contained in this Agreement.

6.3. By Company. Subject to the terms and conditions of this Article 6, Company hereby agrees to indemnify, defend and hold harmless each Redemption Shareholder from and against all Claims asserted against, resulting to, imposed upon or incurred by any such person, directly or indirectly, by reason of or resulting from the breach of any post-closing covenant or other agreement of the Company contained in this Agreement.

6.4. Indemnification of Third-Party Claims. The obligations and liabilities of any party to indemnify any other under this Article 6 with respect to

Claims relating to third parties shall be subject to the following terms and conditions:

(a) Notice and Defense. The party or parties to be indemnified (whether one or more, the "Indemnified Party") will give the party or parties from whom indemnification is sought (whether one or more, the "Indemnifying Party") prompt written notice of any such Claim providing reasonable specificity of the nature of the Claim, the parties involved and the facts giving rise to Claim, and the Indemnifying Party will undertake the defense thereof by representatives chosen by it and reasonably acceptable to the Indemnified Party. The Indemnified Party shall have the right to employ one counsel of its choice to represent such Indemnified Party if it reasonably believes a conflict of interest between such Indemnified Party and such Indemnifying Party exists in respect of a Claim or if the amount of such Claim, after taking into account other Claims, may exceed the maximum amount set forth in Section 6.5(c) and in that event the reasonable fees and expenses of such separate counsel shall be paid by such Indemnifying Party for representation with respect to such Claim. In any event, the Indemnified Party shall have the right to participate at its own expense in the defense of such Claim. In all matters concerning the Redemption Shareholders, the Redemption Shareholders' Agent shall give and receive notice and otherwise act in all respects on their behalf. Failure to give such notice shall not affect the Indemnifying Party's duty or obligations under this Article 6, except to the extent the Indemnifying Party is prejudiced thereby. So long as the Indemnifying Party is defending any such Claim actively and in good faith, the Indemnified Party shall not settle such Claim. The Indemnifying Party may not settle a Claim without the written consent of the Indemnified Party unless such settlement provides solely for money damages or other money payments for which such Indemnified Party is entitled to indemnification hereunder and includes as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such Claim. The Indemnified Party shall make available to the Indemnifying Party or its representatives all records and other materials reasonably required by them and in the possession or under the control of the Indemnified Party, for the use of the Indemnifying Party and its representatives in

defending any such Claim and shall in other respects give reasonable cooperation in such defense. The Indemnifying Party shall make available to the Indemnified Party or its representatives, all records and other materials reasonably required by them and in the possession or under the control of the Indemnifying Party, for the use of the Indemnified Party and its representatives in defending any such Claim and shall in other respects give reasonable cooperation in such defense.

(b) Failure to Defend. If the Indemnifying Party, within a reasonable time after notice of any such Claim, fails to defend such Claim actively and in good faith, the Indemnified Party will (upon further notice) have the right to undertake the defense, compromise or settlement of such Claim or consent to the entry of a judgment with respect to such Claim, on behalf of and for the account and risk of the Indemnifying Party, and the Indemnifying Party shall thereafter have no right to challenge the Indemnified Party's defense, compromise, settlement or consent to judgment therein.

6.5. Payment. The Indemnifying Party shall pay the Indemnified Party any amount due under this Article 6. Upon judgment, determination, settlement or compromise of any third party Claim, the Indemnifying Party shall pay promptly on behalf of the Indemnified Party, and/or to the Indemnified Party in reimbursement of any amount theretofore required to be paid by it, the amount so determined by judgment, determination, settlement or compromise and all other Claims of the Indemnified Party with respect thereto, unless in the case of a judgment an appeal is made from the judgment. If the Indemnifying Party desires to appeal from an adverse judgment, then the Indemnifying Party shall post and pay the cost of the security or bond to stay execution of the judgment pending appeal. Upon the payment in full by the Indemnifying Party of such amounts, the Indemnifying Party shall succeed to the rights of such Indemnified Party for such Claim, to the extent not waived in settlement, against the third party who made such third party Claim.

6.6. Limitations on Indemnification.

(a) Time Limitation. No notice of a Claim for breach of a representation or warranty shall be made under this Article 6 after the lapse of the earlier of (i) the completion of the audit covering

fiscal 1997, or (ii) September 30, 1997. Regardless of the foregoing, however, or any other provision of this Agreement:

(i) There shall be no time limitation on claims on actions brought for breach of any representation or warranty made by Redemption Shareholders pursuant to Section 2.1(c) and 2.2(e).

(ii) Except as provided below, any claim or action brought for breach of any representation or warranty made by Shareholders in Section 2.2(k) may be brought at any time until the underlying tax obligation is barred by the applicable period of limitation under applicable law.

(b) Amount Limitation. Except with respect to claims for breaches of representations or warranties contained in Section 2.2(y), an Indemnified Party shall only be entitled to indemnification under this Article 6 for inaccuracy or breach of a representation or warranty if the amount for a particular inaccuracy or breach of a representation or warranty exceeds Fifty Thousand Dollars ($50,000), and then only if and to the extent that the aggregate amount of the Indemnifying Party's indemnification obligations to the Indemnified Party pursuant to this Article 6 is in excess of Five Hundred Thousand Dollars ($500,000).

(c) Maximum Liability. Shareholders' collective indemnification obligations to the Purchasers pursuant to this Article 6 (other than pursuant to Section 2.1(c)) shall not exceed in the aggregate Twenty Million Dollars ($20,000,000).

(d) Tax and Benefits. The indemnification obligation of an Indemnifying Party shall be reduced by any insurance recovery received by the Indemnified Party for the Claim and by a tax benefit the satisfaction of the Claim provides the Indemnified Party at the maximum applicable rate whether or not the Indemnified Party is in a tax paying position.

(e) Several Liability. Subject to the limitations in Section 6.6(c), the liability of an Indemnifying Party with respect to any individual Claim shall in no event exceed an amount equal to the product of the amount of such Claim and the percentage set forth opposite such Purchaser's name on Exhibit A under the heading "Percentage of Investment" or opposite such Redemption Shareholder's name on Exhibit B under the heading "Pre-Sale Ownership; %age of Total."

6.7. Certain Tax Matters.

(a) Indemnification.

(i) Subject to Section 6.6(c), each Redemption Shareholder severally hereby agrees to indemnify, defend and hold the Company, each Purchaser and its affiliates harmless from and against any and all Taxes with respect to the Company that are imposed upon such Indemnified Party, to the extent the aggregate amount of such Taxes exceeds $1.025 million, with respect to (1) any taxable period ending on or before June 30, 1996 (such Taxes are hereinafter referred to as "Pre-Closing Taxes" and such periods as "Pre-Closing Periods") and (2) one half of the aggregate amount of any real property transfer or gains, sales, use, transfer, value-added, stock transfer and stamp Taxes, any transfer, recording, registration and other fees, and any similar Taxes that are required to be paid in connection with the transactions contemplated herein (collectively, "Transfer Taxes"), in each case, together with all reasonable legal fees, costs and expenses incurred by the Company, Purchasers or their affiliates, as the case may be, in connection therewith.

(ii) Purchasers severally hereby agree to indemnify, defend and hold each Redemption Shareholder harmless from and against any and all Taxes (other than Transfer Taxes) with respect to the Company that are imposed upon such Redemption Shareholder with respect to (1) any taxable period beginning after June 30, 1996, and (2) one half of the aggregate amount of any Transfer Taxes, in each case,

together with all reasonable legal fees, costs and expenses incurred by each Redemption Shareholder and its affiliates in connection therewith.

(iii) The indemnity provided for in this Section 6.6 shall be independent of any other indemnity provision in the Agreement and, anything in the Agreement to the contrary notwithstanding, shall survive until the expiration of the applicable statutes of limitation for the Taxes referred to herein (giving effect to any extensions or waivers thereto).

(b) Control of Contests.

(i) If a notice of deficiency, proposed adjustment, adjustment, assessment, audit, examination, suit, dispute or other claim (a "Tax Claim") shall be delivered, sent, commenced, or initiated to or against Company or Purchasers or any of their affiliates by any taxing authority (whether foreign or domestic) with respect to Taxes for which Company or Purchasers or their affiliates are entitled to indemnification under this Section 6.6, Purchasers shall promptly notify Redemption Shareholders' Agents in writing of the Tax Claim. If a Tax Claim shall be delivered, sent, commenced or initiated to or against any of the Redemption Shareholders by any taxing authority (whether foreign or domestic) with respect to Taxes for which one party to this Agreement is entitled to indemnification under this Section 6.6, such Redemption Shareholders shall promptly notify Purchasers in writing of such Tax Claim.

(ii) If Redemption Shareholders' Agents notify Purchasers in writing within 20 days of receiving notice of a Tax Claim involving solely Pre-Closing Taxes (the "Control Notice"), Redemption Shareholders' Agents shall be entitled to control, at their sole cost and expense, the defense of any such Tax Claim, provided, however, that (1) Redemption Shareholders' Agents shall keep Purchasers informed about, and shall allow them to participate in (but not control), at their sole expense, the defense of any such

Tax Claim; (2) Redemption Shareholders' Agents shall not pay, discharge, settle, compromise, litigate or otherwise dispose (collectively, "dispose") of any such Tax Claim without obtaining the prior written consent of Purchasers, which shall not be unreasonably withheld or delayed; and (3) if Purchasers disagree with any proposed disposition of any such Tax Claim, Purchasers shall have the right, at their sole expense, to litigate such Tax Claim; provided, however, that Purchasers shall not settle such Tax Claim without the prior written consent of Redemption Shareholders' Agents, which shall not be unreasonably withheld or delayed; provided, further, that (A) Redemption Shareholders' indemnification obligation with respect to such Tax Claim shall be no greater than such obligation would have been had such Tax Claim been disposed of in the manner originally contemplated by Redemption Shareholders' Agents and (B) Purchasers severally shall indemnify, defend and hold harmless Redemption Shareholders from and against any liability for Taxes with respect to the Company that are imposed upon such Indemnified Party in excess of the liability for Taxes, if any, that otherwise would have resulted had such Tax Claim been disposed of in the manner originally contemplated by Redemption Shareholders' Agents.

(iii) If Redemption Shareholders' Agents do not provide Purchasers with the Control Notice within the 20-day period prescribed in subparagraph (b)(ii) above, Purchasers shall control the defense of any Tax Claim involving solely Pre-Closing Taxes and (1) shall consult with Redemption Shareholders' Agents and keep Redemption Shareholders' Agents informed of all material developments and events relating to such Tax Claim and (2) shall not dispose of such Tax Claim without the written consent of Redemption Shareholders' Agents, which shall not be unreasonably withheld or delayed.

(iv) If the Company, Purchasers or Redemption Shareholders receive notice of a Tax Claim involving an adjustment of any item in both a Pre-Closing Period and any

taxable period beginning after June 30, 1996, Purchasers shall be entitled to control the defense of any such Tax Claim, provided however, that (1) Purchasers shall keep Redemption Shareholders' Agents informed about, and shall allow them to participate in (but not control) at their sole expense, the defense of any such Tax Claim; (2) Purchasers shall not dispose of any such Tax Claim without obtaining the prior written consent of the Redemption Shareholders' Agents, which consent shall not be unreasonably withheld or delayed; and (3) if Redemption Shareholders' Agents disagree with any proposed disposition of any such Tax Claim, Redemption Shareholders' Agents shall have the right, at their sole expense, to litigate such Tax Claim provided, however, that Redemption Shareholders' Agents shall not settle such Tax Claim without the prior written consent of Purchasers, which consent shall not be unreasonably withheld or delayed; provided, further, that (A) Purchaser's indemnification obligation with respect to such Tax Claim shall be no greater than such obligation would have been had such Tax Claim been disposed of in the manner originally contemplated by Purchasers and (B) each Redemption Shareholder severally shall indemnify, defend and hold harmless the Company, each Purchaser and its affiliates from and against any liability for Taxes with respect to the Company that are imposed upon such Indemnified Party in excess of the liability for Taxes, if any, that otherwise would have resulted had such Tax Claim been disposed of in the manner originally contemplated by Purchasers.

(v) Purchasers, in their sole discretion, shall be entitled to control the defense and disposition of all other Tax Claims.

(vi) Indemnifying Party shall pay to the Indemnified Party all indemnity amounts in respect of any Tax Claim within ten (10) business days after such Tax Claim is disposed of or a Final Determination has been made with respect thereto. "Final Determination" shall mean (1) the

entry of a decision of a court of competent jurisdiction at such time as an appeal may no longer be taken from such decision or (2) the execution of a closing agreement or its equivalent between the particular taxpayer and the particular relevant taxing authority.

(c) Preparation and Filing of Tax Returns; Payment of Taxes.

(i) On or prior to the Closing Date, (1) Redemption Shareholders' Agents shall prepare or cause to be prepared and file or cause to be filed on a timely basis and in a manner consistent with past practice all Tax Returns of the Company for all Pre-Closing Periods, which Tax Returns are due (giving effect to any extensions thereto) on or before the Closing Date (excluding state and federal income Tax Returns for the taxable year ended June 30, 1996) and (2) Redemption Shareholders' Agents or the Company shall be responsible for and shall timely pay all Taxes shown to be due thereon prior to the Closing Date.

(ii) After the Closing Date, Purchasers shall prepare or cause to be prepared and shall file or cause to be filed on a timely basis all other Tax Returns with respect to the Company and shall pay or cause to be paid the Taxes shown due thereon; provided, however, that Purchasers shall allow Redemption Shareholders' Agents to review any Tax Return for a Pre-Closing Period and shall not file any such Tax Return without first obtaining the prior written consent of Redemption Shareholders' Agents, which consent shall not be unreasonably withheld or delayed, provided, however, that if Redemption Shareholders' Agents do not consent to the filing of any such Tax Return, Purchasers shall be entitled to file such Tax Return, and any disputed items relating to such Tax Return shall be subject to the dispute resolution procedures set forth in subparagraph (f).

(iii) The party responsible for filing any Tax Return with respect to Transfer Taxes shall prepare or cause to be

prepared and shall file or cause to be filed on a timely basis such Tax Return and shall pay or cause to be paid the Transfer Taxes shown due thereon. The filing party shall provide the other party with a schedule calculating in reasonable detail such other party's indemnification obligation pursuant to subsection (a) hereof, which amounts shall be paid to the filing party within five days of receiving such schedule.

(d) Termination of Tax Sharing Agreements. Redemption Shareholders hereby agree and covenant that any obligation under any tax sharing agreement or arrangement of the Company shall be terminated on or before the Closing Date, and no payments pursuant to any such tax sharing agreement or arrangement shall be made after such termination.

(e) Mutual Cooperation. Each of Purchasers and Redemption Shareholders' Agents shall provide the other, and, after the Closing Date, Purchasers shall cause the Company to provide Redemption Shareholders' Agents, with such assistance as may reasonably be requested by either of them in connection with the preparation of any Tax Return, any audit or other examination by any taxing authority, any judicial or administrative proceedings relating to liability for Taxes, or any Tax Claim, and each will retain and provide the other with any records or information that may be relevant to such Tax Return, audit or examination, proceedings or determination. Such assistance shall include making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder and shall include providing copies of any relevant Tax Returns and supporting work schedules.

(f) Dispute Resolution. If Purchasers and Redemption Shareholders' Agents cannot agree as to the amount of any party's indemnification obligation under subsection (a) hereof or the interpretation of any provision of this Section 6.6, Purchasers and Redemption Shareholders' Agents shall choose an independent, "Big Six" accounting firm, acceptable to each of them (the "Selected Accounting Firm"), and the decision of the Selected Accounting Firm

as to the amount of such party's indemnification obligation, if any, or the interpretation of any such provision shall be conclusive and binding. Any indemnification payment required under subsection (a) hereof by one party to the other shall be made within ten (10) days of the agreement by the parties or the decision by the Selected Accounting Firm, as the case may be, with interest at the applicable Base Rate as announced from time to time by Bank of America National Trust and Savings Association (the "Base Rate") from the date on which the disputed amount was required to be paid to the relevant taxing authority to the date of payment. The foregoing shall not limit or relieve each Redemption Shareholder's obligation to indemnify the Company, each Purchaser and its affiliates pursuant to subsection (a) hereof with respect to any Tax Claim.

(h) Miscellaneous.

(i) Any payment required by this Section 6.6 which is not made on or before the date provided shall bear interest after such date at the Base Rate plus three (3) percent.

(ii) Any and all costs and expenses of the Selected Accounting Firm shall be borne by Purchasers and Redemption Shareholders in proportion to the amount of each party's liability for the amount in dispute pursuant to subsection (a) hereof.

6.8. Reporting Indemnity Payments. Any payment made by the Redemption Shareholders to the Purchasers pursuant to this Section 6 shall be treated as if it reduced each of the Investment Price and the Purchase Price by the amount of the payment, and any payment made by the Purchasers to the Redemption Shareholders pursuant to this Section 6 shall be treated as if it increased each of the Purchase Price and the Investment Price by the amount of the payment. Each of Purchasers and Redemption Shareholders agree to report all such payments for all foreign, federal, state and local income tax purposes in a manner consistent with the treatment described above and to notify each other promptly in the event that any taxing authority proposes to disallow such treatment.

7. MISCELLANEOUS

7.1. Expenses. Except as otherwise provided in this Agreement, the Company and Redemption Shareholders on the one hand, and Purchasers on the other hand, will each bear its own expenses, costs and fees (including attorneys' and auditors' fees) in connection with the transactions contemplated hereby, including the preparation and execution of this Agreement.

7.2. Assignment; Successors. This Agreement shall not be assigned by any party without the prior written consent of the other party, and any purported assignment or other transfer without such consent shall be void and unenforceable, except by operation of law. In the case of such consent, this Agreement shall inure to the benefit of, and be binding on and enforceable against, the successors and assigns of the respective parties hereto.

7.3. Amendment and Modification. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated orally, other than by an agreement in writing signed by the parties hereto (in the case of the Redemption Shareholders, by one of the Redemption Shareholders' Agents acting in such).

7.4. Entire Agreement. This Agreement, including the Schedules and Exhibits to this Agreement (which are hereby incorporated by reference and made a part of this Agreement) sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, supersedes all other prior agreements, understandings, representations and warranties, oral or written, between the parties in respect of the subject matter hereof (including without limitation the letter of intent dated July 26, 1996), except that this Agreement does not supersede the Confidentiality Agreement, the terms and conditions of which are the parties expressly reaffirm.

7.5. Severability. If any provision of this Agreement is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses, Sections or subsections of this Agreement shall not affect the remaining portions of this Agreement.

7.6. Notices. Any notice or other communication required or permitted to be given hereunder or for the purposes hereof to any party shall be in writing and shall be sufficiently given if (a) delivered personally, (b) mailed certified or registered mail, postage prepaid, (c) transmitted by facsimile with "answer-back" confirmation (and confirmed by mail) or (d) sent by next-day or overnight mail or delivery to:

(a)	Redemption Shareholders:		Pyle Group 3500 Corben Court Madison, Wisconsin 53704
		Attention:	Thomas F. Pyle, Jr.
		Telephone:	(608) 241-5814
		Facsimile:	(608) 241-2696
		With a copy to:	Foley & Lardner 777 East Wisconsin Avenue Milwaukee, WI 53202-5367
		Attention:	Benjamin F. Garmer, III
		Telephone:	(414) 297-5675
		Facsimile:	(414) 297-4900
(b)	Purchasers:		Thomas H. Lee Company 75 State Street, 26th Floor Boston, MA 02109
		Attention:	Warren C. Smith, Jr.
		Telephone:	(617) 227-1050
		Facsimile:	(617) 227-3514

With a copy to:	Skadden, Arps, Slate, Meagher & Flom One Beacon Street Boston, MA 02108
Attention:	Louis A. Goodman Kent A. Coit
Telephone:	(617) 573-4800
Facsimile:	(617) 573-4822

or at such other address or to such other person's attention as the party to whom such notice is to be given shall have last notified to the party giving the same in the manner provided in this Section. Any notice so delivered to the party to whom it is addressed shall be deemed to have been given and received (i) if by personal delivery, on the day of such delivery, (ii) if by certified or registered mail, on the seventh day after mailing thereof, (iii) if by facsimile, the day on which such facsimile was sent or (iv) if by next-day or overnight mail delivery, on the day delivered, provided that if any such day is not a business day then the notice shall be deemed to have been given and received on the business day next following such day.

7.7. No Third Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any person or entity which is not a party or a successor or permitted assignee of a party to this Agreement.

7.8. Headings. The section headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Agreement.

7.9. Governing Law. This Agreement shall be governed by, construed and performed in accordance with the internal laws of the State of Wisconsin applicable to agreements made and to be performed entirely within such state, without regard to the conflicts of law principles of such state.

7.10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

7.11. Knowledge. With respect to any matter herein, the term "Knowledge" shall mean the actual knowledge after due inquiry of any of Thomas F. Pyle, Jr., Marvin G. Siegert, Glynn M. Rossa, Roger F. Warren, Trygve Lonnebotn, Robert W. Zimmermann, Timothy Anderson and Kenneth V. Biller.

7.12. Remedies. Each party shall be entitled to obtain specific performance of the obligations of another party hereunder and immediate injunctive relief, and in the event any action or proceeding is brought in equity to enforce this Agreement, no party will urge as a defense, that there is an adequate remedy of law. Such remedies shall be cumulative and not exclusive and shall be in addition to any other remedies which any party may have under this Agreement or otherwise.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By: /s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr.
Chairman of the Board, President and Chief Executive Officer

REDEMPTION SHAREHOLDERS:

/s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr., as agent and attorney-in-fact under Shareholder Appointment of Agents and Power of Attorneys dated March 1, 1996 executed by each of the Redemption Shareholders, and not in his individual capacity

THE THOMAS AND JUDITH PYLE
CHARITABLE REMAINDER TRUST
CREATED SEPTEMBER 10, 1996

/s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr., Trustee

/s/ Judith D. Pyle

Judith D. Pyle, Trustee

/s/ Glynn M. Rossa

Glynn M. Rossa, Trustee

/s/ Benjamin F. Garmer, III

Benjamin F. Garmer, III, Trustee

THOMAS H. LEE EQUITY FUND III,
L.P.

By: THL EQUITY ADVISORS III
LIMITED PARTNERSHIP,
as General Partner

By: THL EQUITY TRUST III,
as General Partner

By: /s/ W.C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Trustee

THOMAS H. LEE FOREIGN FUND III, L.P.

By: THL EQUITY ADVISORS III
LIMITED PARTNERSHIP,
as General Partner

By: THL EQUITY TRUST III,
as General Partner

By: /s/ W.C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Trustee

/s/ David A. Jones

David A. Jones

THL-CCI LIMITED PARTNERSHIP

/s/ Warren C. Smith, Jr.
Warren C. Smith, Jr., as agent and attorney-in-fact under Purchaser Appointment of Agent and Power of Attorney dated September 3, 1996 executed by THL-CCI Limited Partnership, and not in his individual capacity

EXHIBIT A

Name of Purchaser	Number of Investment Shares Being Purchased: At Closing	Percentage of Investment	Adjusted For Stock Split*
Thomas H. Lee Equity Fund III, L.P.	2,772,827	84.46%	13,864,135
Thomas H. Lee Foreign Fund III, L.P.	171,790	5.24%	858,950
THL-CCI Limited Partnership	291,481	8.90%	1,457,405
David A. Jones	45,579	1.39%	227,895
Total	3,281,677	100%	16,408,385

* A 5 for 1 stock split shall occur immediately after the Closing.

Exhibit B

	Pre-Sale Ownership		Sold in Transaction			Post-Closing	Adjusted For Stock Split
Shareholders	Shares	% of Total	# Shares	Purchaser of Shares		# Shares	# Shares
							x5
Roger F. Warren	175,000	1.77%	61,053	Fund		113,947	569,735
Marvin G. Siegert	175,000	1.77%	133,979	Fund		41,021	205,105
Trygve Lonnebotn	100,000	1.01%	17,958	Fund		82,042	410,210
James A. Broderick	50,000	0.50%	8,979	Fund		41,021	205,105
Gary E. Wilson	50,000	0.50%	27,211	Fund		22,789	113,945
Virgil L. Broering	50,000	0.50%	50,000	Fund		0	0
Robert W. Zimmermann	25,000	0.25%	15,884	Fund		9,116	45,580
Kenneth V. Biller	25,000	0.25%	6,768	Fund		18,232	91,160
Glynn M. Rossa	100,000	1.01%	100,000	Fund		0	0
Dale R. Tetzlaff	25,000	0.25%	4,490	Fund		20,510	102,550
Russell E. Lefevre	40,000	0.40%	5,816	Fund		34,184	170,920
Raymond L. Balfour	25,000	0.25%	0	Fund		25,000	125,000
Arthur Homa	10,000**	0.02%	2,000	Fund		8,000	40,000
Thomas Pyle	7,071,845	71.42%	6,667,288	Company	5,807,904	404,557	2,022,785
				Fund	813,805		
				Jones	45,579		
					6,667,288		
Benjamin F. Garmer, III	165,000	1.67%	165,000	Fund		0	0
Pyle Charitable Trust	1,823,155	18.40%	1,823,155	Fund		0	0
	9,910,000	100.00%	9,089,581			820,419	4,102,095

Fund = Thomas H. Lee Equity Fund III, L.P., Thomas H. Lee Foreign Fund III, L.P. and THL-CCI Limited Partnership

Company = Rayovac Corporation

Jones = David A. Jones

* A 5 for 1 stock split shall occur immediately after the Closing.
** Includes 2,000 shares and 8,000 shares of underlying options (pre-split).

EXHIBIT 3.1

RESTATED ARTICLES OF INCORPORATION
OF
RAYOVAC CORPORATION

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

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 twenty-seven million (27,000,000), consisting of one class only and designated "Common Stock", with a par value of one cent ($.01) per share. Each stock certificate representing issued and outstanding shares of Class A Common Stock (including those owned by the Corporation and held in the treasury thereof) shall be deemed for all corporate purposes to evidence the ownership of an equal number of shares of Common Stock and the holders of such certificates shall not be required to physically surrender such certificates in exchange for certificates with a designation of Common Stock.

Effective at the time of filing in the Office of Financial Institutions of the State of Wisconsin of this Restated Articles of Incorporation (the "Effective Time"), each share of Common Stock, $.01 par value per share, of the Corporation issued and outstanding immediately prior to the Effective Time shall, automatically and without need for any further action on the part of any shareholder, be converted into five (5) shares of validly issued and fully paid Common Stock, $.01 par value per share (the "Stock Split"). No script or fractional shares will be issued as a result of the Stock Split. In lieu thereof, fractional shares shall be converted into the right to receive a cash amount obtained by multiplying $21.94 by the fractional share, if any, due each shareholder as a result of this Stock Split.

ARTICLE V

(a) Preemptive Rights. The holder of any issued and outstanding shares of Common Stock shall, as such holder, have the right to purchase up to a pro rata portion of New Securities (as defined in paragraph (b) below) which the Corporation, from time to time, proposes to sell or issue following the date hereof. A shareholder's pro rata portion shall be the product of (i) a fraction, the numerator of which is the number of outstanding shares of Common Stock which such shareholder then owns and the denominator of which is the total number of shares of Common Stock then actually outstanding on a fully diluted basis after giving effect to the exercise of all options, warrants and the like and the conversion of all securities convertible into or exchangeable for Common Stock, multiplied by (ii) the number of New Securities the Corporation proposes to sell or issue.

(b) Definition of New Securities. "New Securities" shall mean any Common Stock of the Corporation, whether now authorized or not, any rights, options or warrants to purchase Common Stock and any indebtedness or preferred stock of the Corporation which is convertible into Common Stock (or which is convertible into a security which is, in turn, convertible into Common Stock); provided that the term "New Securities" does not include (i) indebtedness of the Corporation; (ii) Common Stock issued as a stock dividend to all holders of Common Stock pro rata or upon any subdivision or combination of shares of Common Stock; (iii) the issuance and sale of securities of the Corporation pursuant to a public offering or merger, consolidation or similar share exchange; (iv) any director, officer, employee or consultant stock options approved by the Board of Directors of the Corporation; (v) the issuance of any Common Stock upon the exercise or conversion of any rights, options or warrants to purchase Common Stock; (vi) the issuance and sale of up to an aggregate of 227,791 shares of Common Stock (as equitably adjusted for stock dividends, stock splits, reverse stock splits and other similar reclassifications) on or prior to September 12, 1997 to newly hired officers (but not the chief executive officer) or employees of the Corporation for a per share price no less than $4.39; provided that such officers or employees shall execute a counterpart of the Shareholders Agreement, entered into as of the 12th day of September, 1996 (the "Shareholders

Agreement"), by and among the Corporation and the signatories thereto, as Management Shareholders (as defined in the Shareholders Agreement); or (vii) the issuance of any equity security issued to non-affiliates of the Corporation as part of a bona fide debt offering of investment units comprised of such equity security and a debt security of the Corporation or the issuance of Common Stock upon the conversion of such equity security pursuant to its terms.

(c) Notice from the Corporation. In the event the Corporation proposes to issue New Securities, the Corporation shall give each shareholder who has a preemptive right under these Restated Articles of Incorporation written notice of such proposal, describing the type of New Securities and the price and the terms upon which the Corporation proposes to issue the same. For a period of five (5) days following the delivery of such notice by the Corporation, the Corporation shall be deemed to have irrevocably offered to sell to each shareholder its pro rata share of such New Securities for the price and upon the terms specified in the notice. Each shareholder may exercise its preemptive rights hereunder by giving written notice to the Corporation and stating therein the quantity of New Securities to be purchased.

(d) Sale by the Corporation. In the event any shareholder who has a preemptive right under these Restated Articles of Incorporation fails to exercise in full its preemptive right within said five (5) day period, the Corporation shall have one (1) year thereafter to sell the New Securities with respect to which the preemptive right was not exercised, at a price and upon terms no more favorable to the purchasers thereof than specified in the Corporation's notice given pursuant to these Restated Articles of Incorporation.

(e) Closing. The closing for any such issuance shall take place as proposed by the Corporation with respect to the shares to be issued, at which closing the Corporation shall deliver certificates for the shares in the respective names of the purchasing shareholders against receipt of payment therefor.

ARTICLE VI

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 Bylaws of the Corporation.

ARTICLE VII

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 VIII

These Restated Articles of Incorporation may be amended pursuant to the Bylaws of the Corporation and in the manner authorized by law at the time of amendment. Any action required or permitted by this Restated Articles of Incorporation or Bylaws or any provision of law to be taken at a meeting of the shareholders, may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing in accordance with Section 180.0704 of the Wisconsin Business Corporation Law.

ARTICLE IX

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.

* * * *

The undersigned officers of Rayovac Corporation, a Wisconsin corporation, with its registered office in Dane County, Wisconsin, CERTIFY:

1. The foregoing Restated Articles of Incorporation were adopted by the shareholders of the Corporation as of the 10th day of September, 1996 by the following vote:

Number of Shares Common Stock Outstanding	Number of SHARES entitled to vote	Number of affirmative votes REQUIRED	Number of affirmative votes CAST	Number of negative votes CAST
9,902,000	9,902,000	9,902,000	9,902,000	None

2. The Restated Articles of Incorporation shall be effective upon filing with the Office of Financial Institutions of the State of Wisconsin.

Executed in duplicate and corporate seal affixed this 10th day of September, 1996.

/s/ Thomas F. Pyle

Thomas F. Pyle, Jr., President

[CORPORATE SEAL]

/s/ James A. Broderick

James A. Broderick, Secretary

This document should be recorded in the office of the Register of Deeds of Dane County.

This document was drafted by, and should be returned to, Benjamin F. Garmer, III, of the law firm of Foley & Lardner, 777 East Wisconsin Avenue, Milwaukee, Wisconsin.

RESTATED BY-LAWS
OF
RAYOVAC CORPORATION
(a Wisconsin corporation)

-INTRODUCTION-
VARIABLE REFERENCES

0.01. Date of annual shareholders' meeting (see Section 2.01): To be determined annually by the Chairman of the Board or by a majority vote of the Board of Directors, the Board's vote controlling, on a date following the completion of the audited financial statements for the preceding fiscal year and not later than the last day of the current fiscal year.

* 0.02. Required notice of shareholders' meeting (see Section 2.04): not less than two (2) days.

* 0.03. Authorized number of directors (see Section 3.01): Eight (8).

* 0.04. Required notice of directors' meetings (see Section 3.05):

(a) not less than 48 hours if by mail, and

* (b) not less than 24 hours if by telegram or personal delivery.

* 0.05. Authorized number of Vice Presidents (see Section 4.01): Fifteen (15).

*

* These spaces are reserved for official notation of future amendments to these sections.

ARTICLE I
OFFICERS

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

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

ARTICLE II
SHAREHOLDERS

2.01. Annual Meeting. The annual meeting of the shareholders shall be held at the date and hour in each year set forth in Section 0.01, or at such other time and date within thirty days before or after said date as may be fixed by or under the authority of the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Wisconsin, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein, or fixed as herein provided, for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

2.02. 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 by the Chairman of the Board or the Board of Directors or by the person designated in the written request of the holders of not less than one-tenth of all shares of the corporation entitled to vote at the meeting.

2.03. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the

State of Wisconsin, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the corporation in the State of Wisconsin or such other suitable place in the county of such principal office as may be designated by the person calling such meeting, but any meeting may be adjourned to reconvene at any place designated by the holders of a majority of the votes represented thereat.

2.04. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than the number of days set forth in Section 0.02 (unless a longer period is required by law or the Articles of Incorporation) nor more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, or the Secretary, or other officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock record books of the corporation, with postage thereon prepaid.

2.05. 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 adjourn-

ment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

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

2.07. 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. Though less than a quorum is represented at a meeting, a majority of the votes so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

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

2.09. Proxies. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy

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

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

2.11. Voting of Shares by Certain Holders.

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

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

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

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

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

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

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

2.12. 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 Bylaws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of the meeting, by the shareholder entitled to such notice, shall be deemed equivalent

to the giving of such notice; provided that such waiver in respect to any matter of which notice is required under any provision of the Wisconsin Business Corporation Law, shall contain the same information as would have been required to be included in such notice, except the time and place of meeting.

2.13. Unanimous Consent Without Meeting. Any action required or permitted by the Articles of Incorporation or Bylaws or any provision of law to be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE III
BOARD OF DIRECTORS

3.01. General Powers and Number. The business and affairs of the corporation shall be managed by its Board of Directors. The number of directors of the corporation shall be as provided in Section 0.03.

3.02. Tenure and Qualifications. Each director shall hold office until the next annual meeting of the shareholders and until his successor shall have been elected, or until his prior death, resignation or removal. A director may be removed from office by affirmative vote of a majority of the votes entitled to be cast for the election of such director, taken at a meeting of shareholders called for that purpose. 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 or Vice Chairman of the Board, who is an officer of the corporation and who shall retire or otherwise terminate employment as such officer shall automatically be retired as a director of the corporation and thereafter shall not be eligible for re-election as a director.

3.03. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after the annual meeting of shareholders, and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Wisconsin, for the holding of additional regular meetings without other notice than such resolution.

3.04. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, Vice Chairman of the Board or any two directors. The Chairman of the Board or Vice Chairman of the Board calling any special meeting of the Board of Directors may fix any place, either within or without the State of Wisconsin, as the place for holding any special meeting of the Board of Directors called by them, and if no other place is fixed the place of the meeting shall be the principal business office of the corporation in the State of Wisconsin.

3.05. Notice; Waiver. Notice of each meeting of the Board of Directors (unless otherwise provided in or pursuant to Section 3.03) shall be given by written notice delivered personally or mailed or given by telegram to each director at his business address or at such other address as such director shall have designated in writing filed with the Secretary, in each case not less than that number of hours prior thereto as set forth in Section 0.04. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Whenever any notice whatsoever is required to be given to any director of the corporation under the Articles of Incorporation or Bylaws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of meeting, by the director entitled to such notice, shall be deemed equivalent to the giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting and objects thereat to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

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

3.07. 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 Bylaws.

3.08. Conduct of Meetings. The Chairman of the Board, and in his absence, the Vice Chairman of the Board, and in their absence, any director chosen by the directors present, shall call

meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other persons present to act as secretary of the meeting.

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

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

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

3.12. Committees. The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors as provided in Section 0.03 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 thereaf-

ter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the corporation, except action in respect to dividends to shareholders, election of the principal officers or the filling of vacancies in the Board of Directors or committees created pursuant to this section. The Board of Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board or upon request by the chairman of such meeting. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

3.13. Unanimous Consent Without Meeting. Any action required or permitted by the Articles of Incorporation or Bylaws 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.

ARTICLE IV
OFFICERS

4.01. Number. The principal officers of the corporation shall be a Chairman of the Board, a Vice Chairman of the Board, a President, the number of Vice Presidents as provided in Section 0.05, 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 other officers and assistant officers as may be deemed necessary. Any number of offices may be held by the same person.

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

4.03. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interest of the corporation and its shareholders will be served thereby, but such removal shall be without prejudice to the contract

rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

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

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

4.06. Vice Chairman of the Board. During the absence or disability of the Chairman of the Board, the Vice Chairman of the Board shall exercise all of the functions of the Chairman of the Board. The Vice Chairman of the Board shall perform all duties incident to the office of the Vice Chairman of the Board and such other duties as shall from time to time be assigned to him by the Board of Directors, the Chairman of the Board or as prescribed by these Bylaws.

4.07. 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 organization and supervise and control all of the business, operations and affairs of the corporation. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he may deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He shall have authority, co-equal with the Chairman of the Board, to sign, execute and acknowledge, on behalf of the corporation, all deeds,

mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or by the Board of Directors, he may authorize any Vice President or any other officer or agent of the corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall perform all duties incident to the office of chief executive officer, chief operating officer and President and such other duties as may be prescribed by the Board of Directors from time to time.

4.08. Vice Presidents. In the absence of the Chairman of the Board, the Vice 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, Vice Chairman of the Board or President to act personally, the Vice President (or in the event there be 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, Vice 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, the Vice 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, Vice 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, the Vice Chairman of the Board and/or President.

4.09. Secretary. The Secretary shall:

(a) keep the minutes of the meetings 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 Bylaws 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, the Vice 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, Vice Chairman of the Board or by the President or by the Board of Directors.

4.10. 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 for 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 in accordance with the provisions of Section 5.04; and

(c) in general perform all of the duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the Vice Chairman of the Board or the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

4.11. 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

Vice Chairman of the Board, the President or by the Board of Directors.

4.12. Other Assistants and Acting 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.

4.13. 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 other 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, LOANS, CHECKS AND DEPOSITS; SPECIAL CORPORATE ACTS

5.01. 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 or officers.

5.02. Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

5.03. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be

determined by or under the authority of a resolution of the Board of Directors.

5.04. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

5.05. Voting of Securities Owned by this Corporation. Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the Chairman of the Board of this corporation if he be present, or in his absence by the Vice Chairman of the Board of this corporation who may be present, and (b) whenever, in the judgment of the Chairman of the Board, or in his absence, the Vice Chairman, it is desirable for this corporation to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by this corporation, such proxy or consent shall be executed in the name of this corporation by the Chairman of the Board or the Vice Chairman of the Board of this corporation, without necessity of any authorization by the Board of Directors, countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by this corporation the same as such shares or other securities might be voted by this corporation.

ARTICLE VI
CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.01. 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 or Vice 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 6.06.

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

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

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

6.05. Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation of any restriction imposed by the corporation upon the transfer of such shares.

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

6.07. Consideration for Shares. The shares of the corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be

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

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

ARTICLE VII
AMENDMENTS

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

7.02. By Directors. Except as otherwise provided in the Articles of Incorporation, these Bylaws may also be altered, amended or repealed and new Bylaws 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 Bylaw adopted by the shareholders shall be amended or repealed by the Board of Directors if the Bylaw so adopted so provides.

7.03. Implied Amendments. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the Bylaws 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 Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as though the Bylaws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

ARTICLE VIII
INDEMNIFICATION

8.01. Certain Definitions. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in

this Section 8.01 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 8.04.

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

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

8.03. Procedural Requirements.

(a) A Director or Officer who seeks indemnification under Section 8.02 shall make a written request therefor to the Corporation. Subject to Section 8.03(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 8.05).

(b) No indemnification shall be required to be paid by the Corporation pursuant to Section 8.02 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 8.03(b), the Board shall immediately authorize by resolution that an Authority, as provided in Section 8.04, determine whether the

Director's or Officer's conduct constituted a Breach of Duty and therefore, whether indemnification should be denied hereunder.

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

8.04. Determination of Indemnification.

(a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 8.03, 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 Disinte rested 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 8.05), 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 8.04 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

8.05. 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 8.05 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 8.04.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.05, such

Director or Officer shall not be required to pay interest on such amounts.

8.06. Indemnification and Allowance of Expenses of Certain Others.

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

(b) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

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

8.08. 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 8.04(a)).

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

limited, but only to the extent necessary to render the same valid and enforceable.

8.10. Nonexclusivity of Article VIII. The rights of a Director or Officer (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or advancement of Expenses which the Director or Officer (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or advance Expenses to a Director or Officer under the Statute.

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

Pursuant to an Action by Written Consent of the Board of Directors (the "Board") of Rayovac Corporation (the "Company") dated as of September 12, 1996, the Board adopted the following resolutions which amended the Restated Bylaws of the Company:

RESOLVED, that pursuant to Section 7.02 of the ByLaws, Section 2.13 of the By-Laws be, and it hereby is, amended and restated as follows: "Any action required or permitted by the Articles of Incorporation or Bylaws or any provision of law to be taken at a meeting of the shareholders, may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those shareholders who have not consented in writing in accordance with Section 180.0704 of the Wisconsin Business Corporation Law"; and further

RESOLVED, that pursuant to Section 7.02 of the ByLaws, Section 8.02 of the By-Laws be, and it hereby is, amended and restated as follows: "To the fullest extent permitted or required by the Statute, but not for any action, suit, arbitration or other proceeding (or portion thereof) initiated by a Director or Officer, the Corporation shall indemnify such 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."

EXHIBIT 4.1

RAYOVAC CORPORATION

Issuer

ROV HOLDING, INC.

Guarantor

10 1/4% SENIOR SUBORDINATED NOTES DUE 2006

INDENTURE

Dated as of October 22, 1996

Marine Midland Bank

Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section		Indenture Section
310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	7.10
	(b)	7.10
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.05
	(b)	11.03
	(c)	11.03
313	(a)	7.06
	(b)(1)	10.03
	(b)(2)	7.07
	(c)	7.06;11.02
	(d)	7.06
314	(a)	4.03;11.02
	(b)	10.02
	(c)(1)	11.04
	(c)(2)	11.04
	(c)(3)	N.A.
	(d)	10.03, 10.04, 10.05
	(e)	11.05
	(f)	N.A.
315	(a)	7.01
	(b)	7.05,11.02
	(c)	7.01
	(d)	7.01
	(e)	6.11
316	(a)(last sentence)	2.09
	(a)(1)(A)	6.05
	(a)(1)(B)	6.04

	(a)(2)	N.A.
	(b)	6.07
	(c)	2.12
317	(a)(1)	6.08
	(a)(2).....	6.09
	(b)	2.04
318	(a).....	11.01
	(b).....	N.A.
	(c).....	11.01

N.A. means not applicable.

*This Cross-Reference Table is not part of the Indenture.

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EXHIBITS

INDENTURE dated as of October 22, 1996 among Rayovac Corporation, a Wisconsin corporation (the "Company"), ROV Holding, Inc., a Delaware corporation (a "Guarantor") and Marine Midland Bank, as trustee (the "Trustee").

The Company, ROV Holding, Inc. and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 10 1/4% Senior Subordinated Notes due 2006 (the "Notes"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness encumbering any asset acquired by such specified Person.

"Additional Guarantee" means any guarantee of the Company's obligations under this Indenture and the Notes issued after the date of this Indenture as described in Sections 4.16 and 4.17 hereof.

"Additional Guarantor" means any Subsidiary of the Company that guarantees the Company's obligations under this Indenture and the Notes issued after the date of this Indenture as described in Sections 4.16 and 4.17 hereof.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Bank Agent" means Bank of America National Trust and Savings Association, in its capacity as administrative agent for the lenders party to the Credit Agreement, or any successor or successors thereto in such capacity.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"Board Resolution" means a duly adopted resolution of the Board of Directors in full force and effect at the time of determination and certified as such by the Secretary or an Assistant Secretary of the Company.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership, partnership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person (including, without limitation, membership interests in a limited liability company).

"Cash Equivalents" means (i) securities issued or directly and fully guaranteed or insured by the United States of America or guaranteed by a government that is a member of the Organization for Economic Cooperation and Development ("OECD Country") or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America or such OECD Country, as applicable, is pledged in support thereof) having maturities of not more than three years from the date of acquisition of such security, (ii) marketable direct obligations issued by any State of the United States of America or any local government or other political subdivision thereof rated (at the time of acquisition of such security) at least AA by Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. ("S&P") or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's") having maturities of not more than one year from the date of acquisition of such security, (iii) U.S. dollar denominated time deposits, certificates of deposit and bankers' acceptances of (a) any domestic commercial bank of recognized standing having capital and surplus in excess of $250.0 million or (b) any bank whose short-term commercial paper rating (at the time of acquisition of such security) by S&P is at least A-1 or the equivalent thereof, in each case with maturities of not more than six months from the date of acquisition of such security, (iv) commercial paper and variable rate notes issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating (at the time of acquisition of such security) of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long-term unsecured debt rating (at the time of acquisition of such security) of at least AA or the equivalent thereof by Moody's and in each case maturing within one year after the date of acquisition of such security and (v) repurchase agreements with any lender under the Credit Agreement or any primary dealer maturing within one year from the date of acquisition that are fully collateralized by investment instruments that would otherwise be Cash Equivalents; provided that the terms of such repurchase agreements comply with the guidelines set forth in the Federal Financial Institutions Examination Council Supervisory Policy-Repurchase Agreements of Depository Institutions With Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985.

"Change of Control" means the occurrence of any of the following: (i) (a) any transaction (including a merger or consolidation) the result of which is that any "person" or "group" (each within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), other than the Principals, becomes the

"beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of all Capital Stock of the Company or a successor entity normally entitled to vote in the election of directors, managers or trustees, as applicable, calculated on a fully diluted basis, and (b) as a result of the consummation of such transaction, any "person" or "group" (each as defined above) becomes the "beneficial owner" (as defined above), directly or indirectly, of more of the voting stock of the Company than is at the time "beneficially owned" (as defined above) by the Principals, or (ii) the first day on which a majority of the members of the Board of Directors are not Continuing Directors, or (iii) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Principals or their Related Parties. For purposes of this definition, any transfer of an Equity Interest of an entity that was formed for the purpose of acquiring voting stock of the Company shall be deemed to be a transfer of such percentage of such voting stock as corresponds to the percentage of the equity of such entity that has been so transferred.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication, (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, (iii) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and other charges incurred in respect of letters of credit or bankers' acceptance financings and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, (iv) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period and deferred finance charges) and other non-cash charges of such Person and its Restricted Subsidiaries for such period (excluding non-cash charges to the extent that such non-cash charges represent an accrual of or reserve for cash charges to be incurred in any future period), to the extent that such depreciation, amortization and other non-cash charges were deducted in computing such Consolidated Net Income, including without limitation non-cash charges recorded in the period ended September 30, 1996 for the write-offs or write-downs of assets related to (a) the rationalization of manufacturing operations located in the United Kingdom, and (b) adjustments of Renewal Power Station inventory valuation, and (v) the following non-recurring expenses related to the recapitalization of the Company consummated on September 13, 1996 (the "Recapitalization"): (a) up to $2.3 million of debt prepayment penalties incurred in connection with the prepayment of the Company's Indebtedness outstanding prior to the Recapitalization; (b) up to $2.2 million of advisory fees paid to the financial advisor to the Company's shareholders who sold shares in the Recapitalization; (c) legal and consulting fees incurred in connection with the Recapitalization of up to $4.2 million; and (d) up to $7.1 million of compensation expense paid to present and former officers of the Company with respect to obligations to such present and former

officers arising as a result of the Recapitalization, in each case to the extent that such expenses were paid in cash during the period ended September 30, 1996 (or, in the case of up to $2.0 million of expenses incurred pursuant to clause (d) above, during the period ended September 30, 1998), and deducted in computing Consolidated Net Income for such period. Notwithstanding the foregoing, the provision for taxes on the income or profits of, and the depreciation and amortization and other non-cash charges of, a Subsidiary of the referent Person shall be added to Consolidated Net Income to compute Consolidated Cash Flow only to the extent (and in same proportion) that the Net Income of such Subsidiary was included in calculating the Consolidated Net Income of such Person and only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Subsidiary without prior governmental approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Subsidiary or its stockholders.

"Consolidated Net Income" means, with respect to any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that (i) the Net Income (but not loss) of any Restricted Subsidiary that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the Company or any of its Wholly Owned Restricted Subsidiaries, (ii) the Net Income of any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary shall only be included to the extent of the amount of dividends or distribution paid to the Company or any of its Wholly Owned Restricted Subsidiaries; provided, however, that notwithstanding the foregoing, if at least 80% of the Equity Interests having ordinary voting power (without regard to the occurrence of any contingency) for the election of directors or other governing body of a Restricted Subsidiary is owned by the Company directly or indirectly through one or more of its Wholly Owned Restricted Subsidiaries, all of the Net Income of such Restricted Subsidiary shall be included, (iii) the Net Income of any Restricted Subsidiary acquired directly or indirectly by the Company in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iv) the cumulative effect of a change in accounting principles shall be excluded, (v) the Net Income of any Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained), directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders and (vi) the Net Income of any Unrestricted Subsidiary shall be excluded, whether or not distributed to the Company or one of its Subsidiaries.

"Consolidated Net Worth" means, with respect to any Person as of any date, the sum of (i) the consolidated equity of the common stockholders of such Person and its consolidated Restricted Subsidiaries as of such date plus (ii) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock, less (a) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within 12 months after the acquisition of such business) subsequent to the date of this Indenture in the book value of any asset owned by such Person or a consolidated Restricted Subsidiary of such Person, and (b) all investments as of such date in unconsolidated Restricted Subsidiaries and in Persons that are not Restricted Subsidiaries (except, in each case, Permitted Investments), and (c) all unamortized debt

discount and expense and unamortized deferred charges as of such date, all of the foregoing determined in accordance with GAAP.

"Consulting Agreements" means (i) the Consulting Agreement dated September 12, 1996 between the Company and Thomas H. Pyle and (ii) the Confidentiality, Non-Competition, No Solicitation and No Hire Agreement between the Company and Thomas H. Pyle, each as in effect on the date of this Indenture and as amended from time to time in a manner no less favorable, taken as a whole, to the Company.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date of this Indenture or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 12.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Agreement" means that certain Credit Agreement, dated as of September 12, 1996, by and among the Company, the lenders party thereto, DLJ Capital Funding, Inc., as documentation and joint syndication agent, and the Bank Agent, as amended, supplemented or otherwise modified from time to time. References to the Credit Agreement shall also include any credit agreement or agreements entered into by the Company to replace, extend, renew, increase, refund or refinance all or a portion of the Indebtedness under the Credit Agreement; provided that the aggregate principal amount of Indebtedness outstanding or available thereunder will not be increased except to the extent permitted by Section 4.09 hereof.

"Default" means any event or condition that is or with the passage of time or the giving of notice or both would, unless cured or waived, be an Event of Default.

"Definitive Notes" means Notes that are in the form of the Notes attached hereto as Exhibit A, that do not include the information called for by footnotes 1 and 2 thereof.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depositary" shall mean or include such successor.

"Designated Senior Debt" means (i) so long as Senior Bank Debt is outstanding, the Senior Bank Debt and (ii) thereafter, any other Senior Debt permitted under this Indenture the principal amount of which is $25.0 million or more and which has been designated by the Company as "Designated Senior Debt".

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, mandatorily or at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to the date on which the Notes are scheduled to mature.

"Employment Agreement" means the Employment Agreement dated September 12, 1996 between the Company and David A. Jones, as in effect on the date of this Indenture and as amended from time to time in a manner no less favorable, taken as a whole, to the Company.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Offer" means the offer that may be made by the Company pursuant to the Registration Rights Agreement to exchange Notes for New Notes.

"Existing Indebtedness" means (i) Indebtedness of the Company and its Subsidiaries (other than under the Credit Agreement) in existence on the date of this Indenture, until such amounts are repaid, and (ii) Indebtedness incurred after the date of this Indenture pursuant to the following agreements in aggregate principal amount outstanding not to exceed $7.0 million (or the equivalent thereof in any foreign currency), as each such agreement is in effect as of the date of this Indenture and as the same may be amended on terms, taken as a whole, that are no less favorable to the Company: (a) the Credit Agreement between Rayovac Europe B.V. and ABN Amro Bank N.V.; (b) the Credit Agreement between Rayovac (UK), Ltd. and NatWest Bank plc (England); and (c) the Credit Agreement between Rayovac (UK), Ltd. and NationsBank, N.A.

"Financing Lease" means any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"Fixed Charges" means, with respect to any Person for any period, the sum of (i) the consolidated interest expense of such Person for such period, whether paid or accrued, to the extent such expense was deducted in computing Consolidated Net Income (including amortization of original issue discount, non-cash interest payments and the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letters of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations, but excluding amortization of deferred financing fees) and (ii) the consolidated interest expense of such Person and its Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries (whether or not such Guarantee is called upon or Lien is enforced) and (iv) the product of (a) all cash dividend payments (and non-cash dividend payments in the case of a person that is a Subsidiary) on any series of preferred stock of such Person, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Company or any of its Subsidiaries incurs, assumes, guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (iii) of the proviso set forth in the definition of Consolidated Net Income, and (ii) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Subsidiaries following the Calculation Date.

"Foreign Subsidiary" means a Restricted Subsidiary not organized or existing under the laws of the United States, any state or territory thereof, or the District of Columbia.

"GAAP" means generally accepted accounting principles set forth from time to time 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 agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"Global Note" means a Note that contains the paragraph referred to in footnote 1 and the additional schedule referred to in footnote 2 to the form of the Note attached hereto as Exhibit A.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States of America is pledged.

"Guarantee" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement or take-or-pay contract and shall include, without limitation, the contingent liability of such Person in connection with any application for a letter of credit or letter of guarantee.

"Guarantor" means, collectively, ROV Holding, Inc., a Delaware corporation, and each Subsidiary of the Company that has executed a Guarantee in accordance with Sections 4.16 and 4.17 hereof, and their successors and assigns.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in interest rates.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means, with respect to any Person, without duplication: (i) all indebtedness of such Person for borrowed money; (ii) all obligations issued, undertaken or assumed by such Person as the deferred purchase price of property or services (other than trade payables entered into and accrued expenses arising in the ordinary course of business on ordinary terms); (iii) all non-contingent reimbursement or payment obligations with respect to surety instruments; (iv) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (v) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (vi) all Capital Lease Obligations of such Person; (vii) all indebtedness referred to in clauses (i) through (vi) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; (viii) all Hedging Obligations of such Person; and (ix) all Guarantees of such Person in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (viii) above.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including Guarantees), advances or capital contributions (excluding commission, travel and similar advances and loans and other arrangements, in each case made to officers and employees in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided that an acquisition of assets, Equity Interests or other securities by the Company for consideration consisting of common equity securities of the Company shall not be deemed to be an Investment. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of.

"Joint Venture" means a corporation, partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) which is not a Subsidiary of the Company or any of its Restricted Subsidiaries and which is now or

hereafter formed by the Company or any of its Restricted Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"Legal Holiday" means a Saturday, a Sunday or a day on which commercial banks in the City of New York, Chicago or San Francisco or at a place of payment are authorized or required by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing (other than any option, call or similar right relating to treasury shares of the Company to the extent that such option, call or similar right is granted (i) under any employee stock option plan, employee stock ownership plan or similar plan or arrangement of the Company or its Subsidiaries or (ii) in connection with the issuance of Indebtedness permitted under Section 4.09 hereof).

"Liquidated Damages" means the additional amounts (if any) payable by the Company in the event of a Registration Default under, and as defined in, the Registration Rights Agreement.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (a) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries and (ii) any extraordinary or nonrecurring gain (but not loss), together with any related provision for taxes on such extraordinary or nonrecurring gain (but not loss).

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale, which amount is equal to the excess, if any, of (i) the cash received by the Company or such Restricted Subsidiary (including any cash payments received by way of deferred payment pursuant to, or monetization of, a note or installment receivable or otherwise, but only as and when received) in connection with such disposition over (ii) the sum of (a) the amount of any Indebtedness which is secured by such asset and which is required to be repaid in connection with the disposition thereof, plus (b) the reasonable out-of-pocket expenses incurred by the Company or such Restricted Subsidiary, as the case may be, in connection with such disposition or in connection with the transfer of such amount from such Restricted Subsidiary to the Company, plus (c) provisions for taxes, including income taxes, reasonably estimated to be attributable to the disposition of such asset or attributable to required prepayments or repayments of Indebtedness with the proceeds thereof plus (d) if the Company does not first receive a transfer of such amount from the relevant Restricted Subsidiary with respect to the disposition of an asset by such Restricted Subsidiary and such Restricted Subsidiary intends to make such transfer as soon as practicable, the out-of-pocket expenses and taxes that the Company reasonably estimates will be incurred by the Company or such Restricted

Subsidiary in connection with such transfer at the time such transfer is expected to be received by the Company (including, without limitation, withholding taxes on the remittance of such amount).

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable (as a guarantor or otherwise), or (c) constitutes the lender; and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of Section 12.05 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 12.05 hereof. The counsel may be an employee of or counsel to the Company (or any Guarantor, if applicable), any Subsidiary of the Company or the Trustee.

"Permitted Investments" means (i) any Investments in the Company or in a Wholly Owned Restricted Subsidiary of the Company which, with respect to any such Wholly Owned Restricted Subsidiary, has a fair market value which does not exceed $1.0 million in the aggregate, or any Investments in a Wholly Owned Restricted Subsidiary that (A) is a Guarantor, or (B) is not a Guarantor, but is a Foreign Subsidiary and the aggregate fair market value of all Investments made after the date of this Indenture in Foreign Subsidiaries does not exceed $3.0 million (or the equivalent thereof in one or more foreign currencies), (ii) any Investments in Cash Equivalents; (iii) Investments by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment (a) such Person becomes a Wholly Owned Restricted Subsidiary of the Company that is a Guarantor or (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Wholly Owned Restricted Subsidiary of the Company that is a Guarantor; (iv) Investments in accounts and notes receivable acquired in the ordinary course of business; (v) notes from employees, officers, directors, and their transferees and Affiliates issued to the Company representing payment of the exercise price of options to purchase common stock of the Company; and (vi) other Investments made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 4.10 hereof; (vii) Investments by the Company and its Subsidiaries in Joint Ventures in the form of contributions of capital, loans, advances or Guarantees; provided that, immediately before and after giving effect to such Investment, (a) no Event

of Default shall have occurred and be continuing, and (b) the aggregate fair market value of all Investments pursuant to this clause (vii) shall not exceed $2.0 million in the aggregate; (viii) Hedging Obligations permitted by the terms of the Credit Agreement and this Indenture to be outstanding; and (ix) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value) not to exceed $5.0 million at any time outstanding. For purposes of this definition, the aggregate fair market value of any Investment shall be measured on the date such Investment is made without giving effect to subsequent changes in value and shall be valued at the cash amount thereof, if in cash, the fair market value thereof as determined by the Board of Directors, if in property, and at the maximum amount thereof, if in Guarantees.

"Permitted Liens" means

(i) any Lien existing on property of the Company or any Subsidiary on the date of this Indenture securing Indebtedness outstanding on such date;

(ii) any Lien securing obligations under the Senior Bank Debt and any Guarantee thereof, which obligations or Guarantee are permitted by the terms hereof to be incurred and outstanding;

(iii) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or which are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP are being maintained;

(iv) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(v) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(vi) Liens on property of the Company or any Subsidiary securing (a) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases and statutory obligations, (b) surety bonds (excluding appeal bonds and bonds posted in connection with court proceedings or judgments) and (c) other non-delinquent obligations of a like nature, including pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation, in each case, incurred in the ordinary course of business;

(vii) Liens consisting of judgment or judicial attachment Liens and Liens securing contingent obligations on appeal bonds and other bonds posted in connection with court proceedings or judgments; provided that the enforcement of such Liens is effectively stayed and all such Liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed $3.0 million;

(viii) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in

any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries, taken as a whole;

(ix) purchase money security interests on any property acquired by the Company or any Subsidiary in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property, provided that (a) any such Lien attaches to such property concurrently with or within 90 days after the acquisition thereof, (b) such Lien attaches solely to the property so acquired in such transaction, (c) the principal amount of the Indebtedness secured thereby does not exceed 100% of the cost of such property and (d) the principal amount of the Indebtedness secured by all such purchase money security interests shall not at any time exceed $5.0 million;

(x) Liens securing obligations in respect of Capital Lease Obligations on assets subject to such leases, provided that such Capital Lease Obligations are otherwise permitted hereunder;

(xi) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (a) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the Federal Reserve Board, and (b) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution;

(xii) Liens in favor of the Company or any Wholly Owned Restricted Subsidiary that is a Guarantor;

(xiii) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary or such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company;

(xiv) Liens on property existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such acquisition;

(xv) extensions, renewals and replacements of Liens referred to in clauses (i) through (xiv) above; provided that any such extension, renewal or replacement Lien is limited to the property or assets covered by the Lien extended, renewed or replaced and does not secure any Indebtedness in addition to that secured immediately prior to such extension, renewal or replacement;

(xvi) Liens securing Indebtedness permitted by clause (xiv) of the second paragraph of Section 4.09 hereof; and

(xvii) Liens securing other Indebtedness of the Company and its Subsidiaries not expressly permitted by clauses (i) through (xvi) above; provided that the aggregate amount of the Indebtedness secured by Liens permitted pursuant to this clause (xvii) does not exceed $3.0 million in the aggregate.

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or any agency or political subdivision thereof) or other entity of any kind.

"Principals" means Thomas H. Lee Equity Fund III, L.P. and its co-investors, Thomas H. Lee Foreign Fund III L.P. and Thomas H. Lee Company, and any Affiliates of Thomas H. Lee Company.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of October 17, 1996, by and among the Company and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time.

"Related Party" with respect to any Principal means (i) any controlling stockholder, 80% (or more) owned Subsidiary, or spouse or immediate family member (in the case of an individual) of such Principal or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 80% or more controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (i).

"Representative" means, for purposes of Articles 6, 10 and 11, the Bank Agent or other agent or representative for any Senior Debt or Designated Senior Debt or, with respect to any Guarantor, for any Senior Debt of such Guarantor.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means with respect to any Person, any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Bank Debt" means all Obligations outstanding under or in connection with the Credit Agreement as such agreement may be restated, further amended, supplemented or otherwise modified or replaced from time to time hereafter, together with any refunding or replacement of such Indebtedness, up to an aggregate maximum principal amount outstanding or available at any time of $170.0 million plus the aggregate principal amount of Indebtedness issued under the Credit Agreement pursuant to clause (vi) of the second paragraph of Section 4.09 hereof, less all outstanding Obligations with respect to Existing Indebtedness, less the aggregate principal amount of Indebtedness issued pursuant to clause (xiv) (b) of the second paragraph of Section 4.09 hereof, less, without duplication, the aggregate amount of all mandatory repayments of principal (which may not be reborrowed) of and/or mandatory permanent reductions of availability of Indebtedness under such Senior Bank Debt and any optional prepayments on any term loans under the Credit Agreement that have been made since the date of this Indenture (including, without limitation, the aggregate amount of all such mandatory payments and reductions made pursuant to Section 4.10 hereof).

"Senior Debt" means (i) the Senior Bank Debt and (ii) any other Indebtedness permitted to be incurred by the Company or any Guarantor, as the case may be, under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes; provided that the amount of any Guarantee of Senior Bank Debt that constitutes Senior Debt with respect to any Guarantor shall be determined without regard to any reduction in the amount of any Guarantee of such Senior Bank Debt necessary to cause such Guarantee not to be a fraudulent conveyance. Notwithstanding anything to the contrary in the foregoing, Senior Debt shall not include (a) any liability for federal, state, local or other taxes owed or owing by the Company, (b) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (c) any trade payables or (d) any Indebtedness that is incurred in violation of this Indenture.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"Subsidiary Guarantee" means, individually and collectively, the guarantees given by ROV Holding, Inc. and any Additional Guarantor pursuant to the terms of this Indenture.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA, provided that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939, as so amended.

"Transfer Restricted Securities" means securities that bear or are required to bear the legend set forth in Section 2.06 hereof.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Subsidiary" means (i) Minera Vidaluz, S.A. de C.V., (ii) Zoe Phos International, N.V., (iii) any Subsidiary that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary: (a) has no Indebtedness other than Non-Recourse Debt, (b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary of the Company than those that might be obtained at the time from Persons who are not Affiliates of the Company, (c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (x) to subscribe for additional Equity Interest or (y) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results, and (d) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries. Any

such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by Section 4.07 hereof. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09 hereof, the Company shall be in default of such Section). The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted under Section 4.09 hereof, and (ii) no Default or Event of Default would be in existence following such designation.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned Restricted Subsidiary" means any Restricted Subsidiary of the Company all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by the Company or by one or more Wholly Owned Restricted Subsidiaries of the Company.

SECTION 1.02. OTHER DEFINITIONS.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale"	4.10
"Asset Sale Offer"	3.09
"Benefitted Party"	10.01
"Change of Control Offer"	4.14
"Change of Control Payment"	4.14
"Change of Control Payment Date"	4.14
"Covenant Defeasance"	8.03
"Custodian"	6.01
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Guarantor Significant Senior Debt"	10.04
"incur"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Other Indebtedness"	4.16
"Paying Agent"	2.03

"Payment Blockage Notice"	10.04
"Payment Default"	6.01
"Purchase Date"	3.09
"Refinancing Indebtedness"	4.09
"Registrar"	2.03
"Restricted Payments"	4.07
"Significant Senior Debt"	11.02
"Subordinated Obligations"	11.01

SECTION 1.03. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes and the Subsidiary Guarantees;

"indenture security Holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Notes means the Company and any successor obligor upon the Notes or any Guarantor.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

SECTION 1.04. RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the Commission from time to time.

SECTION 1.05. BUSINESS DAY CERTIFICATE.

On the date of execution and delivery of this Indenture (with respect to the remainder of calendar year 1996) and thereafter, within 15 days prior to the end of each calendar year while this Indenture remains in effect (with respect to the succeeding calendar years), the Company shall deliver to the Trustee an Officers' Certificate specifying the days on which banking institutions in the City of Chicago and the City of San Francisco are authorized or obligated by law to close.

ARTICLE 2
THE NOTES

SECTION 2.01. FORM AND DATING.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A hereto. The Subsidiary Guarantees shall be substantially in the form of Exhibit A-1, the terms of which are incorporated in and made part of this Indenture. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company, ROV Holding and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

Notes issued in global form shall be substantially in the form of Exhibit A attached hereto (including the text referred to in footnotes 1 and 2 thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A attached hereto (but without including the text referred to in footnotes 1 and 2 thereto). Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of outstanding Notes from time to time endorsed thereon and that the aggregate amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of outstanding Notes represented thereby shall be made by the Trustee, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

SECTION 2.02. EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall, upon a written order of the Company signed by two Officers, authenticate Notes for original issue up to the aggregate principal amount stated in paragraph 4 of the Notes. The aggregate principal amount of Notes outstanding at any time may not exceed such amount except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03. REGISTRAR AND PAYING AGENT.

The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent with respect to the Global Notes.

SECTION 2.04. PAYING AGENT TO HOLD MONEY IN TRUST.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Company or any Guarantor in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company or a Guarantor, the Trustee shall serve as Paying Agent for the Notes.

SECTION 2.05. HOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA ss. 312(a). If the Trustee is not the Registrar, the Company and/or the Guarantor shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company and the Guarantor shall otherwise comply with TIA ss. 312(a).

SECTION 2.06. TRANSFER AND EXCHANGE.

(a) Transfer and Exchange of Definitive Notes. When Definitive Notes are presented by a Holder to the Registrar with a request:

(x) to register the transfer of the Definitive Notes; or

(y) to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its requirements for such transactions are met; provided, however, that the Definitive Notes presented or surrendered for register of transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his or her attorney, duly authorized in writing; and

(ii) in the case of a Definitive Note that is a Transfer Restricted Security, such request shall be accompanied by the following additional information and documents, as applicable:

(A) if such Transfer Restricted Security is being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification to that effect from such Holder (in substantially the form of Exhibit B hereto); or

(B) if such Transfer Restricted Security is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 or Rule 904 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit B hereto); or

(C) if such Transfer Restricted Security is being transferred in reliance on another exemption from the registration requirements of the Securities Act,

a certification to that effect from such Holder (in substantially the form of Exhibit B hereto) and an Opinion of Counsel from such Holder or the transferee reasonably acceptable to the Company and to the Registrar to the effect that such transfer is in compliance with the Securities Act.

(b) Transfer of a Definitive Note for a Beneficial Interest in a Global Note. A Definitive Note may not be exchanged for a beneficial interest in a Global Note except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Note, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) if such Definitive Note is a Transfer Restricted Security, a certification from the Holder thereof (in substantially the form of Exhibit B hereto) to the effect that such Definitive Note is being transferred by such Holder to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act; and

(ii) whether or not such Definitive Note is a Transfer Restricted Security, written instructions from the Holder thereof directing the Trustee to make, an endorsement on the Global Note to reflect an increase in the aggregate principal amount of the Notes represented by the Global Note,

in which case the Trustee shall cancel such Definitive Note in accordance with Section 2.11 hereof and cause the aggregate principal amount of Notes represented by the Global Note to be increased accordingly. If no Global Notes are then outstanding, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate a new Global Note in the appropriate principal amount.

(c) Transfer and Exchange of Beneficial Interests in a Global Note. The registration of transfer and exchange of beneficial interests in a Global Note shall be effected through the Depositary, in accordance with this Indenture and the procedures of the Depositary therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. The Trustee shall have no responsibility or liability for any acts or omissions of the Depositary taken pursuant to this Section 2.06(c).

(d) Transfer of a Global Note for a Definitive Note.

(i) The Holder of a Global Note may upon request exchange any such Global Note or portion thereof for a Definitive Note. Upon receipt by the Trustee of written instructions or such other form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any Person having a beneficial interest in a Global Note, and, in the case of a Transfer Restricted Security, the following additional information and documents (all of which may be submitted by facsimile):

(A) if such beneficial interest is being transferred to the Person designated by the Depositary as being the beneficial owner, a certification to that effect from such Person (in substantially the form of Exhibit B hereto); or

(B) if such beneficial interest is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) in accordance with Rule 144A under the Securities Act or pursuant to an exemption from registration in accordance with Rule 144 or Rule 904 under the Securities Act or pursuant to an effective registration statement under the Securities Act, a certification to that effect from the transferor (in substantially the form of Exhibit B hereto); or

(C) if such beneficial interest is being transferred in reliance on another exemption from the registration requirements of the Securities Act, a certification to that effect from the transferor (in substantially the form of Exhibit B hereto) and an Opinion of Counsel from the transferee or transferor reasonably acceptable to the Company and to the Trustee to the effect that such transfer is in compliance with the Securities Act,

in which case the Trustee shall cause the aggregate principal amount of Global Notes to be reduced accordingly and, following such reduction, the Company shall execute and the Trustee shall authenticate and deliver to the transferee a Definitive Note in the appropriate principal amount.

(ii) Definitive Notes issued in exchange for a beneficial interest in a Global Note pursuant to this Section 2.06(d) shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered.

(e) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture (other than the provisions set forth in subsection (f) of this Section 2.06), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(f) Authentication of Definitive Notes in Absence of Depositary. If at any time:

(i) the Depositary for the Notes notifies the Company that the Depositary is unwilling or unable to continue as Depositary for the Global Notes and a successor Depositary for the Global Notes is not appointed by the Company within 90 days after delivery of such notice; or

(ii) the Company, at its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Notes under this Indenture,

then the Company shall execute, and the Trustee shall, upon receipt of an authentication order in accordance with Section 2.02 hereof, authenticate and deliver, Definitive Notes in an aggregate principal amount equal to the principal amount of the Global Notes in exchange for such Global Notes.

(g) Legend.

(i) Except as permitted by the following paragraphs (ii) and (iii), each Note certificate evidencing Global Notes and Definitive Notes (and all Notes issued in exchange therefor or substitution thereof) shall bear legends in substantially the following form:

"THE NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT. THE HOLDER OF THE NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (1) ABOVE."

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Note) pursuant to Rule 144 under the Securities Act or pursuant to an effective registration statement under the Securities Act:

(A) in the case of any Transfer Restricted Security that is a Definitive Note, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a Definitive Note that does not bear the legend set forth in (i) above and rescind any restriction on the transfer of such Transfer Restricted Security; and

(B) in the case of any Transfer Restricted Security represented by a Global Note, such Transfer Restricted Security shall not be required to bear the first legend set forth in (i) above, but shall continue to be subject to the provisions of Section 2.06(c) hereof; provided, however, that with respect to any request for an exchange of a Transfer Restricted Security that is represented by a Global Note for a Definitive Note that does not bear the legend set forth in (i) above, which request is made in reliance upon Rule 144, the Holder thereof shall certify in

writing to the Registrar that such request is being made pursuant to Rule 144 (such certification to be substantially in the form of Exhibit B hereto).

(iii) Notwithstanding the foregoing, upon consummation of the Exchange Offer, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate New Notes in exchange for Notes accepted for exchange in the Exchange Offer, which New Notes shall not bear the legend set forth in (i) above, and the Registrar shall rescind any restriction on the transfer of such Notes.

(h) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Definitive Notes and Global Notes at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 3.07, 4.10, 4.14 and 9.05 hereto).

(iii) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Definitive Notes and Global Notes issued upon any registration of transfer or exchange of Definitive Notes or Global Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Definitive Notes or Global Notes surrendered upon such registration of transfer or exchange.

(v) Neither the Company nor the Registrar shall be required:

(A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection; or

(B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, interest and Liquidated Damages, if any, on such Note, and neither the Trustee, any Agent nor the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Definitive Notes and Global Notes in accordance with the provisions of Section 2.02 hereof.

SECTION 2.07. REPLACEMENT NOTES.

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company may charge for its expenses, including the fees and expenses of the Trustee in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

SECTION 2.08. OUTSTANDING NOTES.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

SECTION 2.09. TREASURY NOTES.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes or any fraction owned by the Company, any Guarantor or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control

with the Company, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee knows are so owned shall be so disregarded.

SECTION 2.10. TEMPORARY NOTES.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by two Officers of the Company. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes. Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

SECTION 2.11. CANCELLATION.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

SECTION 2.12. DEFAULTED INTEREST.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3
REDEMPTION AND PREPAYMENT

SECTION 3.01. NOTICES TO TRUSTEE.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 40 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which

the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

SECTION 3.02. SELECTION OF NOTES TO BE REDEEMED.

If less than all of the Notes are to be redeemed at any time, the Trustee shall select the Notes to be redeemed among the Holders of the Notes in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not so listed, on a pro rata basis, by lot or in accordance with any other method the Trustee considers fair and appropriate. In the event of partial redemption by lot, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.03. NOTICE OF REDEMPTION.

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

SECTION 3.04. EFFECT OF NOTICE OF REDEMPTION.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional.

SECTION 3.05. DEPOSIT OF REDEMPTION PRICE.

One Business Day prior to the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on the redemption date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, accrued interest and Liquidated Damages, if any, on all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

SECTION 3.06. NOTES REDEEMED IN PART.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 3.07. OPTIONAL REDEMPTION.

(a) Except as set forth in clause (b) of this Section 3.07, the Company shall not have the option to redeem the Notes pursuant to this Section 3.07 prior to November 1, 2001. Thereafter, the Company shall have the option to redeem the Notes, in whole or in part, at the redemption prices (expressed as

percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

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

(b) Notwithstanding the provisions of clause (a) of this Section 3.07, at any time during the first 36 months after the date of this Indenture, the Company may redeem up to 35% of the initial principal amount of the Notes originally issued with the net proceeds of one or more public offerings of equity securities of the Company, at a redemption price equal to 109.250% of the principal amount of such Notes, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of redemption; provided that at least 65% of the principal amount of the Notes originally issued remain outstanding immediately after the occurrence of such redemption and that such redemption occurs within 60 days of the date of the closing of such public offerings.

(c) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

SECTION 3.08. MANDATORY REDEMPTION.

Except as set forth under Sections 4.10 and 4.14 hereof, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

SECTION 3.09. OFFER TO PURCHASE BY APPLICATION OF EXCESS PROCEEDS.

In the event that, pursuant to Section 4.10 hereof, the Company shall be required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), it shall follow the procedures specified below.

The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 hereof (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Note not tendered or accepted for payment shall continue to accrue interest;

(d) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Purchase Date;

(e) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may only elect to have all of such Note purchased and may not elect to have only a portion of such Note purchased;

(f) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(g) that Holders shall be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his or her election to have such Note purchased;

(h) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(i) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than

five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made subject to Sections 3.05 and 3.06 hereof. The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes in connection with an Asset Sale Offer.

ARTICLE 4
COVENANTS

SECTION 4.01. PAYMENT OF NOTES.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Company shall pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time

rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

SECTION 4.03. REPORTS.

(a) Whether or not required by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company and, if the Company is required to file financial statements for any Guarantor, such Guarantor shall furnish to the Trustee and to all Holders (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company and/or such Guarantor were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and, with respect to the annual information only, a report thereon by the Company's and/or the Guarantor's certified independent accountants and (ii) all financial information that would be required to be filed with the Commission on Form 8-K if the Company and/or such Guarantor were required to file such reports. In addition, whether or not required by the rules and regulations of the Commission, the Company shall file a copy of all such information with the Commission for public availability (unless the Commission will not accept such a filing) and shall promptly make such information available to all securities analysts and prospective investors upon written request. The Company and any Guarantor shall at all times comply with TIA ss. 314(a).

(b) For so long as any Transfer Restricted Securities remain outstanding, the Company and each Guarantor shall furnish to all Holders and prospective purchasers of the Notes designated by the Holders of Transfer Restricted Securities, promptly upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SECTION 4.04. COMPLIANCE CERTIFICATE.

(a) The Company and each Guarantor shall deliver to the Trustee, within 90 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, interest or Liquidated Damages, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a) above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article Four or Article Five hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05. TAXES.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

SECTION 4.06. STAY, EXTENSION AND USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.07. RESTRICTED PAYMENTS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company) or to any direct or indirect holders of the Company's Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or such Restricted Subsidiary or dividends or distributions payable to the Company or any Wholly Owned Restricted Subsidiary of the Company); (ii) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company or any Restricted Subsidiary or other Affiliate of the Company (other than any such Equity Interests owned by the Company or any Wholly Owned Restricted Subsidiary of the Company that is a Guarantor); (iii) purchase, redeem, defease or otherwise acquire or retire for value prior to a scheduled mandatory sinking fund payment date or final maturity date any Indebtedness that is pari passu with or subordinated to the Notes; or (iv) make any Restricted Investment (all such payments and other actions

set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof; and

(c) such Restricted Payment, together with the aggregate of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the date of this Indenture (including Restricted Payments permitted by the next succeeding paragraph), is less than (w) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the date of this Indenture to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, 100% of such deficit), plus (x) 100% of the aggregate net cash proceeds received by the Company from the issuance or sale after the date of this Indenture of Equity Interests of the Company or of debt securities of the Company that have been converted into such Equity Interests (other than Equity Interests (or convertible debt securities) sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or debt securities that have been converted into Disqualified Stock), plus (y) $2.0 million, plus (z) to the extent that any Unrestricted Subsidiary is designated to be a Restricted Subsidiary, the fair market value (as determined in good faith by the Board of Directors) of the Company's Equity Interests in such Subsidiary at the time of such designation.

The foregoing provisions will not prohibit: (i) the payment of any dividend or other distribution within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of this Indenture; (ii) the redemption, repurchase, retirement or other acquisition of any Equity Interests of the Company in exchange for, or out of the proceeds of, the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of other Equity Interests of the Company (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(x) of the preceding paragraph; (iii) the defeasance, redemption or repurchase of pari passu or subordinated Indebtedness with the net proceeds from an incurrence of Refinancing Indebtedness or the substantially concurrent sale (other than to a Subsidiary of the Company) of Equity Interests of the Company (other than Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement or other acquisition shall be excluded from clause (c)(x) of the preceding paragraph; (iv) the purchase, redemption or other acquisition prior to the stated maturity thereof of Indebtedness that is subordinated to the Notes in exchange for or out of the net cash proceeds of a substantially concurrent issue and sale (other than to the Company or any of its Restricted Subsidiaries) of new Indebtedness; provided that (x) the principal amount of such new Indebtedness shall not exceed the principal amount of Indebtedness so refinanced (plus the amount of such reasonable expenses incurred in connection therewith), (y) such new Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being refinanced, and (z) the new Indebtedness shall be subordinate in right of payment

to the Notes; (v) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company held by any member of the Company's (or any of its Restricted Subsidiaries') management pursuant to any management equity subscription agreement or stock option agreement or in connection with the termination of employment of any employees or management of the Company or its Subsidiaries; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $2.0 million in the aggregate plus the aggregate cash proceeds received by the Company after the date of this Indenture from any reissuance of Equity Interests by the Company to members of management of the Company and its Restricted Subsidiaries; (vi) Investments received by the Company and its Restricted Subsidiaries as non-cash consideration from Asset Sales to the extent permitted by Section 4.10 hereof; and (vii) the repurchase of Notes pursuant to a Change of Control Offer or an Asset Sale Offer; and no Default or Event of Default shall have occurred and be continuing immediately after any such transaction.

The Board of Directors may designate a Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash or Government Securities) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this covenant. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of all Restricted Payments (other than cash or Government Securities) shall be the fair market value (evidenced by a Board Resolution delivered to the Trustee) on the date of the Restricted Payment of the asset(s) proposed to be transferred by the Company or such Subsidiary, as the case may be, pursuant to the Restricted Payment. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07 were computed, which calculations may be based upon the Company's latest available financial statements.

SECTION 4.08. DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(a) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (x) on its Capital Stock or (y) with respect to any other interest or participation in, or measured by, its profits, or (b) pay any indebtedness owed to the Company or any of its Restricted Subsidiaries, (ii) make loans or advances to the Company or any of its Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (a) Existing Indebtedness as in effect on the date of this Indenture, (b) the Credit Agreement and all related Senior Bank Debt documents as in effect as of the date of this Indenture, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive with respect to such dividend and other payment restrictions than those contained in the Credit Agreement as in effect on the date of this Indenture, (c) this Indenture, the Subsidiary Guarantees and the Notes, (d) applicable law, (e) any instrument governing

Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that the Consolidated Cash Flow of such Person is not taken into account in determining whether such acquisition was permitted by the terms of this Indenture, (f) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (g) purchase money obligations or Capital Lease Obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (h) permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, (i) customary restrictions imposed on the transfer of copyrighted or patented materials and customary provisions in agreements that restrict the assignees of such agreements or any rights thereunder, or (j) restrictions with respect to a Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

SECTION 4.09. INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guaranty or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Company shall not issue any Disqualified Stock and shall not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company may incur Indebtedness or issue shares of Disqualified Stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The foregoing limitations shall not apply to: (i) the incurrence by the Company of Senior Bank Debt; (ii) Guarantees of the Senior Bank Debt permitted under or required by the Credit Agreement and Guarantees permitted under or required by this Indenture; (iii) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness; (iv) the incurrence by the Company of Indebtedness represented by the Notes and this Indenture, and the incurrence by Restricted Subsidiaries of Guarantees required or permitted to be incurred under this Indenture; (v) the incurrence by the Company or any of its Restricted Subsidiaries of Capital Lease Obligations and/or additional Indebtedness constituting purchase money obligations in an aggregate principal amount not to exceed $5.0 million at any time outstanding; (vi) the incurrence by the Company of additional Indebtedness for any corporate purposes in an outstanding principal amount (or accreted value, as applicable) at no time exceeding $25.0 million (which may, but need not be, borrowed under the Credit Agreement); (vii) the incurrence by any Foreign Subsidiary of Indebtedness, which when aggregated with the principal amount of Indebtedness of all Foreign Subsidiaries then outstanding and incurred pursuant to this clause (vii), does not exceed $5.0 million (or the equivalent thereof in any other currency) at any one time outstanding; (viii) the incurrence

by any Restricted Subsidiary of the Company of Acquired Debt in an aggregate principal amount not to exceed $20.0 million for all Restricted Subsidiaries (reduced by the amount of Acquired Debt repaid with the Net Proceeds of Asset Sales of any Restricted Subsidiary subject to such Acquired Debt) that (a) has not been incurred in connection with, or in contemplation of such Restricted Subsidiary becoming a Restricted Subsidiary, or a merger of a Person subject to such Acquired Debt with or into such Restricted Subsidiary, and (b) is without recourse to the Company or any of its Restricted Subsidiaries or any of their respective assets (other than the Restricted Subsidiary subject to such Acquired Debt and its assets), and is not guaranteed by any such Person; provided that (A) after giving pro forma effect to the incurrence thereof as if incurred by the Company, the Company could incur at least $1.00 of Indebtedness under the first paragraph of this Section 4.09, (B) any Refinancing Indebtedness with respect thereto may not be incurred by any Person other than the Restricted Subsidiary that is the obligor on such Acquired Indebtedness, and (C) such Restricted Subsidiary becomes an Additional Guarantor upon incurrence of such Acquired Debt in accordance with this Indenture; (ix) the incurrence by the Company of Indebtedness in connection with the issuance of notes in payment of the repurchase, redemption, acquisition or retirement of Equity Interests of the Company or any Restricted Subsidiary of the Company to the extent permitted by Section 4.07 hereof; (x) Hedging Obligations that are incurred for the purpose of fixing or hedging interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the Credit Agreement or this Indenture to be outstanding; (xi) Indebtedness arising out of letters of credit, performance bonds, surety bonds, guarantees resulting from endorsements of negotiable instruments and bankers' acceptances, incurred in the ordinary course of business; (xii) all Obligations with respect to the foregoing; (xiii) the incurrence by the Company and its Restricted Subsidiaries of Indebtedness issued in exchange for, or the proceeds of which are used to repay, redeem, defease, extend, refinance, renew, replace, or refund Indebtedness referred to in clauses (ii) through (xii) above, and this clause (xiii) (the "Refinancing Indebtedness"); provided that (a) the principal amount of such Refinancing Indebtedness shall not exceed the principal amount of Indebtedness so extended, refinanced, renewed, replaced, substituted or refunded (plus the amount of fees, premiums, consent fees, prepayment penalties and expenses incurred in connection therewith); (b) in the case of Refinancing Indebtedness for Indebtedness permitted under clause (iii) or (viii) of this paragraph, the Refinancing Indebtedness shall have a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced or refunded or shall mature after the scheduled maturity date of the Notes; (c) to the extent such Refinancing Indebtedness refinances Indebtedness subordinate to the Notes, such Refinancing Indebtedness shall be subordinated in right of payment to the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced or refunded; and (d) with respect to Refinancing Indebtedness incurred by a Guarantor, such Refinancing Indebtedness shall rank no more senior, and shall be at least as subordinated, in right of payment to the Guarantee of such Guarantor as the Indebtedness being extended, refinanced, renewed, replaced or refunded; (xiv) Indebtedness of the Company (a) not to exceed an aggregate principal amount of $8.0 million outstanding at any time arising as a result of the issuance of tax-exempt industrial development bonds or similar tax-exempt public financing, and (b) additional Indebtedness arising out of the issuance of additional tax-exempt public financing obligations, but only to the extent that Indebtedness owing under the Credit Agreement is prepaid, concurrently with the receipt of the net proceeds of such issuance, in an amount at least equal to the amount of such proceeds, and term indebtedness or the availability of revolving credit borrowings under the Credit Agreement is permanently reduced by the amount of such net proceeds and (xv) the incurrence of Indebtedness between (a) the Company and its Restricted Subsidiaries and (b) the Restricted Subsidiaries; provided, that (x) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Wholly Owned

Restricted Subsidiary and (y) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Wholly Owned Restricted Subsidiary shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be.

SECTION 4.10. ASSET SALES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, (i) sell, lease, convey or otherwise dispose of any assets (including by way of a sale and leaseback) other than sales of inventory in the ordinary course of business (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company will be governed by Section 4.14 hereof and/or Section 5.01 hereof and not by the provisions of this Section 4.10), or (ii) issue or sell Equity Interests of any of its Restricted Subsidiaries, in the case of either clause (i) or (ii) above, whether in a single transaction or a series of related transactions, (a) that have a fair market value in excess of $1.0 million, or (b) for net proceeds in excess of $1.0 million (each of the foregoing, an "Asset Sale"), unless (x) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by an Officers' Certificate delivered to the Trustee, and for Asset Sales having a fair market value or net proceeds in excess of $5.0 million, evidenced by a Board Resolution delivered to the Trustee) of the assets sold or otherwise disposed of and (y) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents; provided, however, that the amount of (A) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability and (B) any notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are immediately converted by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) or Cash Equivalents, shall be deemed to be cash for purposes of this provision; and provided, further, that the 75% limitation referred to in this clause (y) shall not apply to any Asset Sale in which the cash portion of the consideration received therefrom, determined in accordance with the foregoing proviso, is equal to or greater than what the after-tax proceeds would have been had such Asset Sale complied with the aforementioned 75% limitation. Notwithstanding the foregoing: (i) a transfer of assets by the Company to a Wholly Owned Restricted Subsidiary or by a Wholly Owned Restricted Subsidiary to the Company or to another Wholly Owned Restricted Subsidiary, (ii) an issuance of Equity Interests (other than Disqualified Stock) by a Wholly Owned Restricted Subsidiary to the Company or another Wholly Owned Restricted Subsidiary, (iii) issuances of Equity Interests by the Company pursuant to warrants outstanding on the date of this Indenture, (iv) a Restricted Payment that is permitted by Section 4.07 hereof, (v) the surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind (other than assignment of such rights or claims for value outside the ordinary course of business) or (vi) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registration therefor and other similar intellectual property, will not be deemed to be an Asset Sale. In addition, notwithstanding the foregoing, the Company and any of its Restricted Subsidiaries may create or assume Liens (or permit any foreclosure thereon) securing Indebtedness to the extent that such Lien does not violate Section 4.12 hereof.

Within 270 days after the receipt of any Net Proceeds from any Asset Sale, the Company shall apply such Net Proceeds from such Asset Sale to permanently reduce Senior Debt in accordance with the

terms of the Credit Agreement, if applicable, or to the extent not required to be applied thereunder, may, at its option, apply such Net Proceeds to repayment of Indebtedness of a Restricted Subsidiary (in the case of Net Proceeds from an Asset Sale effected by a Restricted Subsidiary) or to an investment in a Restricted Subsidiary or in another business or capital expenditure or other long-term/tangible assets, in each case, in the same or a similar line of business as the Company or any of its Restricted Subsidiaries were engaged in on the date of this Indenture or in businesses reasonably related thereto. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Senior Debt or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from an Asset Sale that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company will be required to make an Asset Sale Offer to all Holders of Notes to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase, in accordance with the procedures set forth in Section 3.09 hereof. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

SECTION 4.11. TRANSACTIONS WITH AFFILIATES.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to or enter into any other transaction with, or for the benefit of, an Affiliate of the Company (an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person and (ii) the Company delivers to the Trustee (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $1.0 million, a Board Resolution certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (b) with respect to any Affiliate Transaction involving aggregate consideration in excess of $5.0 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing; provided that (v) the Employment Agreement and any employment agreement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and consistent with the past practice (other than past practice with respect to Thomas F. Pyle) of the Company or such Restricted Subsidiary, (w) transactions between or among the Company and/or its Restricted Subsidiaries, (x) investment banking and management fees in an aggregate amount no greater than $360,000 per annum plus reimbursement of expenses to be paid by the Company to Thomas H. Lee Company, (y) payments to Thomas F. Pyle pursuant to the Consulting Agreements (whether or not Thomas F. Pyle would be considered an Affiliate), and (z) transactions permitted by Section 4.07 hereof, in each case, shall not be deemed Affiliate Transactions; further provided, however, that (A) the provisions of clause (ii) shall not apply to sales of inventory by the Company or any Restricted Subsidiary to any Affiliate in the ordinary course of business and (B) the provisions of clause (ii)(b) shall not apply to loans or advances to the Company

or any Restricted Subsidiary from, or equity investments in the Company or any Restricted Subsidiary by, any Affiliate to the extent permitted by Section 4.09 hereof.

SECTION 4.12. LIENS.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any of their property, assets or revenue now owned or hereafter acquired by them, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens; provided, however, that in addition to creating Permitted Liens on its properties or assets, the Company may create any Lien upon any of its properties or assets if the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligation is no longer secured by a Lien.

SECTION 4.13. CORPORATE EXISTENCE.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Restricted Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

SECTION 4.14. OFFER TO REPURCHASE UPON CHANGE OF CONTROL.

Upon the occurrence of a Change of Control, each Holder of Notes shall have the right to require the Company to repurchase all or any part (equal to $1,000 in principal amount or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Change of Control Payment"). Within 30 calendar days following any Change of Control, the Company will mail a notice to each Holder stating: (i) that the Change of Control Offer is being made pursuant to this Section 4.14 and that all Notes tendered will be accepted for payment; (ii) the purchase price and the purchase date, which will be no earlier than 30 calendar days nor later than 60 calendar days from the date such notice is mailed (the "Change of Control Payment Date"); (iii) that any Note not tendered will continue to accrue interest; (iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date; (v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name

of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes purchased; and (vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof. The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes in connection with a Change of Control.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of the Notes or portions thereof required to be purchased by the Company. The Paying Agent will promptly mail to each Holder of Notes so accepted the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof. Prior to complying with the provisions of this Section 4.14, but in any event within 90 calendar days following a Change of Control, the Company shall either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this Section 4.14. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

SECTION 4.15. NO SENIOR SUBORDINATED DEBT.

Notwithstanding the provisions of Section 4.09 hereof (i) the Company shall not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to any Senior Debt of the Company and senior in any respect in right of payment to the Notes, and (ii) the Company will not permit any Guarantor to incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinated or junior in right of payment to its Senior Debt and senior in any respect in right of payment to its Guarantee.

SECTION 4.16. LIMITATIONS ON GUARANTEES OF COMPANY INDEBTEDNESS BY RESTRICTED SUBSIDIARIES.

In the event that any Restricted Subsidiary, directly or indirectly, guarantees any Indebtedness of the Company other than the Notes (the "Other Indebtedness") the Company shall cause such Restricted Subsidiary to deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary shall concurrently guarantee the Company's Obligations under this Indenture and the Notes to the same extent that such Restricted Subsidiary guaranteed the Company's Obligations under the Other Indebtedness (including waiver of subrogation, if any), provided that if such Other Indebtedness is Senior Debt, the Additional Guarantee shall be subordinated in right of payment to the guarantee of such Other Indebtedness, as provided by the provisions of Article 11 hereof, and such Additional Guarantee shall be on the same terms and subject to the same conditions as the initial Guarantee given by ROV Holding, Inc. hereunder. Each Additional Guarantee shall by its terms provide that the Additional Guarantor making such Additional Guarantee will be automatically and unconditionally released and discharged from

its obligations under such Additional Guarantee upon the release or discharge of the guarantee of the Other Indebtedness that resulted in the creation of such Additional Guarantee, except a discharge or release by, or as a result of, any payment under the guarantee of such Other Indebtedness by such Additional Guarantor.

SECTION 4.17. ADDITIONAL GUARANTEES.

If (i) if the Company or any of its Restricted Subsidiaries shall, after the date of this Indenture, transfer or cause to be transferred, including by way of any Investment, in one or a series of transactions (whether or not related), any assets, businesses, divisions, real property or equipment having an aggregate fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million to any Restricted Subsidiary that is not a Guarantor, (ii) the Company or any of its Restricted Subsidiaries shall acquire another Restricted Subsidiary having total assets with a fair market value (as determined in good faith by the Board of Directors) in excess of $1.0 million, or (iii) any Restricted Subsidiary shall incur Acquired Debt, then the Company shall, at the time of such transfer, acquisition or incurrence, (i) cause such transferee, acquired Restricted Subsidiary or Restricted Subsidiary incurring Acquired Debt (if not then a Guarantor) to execute a Guarantee of the Obligations of the Company hereunder in the form set forth herein and (ii) deliver to the Trustee an Opinion of Counsel, in form reasonably satisfactory to the Trustee, that such Guarantee is a valid, binding and enforceable obligation of such transferee, acquired Restricted Subsidiary or Restricted Subsidiary incurring Acquired Debt, subject to customary exceptions for bankruptcy and equitable principles. Notwithstanding the foregoing, the Company or any of its Restricted Subsidiaries may make a Restricted Investment in any Wholly Owned Restricted Subsidiary of the Company without compliance with this Section 4.17 provided that such Restricted Investment is permitted by Section 4.07 hereof.

No Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person (other than the Company) whether or not affiliated with such Guarantor unless: (i) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under its Guarantee, the Notes and this Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) such Guarantor, or any Person formed by or surviving any such consolidation or merger, (a) would have Consolidated Net Worth (immediately after giving effect to such transaction), equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction and (b) would be permitted by virtue of the Company's pro forma Fixed Charge Coverage Ratio to incur, immediately after giving effect to such transaction, at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof.

In the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the capital stock of any Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the Person acquiring the property (in the event of a sale or other disposition of all of the assets of such Guarantor) shall be released and relieved of any obligations under its Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions hereof. In the event the Board of Directors designates a Guarantor to be an Unrestricted Subsidiary, such Guarantor will be

released and relieved of any obligation under its Guarantee, provided that such designation is conducted in accordance with the applicable provisions hereof including, but not limited to, Section 4.07.

ARTICLE 5
SUCCESSORS

SECTION 5.01. MERGER, CONSOLIDATION, OR SALE OF ASSETS.

The Company shall not consolidate or merge with or into (whether or not the Company is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another Person unless (i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made (a) will have Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction and (b) will, at the time of such transaction and after giving pro forma effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 hereof; provided, however, that this provision shall not prohibit any merger or consolidation among the Company and one or more of its Wholly Owned Restricted Subsidiaries that is a Guarantor.

In connection with any consolidation or merger, or any sale, assignment, transfer, lease, conveyance, or other disposition of all or substantially all of the assets of the Company in accordance with this Section 5.01, the Company shall deliver, or cause to be delivered, to the Trustee, in form reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance, or other disposition and any supplemental indenture in respect thereto comply with this Article 5 and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 5.02. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer

instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from the obligation to pay the principal of, interest and Liquidated Damages, if any, on the Notes except in the case of a sale of all of the Company's assets that meets the requirements of Section 5.01 hereof.

ARTICLE 6
DEFAULTS AND REMEDIES

SECTION 6.01. EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest or Liquidated Damages, if any, on any Note when the same becomes due and payable and the Default continues for a period of 30 days, whether or not such payment is prohibited by the provisions of Article 11 hereof;

(2) the Company defaults in the payment of the principal of or premium, if any, on any Note when the same becomes due and payable at maturity, upon redemption or otherwise, whether or not such payment is prohibited by the provisions of Article 11 hereof;

(3) the Company or any Guarantor, as the case may be, fails to observe or perform any other covenant, condition or agreement on its part to be observed or performed pursuant to Articles 4 or 5 hereof; provided that, in the case of Sections 4.02, 4.03, 4.04, 4.05, 4.12 and 4.13, such failure shall have continued for 60 days after receipt of written notice from the Trustee or any Holder;

(4) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by a Guarantee of the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists or shall be created hereafter, if (a) such default results in the acceleration of such Indebtedness prior to its express maturity or shall constitute a default in the payment of such Indebtedness at final maturity of such Indebtedness, and (b) the principal amount of any such Indebtedness that has been accelerated or not paid at maturity, when added to the aggregate principal amount of all other Indebtedness that has been accelerated or not paid at maturity, exceeds $5.0 million;

(5) a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against the Company or any of its Restricted Subsidiaries and such judgment or judgments remain undischarged for a period (during which execution shall not be effectively stayed) of 60 days, provided that the aggregate of all such undischarged judgments (to the extent not covered by insurance) exceeds $5.0 million;

(6) the Company or any of its Restricted Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) generally is not paying its debts as they become due; or

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Company or any Restricted Subsidiary in an involuntary case,

(b) appoints a Custodian of the Company or any Restricted Subsidiary or for all or substantially all of the property of the Company or any Restricted Subsidiary, or

(c) orders the liquidation of the Company or any Restricted Subsidiary,

and the order or decree remains unstayed and in effect for 60 consecutive days; and

(8) except as permitted by this Indenture, any Subsidiary Guarantee issued by a Guarantor shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor, or any Person acting by or on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee.

The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

In the case of any Event of Default pursuant to the provisions of this Section 6.01 occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to Section 3.08 hereof, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon acceleration of the Notes, anything in this Indenture or in the Notes to the contrary notwithstanding. If an Event of Default occurs prior to the November 1, 2001 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to November 1, 2001 pursuant to Section 3.07 hereof, then the premium payable for purposes of this paragraph for each of the years beginning on November 1 of the years set forth below shall be as set forth in the following table expressed as a percentage of the amount that would otherwise be due but for the provisions of this sentence, plus accrued interest, if any, to the date of payment:

Year	Percentage
1996	110.250%
1997	109.225%
1998	108.200%
1999	107.175%

2000 ..... 106.150%

SECTION 6.02. ACCELERATION.

If an Event of Default (other than an Event of Default specified in clauses (6) and (7) of Section 6.01 relating to the Company, any Significant Subsidiary of the Company or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary of the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes by written notice to the Company, the Trustee and the Bank Agent may declare the unpaid principal of, accrued interest and Liquidated Damages, if any, on all the Notes to be due and payable. Upon such declaration the principal, interest and Liquidated Damages, if any, shall be due and payable immediately (together with the premium referred to in Section 6.01, if applicable); provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after the receipt by the Representative with regard to any Designated Senior Debt of such written notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. If an Event of Default specified in clause (6) or (7) of Section 6.01 relating to the Company, any Significant Subsidiary of the Company or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary of the Company occurs, such an amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder. In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (4) of Section 6.01 hereof, the declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (4) have rescinded the declaration of acceleration in respect of such Indebtedness within 30 days of the date of such declaration and if (a) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction, and (b) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived and all amounts due to the Trustee under Section 7.07 have been paid.

SECTION 6.03. OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding, and any recovery or judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of Notes. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04. WAIVER OF PAST DEFAULTS.

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase) (provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05. CONTROL BY MAJORITY.

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability, and (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. Notwithstanding any provision to the contrary in this Indenture, the Trustee shall not be obligated to take any action with respect to the provisions of the last paragraph of Section 6.01 unless directed to do so pursuant to this Section 6.06.

SECTION 6.06. LIMITATION ON SUITS.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

SECTION 6.07. RIGHTS OF HOLDERS OF NOTES TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08. COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01 occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company or any Guarantor for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09. TRUSTEE MAY FILE PROOFS OF CLAIM.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (premium, if any) or interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Liquidated Damages, if any, and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

SECTION 6.11. UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.06 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

SECTION 6.12. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder of Notes has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

ARTICLE 7
TRUSTEE

SECTION 7.01. DUTIES OF TRUSTEE.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.06 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protections to the Trustee shall be subject to the provisions of this Article 7 and to the provisions of the TIA.

SECTION 7.02. RIGHTS OF TRUSTEE.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take

in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company or any Guarantor shall be sufficient if signed by an Officer of the Company or such Guarantor.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to the provisions of this Indenture, including, without limitation, the provisions of Section 6.06 hereof, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) The Trustee shall not be charged with knowledge of any Default or Event of Default under Sections 6.01(3), 6.01(4), 6.01(5), 6.01(6), 6.01(7), 6.01(8) or 6.01(9) hereof and the Trustee shall not be charged with knowledge of the existence of any Liquidated Damages unless either (i) a Responsible Officer shall have actual knowledge thereof, or (ii) the Trustee shall have received notice thereof in accordance with Section 12.02 hereof from the Company or any Holder of Notes.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company or the Guarantor, personally or by agent or attorney.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Guarantor or any Affiliate of the Company or any Guarantor with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest within the meaning of Section 3.10(b) of the TIA it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

SECTION 7.04. TRUSTEE'S DISCLAIMER.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULTS.

If a Default or Event of Default occurs and is continuing and if it is known to a Responsible Officer, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS OF THE NOTES.

Within 60 days after each December 31 beginning with the December 31 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA ss. 313(a) (but if no event described in TIA ss. 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA ss. 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA ss. 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the Commission and each stock exchange on which the Notes are listed in accordance with TIA ss. 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

SECTION 7.07. COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company or any Guarantor (including this Section 7.07) and defending itself against any claim (whether asserted by the Company or any Guarantor or any Holder or any other Person) or liability in connection with the exercise

or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The obligations of the Company under this Section 7.07 shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the resignation or removal of the Trustee and the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(7) or (8) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA ss. 313(b)(2) to the extent applicable.

SECTION 7.08. REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of Notes of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of Notes of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10, such Holder of a Note may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1), (2) and (5). The Trustee is subject to TIA ss. 310(b).

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee is subject to TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. OPTION TO EFFECT LEGAL DEFEASANCE OR COVENANT DEFEASANCE.

The Company may, at the option of its Board of Directors evidenced by a Board Resolution, at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. LEGAL DEFEASANCE AND DISCHARGE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Article 2 and Section 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (d) this Article 8. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

SECTION 8.03. COVENANT DEFEASANCE.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16 and 4.17 hereof with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In

addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03 hereof, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(4) through 6.01(6) hereof shall not constitute Events of Default.

SECTION 8.04. CONDITIONS TO LEGAL OR COVENANT DEFEASANCE.

The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of an election under Section 8.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence) or insofar as Sections 6.01(6) or 6.01(7) hereof is concerned, at any time in the period ending on the 123rd day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that on the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

SECTION 8.05. DEPOSITED MONEY AND GOVERNMENT SECURITIES TO BE HELD IN TRUST; OTHER MISCELLANEOUS PROVISIONS.

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06. REPAYMENT TO COMPANY.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as a secured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such

trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 8.07. REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. WITHOUT CONSENT OF HOLDERS OF NOTES.

Notwithstanding Section 9.02 of this Indenture, the Company, the Guarantors and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Company's obligations to the Holders of Notes in the case of a merger or consolidation pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of Notes; or

(e) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall

not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. WITH CONSENT OF HOLDERS OF NOTES.

Except as provided below in this Section 9.02, the Company, the Guarantors and the Trustee may amend or supplement this Indenture and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, interest or Liquidated Damages, if any, on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes).

Upon the request of the Company accompanied by a Board Resolution authorizing the execution of any such amended or supplemental indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of such amended or supplemental indenture unless such amended or supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes in a manner adverse to the Holders;

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of or interest on the Notes;

(g) waive a redemption payment with respect to any Note (other than a payment required by Section 4.10 or Section 4.14);

(h) except pursuant to Sections 4.16 or 4.17, release any Guarantor from its obligations under its Guarantee, or change any Guarantee in any manner that would adversely affect the Holders; or

(i) make any change in Section 6.04 or 6.07 hereof or in the foregoing amendment and waiver provisions.

SECTION 9.03. COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment or supplement to this Indenture or the Notes shall be set forth in a amended or supplemental indenture that complies with the TIA as then in effect.

SECTION 9.04. REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

SECTION 9.05. NOTATION ON OR EXCHANGE OF NOTES.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

SECTION 9.06. TRUSTEE TO SIGN AMENDMENTS, ETC.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, in addition to the documents required by Section 12.04, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
GUARANTEES

SECTION 10.01. GUARANTEE.

Each Guarantor and each Restricted Subsidiary of the Company which in accordance with Section 4.16 or 4.17 hereof is required to guarantee the obligations of the Company under the Notes, upon execution of a counterpart of this Indenture, hereby jointly and severally unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity or enforceability of this Indenture, the Notes or the obligations of the Company under this Indenture or the Notes, that: (i) the principal of, premium (if any) and interest and Liquidated Damages, if any, on the Notes will be paid in full when due, whether at the maturity or interest payment date, by acceleration, call for redemption or otherwise, and interest on the overdue principal of, interest or Liquidated Damages, if any, on the Notes and all other obligations of the Company to the Holders or the Trustee under this Indenture or the Notes will be promptly paid in full or performed, all in accordance with the terms of this Indenture and the Notes; and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, they will be paid in full when due or performed in accordance with the terms of the extension or renewal, whether at maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, each Guarantor will be obligated to pay the same whether or not such failure to pay has become an Event of Default which could cause acceleration pursuant to Section 6.02 hereof. Each Guarantor agrees that this is a guarantee of payment not a guarantee of collection.

Each Guarantor hereby agrees that its obligations with regard to this Subsidiary Guarantee shall be joint and several, unconditional, irrespective of the validity or enforceability of the Notes or the obligations of the Company under this Indenture, the absence of any action to enforce the same, the recovery of any judgment against the Company or any other obligor with respect to this Indenture, the Notes or the obligations of the Company under this Indenture or the Notes, any action to enforce the same or any other circumstances (other than complete performance) which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each Guarantor further, to the extent permitted by law, waives and relinquishes all claims, rights and remedies accorded by applicable law to guarantors and agrees not to assert or take advantage of any such claims, rights or remedies, including but not limited to: (a) any right to require the Trustee, the Holders or the Company (each, a "Benefitted Party") to proceed against the Company or any other Person or to proceed against or exhaust any security held by a Benefitted Party at any time or to pursue any other remedy in any Benefitted Party's power before

proceeding against such Guarantor; (b) the defense of the statute of limitations in any action hereunder or in any action for the collection of any Indebtedness or the performance of any obligation hereby guaranteed; (c) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other Person or the failure of a Benefitted Party to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other Person; (d) demand, protest and notice of any kind including but not limited to notice of the existence, creation or incurring of any new or additional Indebtedness or obligation or of any action or non-action on the part of such Guarantor, the Company, any Benefitted Party, any creditor of such Guarantor, the Company or on the part of any other Person whomsoever in connection with any Indebtedness or obligations hereby guaranteed; (e) any defense based upon an election of remedies by a Benefitted Party, including but not limited to an election to proceed against such Guarantor for reimbursement; (f) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (g) any defense arising because of a Benefitted Party's election, in any proceeding instituted under Bankruptcy Law, of the application of 11 U.S.C. Section 1111(b)(2); or (h) any defense based on any borrowing or grant of a security interest under 11 U.S.C. Section 364. Each Guarantor hereby covenants that its Subsidiary Guarantee will not be discharged except by complete performance of the obligations contained in its Subsidiary Guarantee and this Indenture.

If any Holder or the Trustee is required by any court or otherwise to return to either the Company or any Guarantor, or any Custodian acting in relation to either the Company or such Guarantor, any amount paid by the Company or such Guarantor to the Trustee or such Holder, the applicable Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (i) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Section 6.02 hereof for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration as to the Company or any other obligor on the Notes of the Obligations guaranteed hereby, and (ii) in the event of any declaration of acceleration of those Obligations as provided in Section 6.02 hereof, those Obligations (whether or not due and payable) will forthwith become due and payable by such Guarantor for the purpose of this Subsidiary Guarantee.

To evidence its Subsidiary Guarantee, each Guarantor hereby agrees that a notation of such Guarantee substantially in the form of Exhibit A-1 hereto shall be endorsed by an officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of such Guarantor by its President or one of its Vice Presidents and attested to by an Officer.

SECTION 10.02. SUBORDINATION.

Each Guarantor, the Trustee, and each Holder by accepting a Note agrees, that the Indebtedness evidenced by the Subsidiary Guarantee is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Obligations with respect to Senior Debt of such Guarantor (whether outstanding on the date hereof or hereafter created, incurred, assumed

or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt of such Guarantor.

SECTION 10.03. DISSOLUTION, LIQUIDATION OR REORGANIZATION.

Upon any distribution of assets of any Guarantor upon any dissolution, winding up, liquidation or reorganization of such Guarantor (whether in bankruptcy, insolvency, receivership or similar proceeding related to the Guarantor or its property or upon an assignment for the benefit of creditors or otherwise):

(a) the holders of all Senior Debt of such Guarantor will first be entitled to receive payment in full in cash or U.S. dollar denominated Cash Equivalents of the principal of and interest due on Senior Debt of such Guarantor and other amounts due in connection with Senior Debt of such Guarantor (including interest accruing subsequent to certain bankruptcy events and certain winding up events described in clauses (6) and (7) of Section 6.01 hereof at the rate provided for in the documents governing such Senior Debt, whether or not such interest is an allowed claim enforceable against the debtor in a bankruptcy case under Title 11 of the United States Code) before the Holders are entitled to receive any payment or distribution from such Guarantor with respect to such Guarantor's Subsidiary Guarantee;

(b) any payment or distribution of assets of such Guarantor of any kind or character, whether in cash, property or securities, to which the Holders or the Trustee would be entitled except for the provisions of this Article 10 will be paid by the liquidating trustee or agent or other Person making such a payment or distribution directly to the holders of Senior Debt of such Guarantor or their Representatives to the extent necessary to make payment in full in cash or U.S. dollar denominated Cash Equivalents of all Senior Debt of such Guarantor remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and

(c) if, notwithstanding the foregoing, any payment or distribution of assets of such Guarantor of any kind or character, whether in cash, property or securities, is received by the Trustee or the Holders on account of the Subsidiary Guarantee before all Senior Debt of such Guarantor is paid in full in cash or U.S. dollar denominated Cash Equivalents, such payment or distribution will be received and held in trust for and will be paid over forthwith to the holders of the Senior Debt of such Guarantor remaining unpaid or their Representatives for application to the payment of such Senior Debt until all such Senior Debt has been paid in full in cash or U.S. dollar denominated Cash Equivalents, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt (except that Holders may receive payments made from the trust described in Section 8.04 hereof).

Each Guarantor will give prompt written notice to the Holders and to the Trustee of any dissolution, winding up, liquidation or reorganization of such Guarantor or any assignment for the benefit of its creditors and of any event of default in respect of Senior Debt of such Guarantor.

For purposes of this Article 10, the words "cash, property or securities" shall not be deemed to include (i) shares of Capital Stock of a Guarantor as reorganized or readjusted (excluding Capital Stock redeemable at the option of the holder thereof prior to the final maturity date or any mandatory pre-payment date with respect to any Designated Senior Debt of such Guarantor or Guarantor Significant

Senior Debt (as defined below), (ii) Capital Stock convertible into or exchangeable for Indebtedness which is subordinated, to at least the same extent as the Subsidiary Guarantee, to the payment of all Senior Debt of such Guarantor then outstanding, (iii) securities of the Guarantor or any other corporation provided for by a plan of reorganization or readjustment which are subordinated, to at least the same extent as the Subsidiary Guarantee, to the payment of all Senior Debt of such Guarantor then outstanding, or (iv) any payment or distribution of securities of such Guarantor or any other corporation authorized by an order or decree giving effect, and stating in such order or decree that effect has been given, to subordination of the Subsidiary Guarantee to Senior Debt of such Guarantor and made by a court of competent jurisdiction in a reorganization proceeding under any applicable bankruptcy, insolvency or similar law.

SECTION 10.04. DEFAULT ON SENIOR DEBT OF THE GUARANTOR.

(a) No payment will be made on account of the Subsidiary Guarantees, or to acquire any of the Notes for cash, property or securities or on account of the redemption provisions of the Notes upon the maturity of any (i) Senior Bank Debt or other Designated Senior Debt guaranteed by a Guarantor or (ii) any Senior Debt permitted by clause (xiv) of the second paragraph of Section 4.09 hereof guaranteed by a Guarantor and any other Senior Debt of a Guarantor issued in a single transaction or a series of related transactions having an aggregate principal amount outstanding of $5.0 million or more ("Guarantor Significant Senior Debt"), by lapse of time, acceleration or otherwise, unless and until all such Designated Senior Debt or Guarantor Significant Senior Debt, as the case may be (including interest accruing subsequent to certain bankruptcy events and certain winding up events at the rate provided for in documents governing such Senior Debt, whether or not such interest is an allowed claim enforceable against the debtor in a bankruptcy case under Title 11 of the United States Code), shall first be paid in full in cash or U.S. dollar denominated Cash Equivalents.

(b) No Guarantor may make any payment or distribution upon or in respect of its Subsidiary Guarantee, including, without limitation, by way of set-off or otherwise, or redeem (or make a deposit in redemption of), defease or acquire any of the Notes, for cash, property or securities if (i) a default in the payment of any Obligation under any Significant Senior Debt that is guaranteed by such Guarantor or any Designated Senior Debt or in the payment of any Obligation of such Guarantor with respect to (a) any Guarantee of Designated Senior Debt or (b) Guarantor Significant Senior Debt occurs and is continuing or (ii) any other default (or any event that, after notice or passage of time would become an event of default) occurs and is continuing with respect to any Designated Senior Debt and, in the case of clause (ii), the Trustee receives notice of such default (a "Payment Blockage Notice") from the holders (or the agent or Representative of such holders) of any Designated Senior Debt. Payment on the Notes or any Subsidiary Guarantee may and shall be resumed (i) in the case of a payment default, upon the date on which such default is cured or waived and (ii) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any such Designated Senior Debt or Guarantor Significant Senior Debt has been accelerated. No new period of payment blockage pursuant to a Payment Blockage Notice may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

(c) If any payment or distribution of assets of a Guarantor is received by any Holder in respect of the Subsidiary Guarantees at a time when that payment or distribution should not have been made because of paragraph (a) or (b), such payment or distribution will be received and held in trust for and will be paid over forthwith to the holders of Senior Debt of such Guarantor which is due and payable and remains unpaid (pro rata as to each of such holders on the basis of the respective amounts of Senior Debt of such Guarantor which is due and payable held by them) until all such Senior Debt of such Guarantor has been paid in full in cash or U.S. dollar denominated Cash Equivalents, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt (except that Holders may receive payments made from the trust described in Section 8.04 hereof).

SECTION 10.05. ACCELERATION OF NOTES.

If payment of the Notes is accelerated because of an Event of Default, each Guarantor shall promptly notify the Representative of the holders of Senior Debt of such Guarantor of the acceleration.

SECTION 10.06. SUBROGATION.

With respect to any Guarantor, following the payment in full of all Senior Debt of such Guarantor, the Holders will be subrogated to the rights of the holders of Senior Debt of such Guarantor to receive payments or distributions of assets of such Guarantor applicable to the Senior Debt of such Guarantor until all amounts owing on the Notes have been paid in full, and for the purpose of such subrogation no such payments or distributions to the holders of Senior Debt of such Guarantor by or on behalf of the Guarantor or by or on behalf of the Holders by virtue of this Article 10 which otherwise would have been made to the Holders will, as between the Guarantor and Holders, be deemed to be payment by the Guarantor to or on account of the Senior Debt of such Guarantor, it being understood that the provisions of this Article 10 are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of Senior Debt of any Guarantor, on the other hand.

SECTION 10.07. OBLIGATIONS UNCONDITIONAL.

Nothing contained in this Article 10 or elsewhere in this Indenture or the Notes is intended to or will impair, as between any Guarantor and the Holders, the obligations of the Guarantor, which are absolute and unconditional, to pay principal of, interest and Liquidated Damages, if any, on the Notes in accordance with the terms of the Subsidiary Guarantee as and when such Obligations become due and payable, or is intended to or will affect the relative rights of the Holders and creditors of the Guarantor other than the holders of the Senior Debt of such Guarantor, nor will anything herein or therein prevent any Holder from exercising all remedies otherwise permitted by applicable law upon default of the Notes, subject to the rights, if any, under this Article 10 of the holders of Senior Debt of such Guarantor in respect of cash, property or securities of the Guarantor received upon the exercise of any such remedy.

SECTION 10.08. RELATIVE RIGHTS.

No right of any present or future holders of any Senior Debt of any Guarantor to enforce subordination as provided in this Article 10 will at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Guarantor or by any act or failure to act by any such holders, or by any noncompliance by the Guarantor with the terms of the Notes, regardless of any knowledge thereof which any such holders may have or otherwise be charged with. The holders of Senior Debt of any

Guarantor may extend, renew, modify or amend the terms of the Senior Debt or any security therefor and release, sell or exchange such security and otherwise deal freely with the Guarantor, all without affecting the liabilities and obligations of the parties to the document or the Holders. No amendment to these provisions will be effective against the holders of the Senior Debt of any Guarantor who have not consented thereto in writing.

SECTION 10.09. EVENT OF DEFAULT PRESERVED.

The failure to make a payment on account of any Subsidiary Guarantee by reason of any provision of this Article 10 will not be construed as preventing the occurrence of an Event of Default.

SECTION 10.10. TRUSTEE DUTIES.

With respect to the holders of Senior Debt of any Guarantor, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Debt of such Guarantor shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt of such Guarantor, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior Debt of such Guarantor shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 10.11. NOTICE BY A GUARANTOR.

Each Guarantor shall promptly notify the Trustee and the Paying Agent of any facts known to such Guarantor that would cause a payment of any Obligations with respect to the Notes or its Subsidiary Guarantee to violate this Article 10, but failure to give such notice shall not affect the subordination of its Subsidiary Guarantee or of the Notes to the Senior Debt of such Guarantor as provided in this Article 10.

SECTION 10.12. SUBORDINATION MAY NOT BE IMPAIRED BY GUARANTOR.

No right of any holder of Senior Debt of any Guarantor to enforce the subordination of the Indebtedness evidenced by a Subsidiary Guarantee shall be impaired by any act or failure to act by the Guarantor or any Holder or by the failure of the Guarantor or any Holder to comply with this Indenture.

SECTION 10.13. RELIANCE UPON ORDER.

Upon any payment or distribution of assets of a Guarantor referred to in this Article 10, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt of such Guarantor and other Indebtedness of the Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10; provided that the foregoing shall only apply if such court has been apprised of the subordination provisions of this Article 10.

SECTION 10.14. RIGHTS OF TRUSTEE AND PAYING AGENT.

Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 10. Nothing in this Article 10 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt of a Guarantor with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 10.15. AUTHORIZATION TO EFFECT SUBORDINATION.

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding relative to any Guarantor referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the Representatives of Senior Debt of such Guarantor are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

SECTION 10.16. AMENDMENTS.

With respect to any Guarantor, the provisions of Section 10.02 through 10.16 hereof shall not be amended or modified without the written consent of the holders of all Senior Debt of such Guarantor.

SECTION 10.17. LIMITATION OF GUARANTOR'S LIABILITY.

Each Guarantor and by its acceptance hereof, each beneficiary hereof, hereby confirm that it is its intention that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of the Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Guarantee. To effectuate the foregoing intention, each such person hereby irrevocably agrees that the obligation of such Guarantor under its Subsidiary Guarantee under this Article 10 shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other (contingent or otherwise) liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor in respect of such maximum amount not constituting a fraudulent conveyance. Each beneficiary under the Subsidiary Guarantees, by accepting the benefits hereof, confirms its intention that, in the event of a bankruptcy, reorganization or other similar proceeding of the Company or any Guarantor in which concurrent claims are made upon such Guarantor hereunder, to the extent such claims will not be fully satisfied, each such claimant with a valid claim against the Company shall be entitled to a ratable share of all payments by such Guarantor in respect of such concurrent claims.

ARTICLE 11
SUBORDINATION

SECTION 11.01. AGREEMENT TO SUBORDINATE.

The Company, for itself and its successors, and each Holder, by its acceptance of the Notes, agrees that the payment of all Obligations with respect to the Notes and this Indenture, including principal, premium, if any, and interest (including post-petition interest, as provided below) on, and Liquidated Damages, if any, with respect to, the Notes and any claim for rescission or damages in respect thereof under any applicable law (the "Subordinated Obligations") by the Company is subordinated, to the extent and in the manner provided in this Article 11, to the prior payment of Senior Debt.

This Article 11 will constitute a continuing offer to all persons who, in reliance upon its provisions, become holders of, or continue to hold, Senior Debt, and such provisions are made for the benefit of the holders of Senior Debt, and such holders are made obligees under this Article 11 and they and/or each of them may enforce its provisions.

SECTION 11.02. NO PAYMENT ON NOTES UNDER CERTAIN CIRCUMSTANCES.

(a) No payment will be made on account of the Subordinated Obligations, or to acquire any of the Notes for cash, property or securities or on account of the redemption provisions of the Notes upon the maturity of any (i) Designated Senior Debt or (ii) any Senior Debt permitted by clause (xiv) of the second paragraph of Section 4.09 of this Indenture and any other outstanding Senior Debt issued in a single transaction or a series of related transactions having an aggregate principal amount outstanding of $5.0 million or more ("Significant Senior Debt"), by lapse of time, acceleration or otherwise, unless and until all such Designated Senior Debt or Significant Senior Debt, as the case may be (including interest accruing subsequent to certain bankruptcy events and certain winding up events at the rate provided for in documents governing such Senior Debt, whether or not such interest is an allowed claim enforceable against the debtor in a bankruptcy case under Title 11 of the United States Code), shall first be paid in full in cash or U.S. dollar denominated Cash Equivalents.

(b) The Company may not make any payment or distribution upon or in respect of the Subordinated Obligations, including, without limitation, by way of set-off or otherwise, or redeem (or make a deposit in redemption of), defease or acquire any of the Notes, for cash, property or securities if (i) a default in the payment of any Obligation of the Company with respect to (a) any Designated Senior Debt or (b) any Significant Senior Debt, occurs and is continuing or (ii) any other default (or any event that, after notice or passage of time would become an event of default) occurs and is continuing with respect to any Designated Senior Debt and, in the case of clause (ii), the Trustee receives a Payment Blockage Notice from the holders (or the agent or Representative of such holders) of any Designated Senior Debt. Payment on the Notes may and shall be resumed (i) in the case of a payment default, upon the date on which such default is cured or waived and (ii) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any such Designated Senior Debt or Significant Senior Debt has been accelerated. No new period of payment blockage pursuant to a Payment Blockage Notice may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of

principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

(c) If any payment or distribution of assets of the Company is received by any Holder in respect of the Subordinated Obligations at a time when that payment or distribution should not have been made because of paragraph (a) or (b), such payment or distribution will be received and held in trust for and will be paid over forthwith to the holders of Senior Debt which is due and payable and remains unpaid (pro rata as to each of such holders on the basis of the respective amounts of Senior Debt which is due and payable held by them) until all such Senior Debt has been paid in full in cash or U.S. dollar denominated Cash Equivalents, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt (except that Holders may receive payments made from the trust described in Section 8.04 hereof).

SECTION 11.03. DISSOLUTION, LIQUIDATION OR REORGANIZATION.

Upon any distribution of assets of the Company upon any dissolution, winding up, liquidation or reorganization of the Company (whether in bankruptcy, insolvency, receivership or similar proceeding related to the Company or its property or upon an assignment for the benefit of creditors or otherwise):

(a) the holders of all Senior Debt will first be entitled to receive payment in full in cash or U.S. dollar denominated Cash Equivalents of the principal of and interest due on Senior Debt and other amounts due in connection with Senior Debt (including interest accruing subsequent to certain bankruptcy events and certain winding up events described in clauses (6) and (7) of Section 6.01 hereof at the rate provided for in the documents governing such Senior Debt, whether or not such interest is an allowed claim enforceable against the debtor in a bankruptcy case under Title 11 of the United States Code) before the Holders are entitled to receive any payment on account of the principal of, premium, if any, or interest or Liquidated Damages, if any, on the Notes;

(b) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders or the Trustee would be entitled except for the provisions of this Article 11 will be paid by the liquidating trustee or agent or other person making such a payment or distribution directly to the holders of Senior Debt or their Representatives to the extent necessary to make payment in full in cash or U.S. dollar denominated Cash Equivalents of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt; and

(c) if, notwithstanding the foregoing, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, is received by the Trustee or the Holders on account of the Subordinated Obligations before all Senior Debt is paid in full in cash or U.S. dollar denominated Cash Equivalents, such payment or distribution will be received and held in trust for and will be paid over forthwith to the holders of the Senior Debt remaining unpaid or their Representatives for application to the payment of such Senior Debt until all such Senior Debt has been paid in full in cash or U.S. dollar denominated Cash Equivalents, after giving effect to any concurrent payment or distribution to the holders of such Senior Debt (except that Holders may receive payments made from the trust described in Section 8.04 hereof).

The Company will give prompt written notice to the Holders of any dissolution, winding up, liquidation or reorganization of it or any assignment for the benefit of its creditors and of any event of default in respect of Senior Debt.

For purposes of this Article 11, the words "cash, property or securities" shall not be deemed to include (i) shares of Capital Stock of the Company as reorganized or readjusted (excluding Capital Stock redeemable at the option of the holder thereof prior to the final maturity date or any mandatory pre-payment date with respect to any Designated Senior Debt), (ii) Capital Stock convertible into or exchangeable for Indebtedness which is subordinated, to at least the same extent as the Notes, to the payment of all Senior Debt then outstanding, (iii) securities of the Company or any other corporation provided for by a plan of reorganization or readjustment which are subordinated, to at least the same extent as the Notes, to the payment of all Senior Debt then outstanding or (iv) any payment or distribution of securities of the Company or any other corporation authorized by an order or decree giving effect, and stating in such order or decree that effect has been given, to subordination of the Notes to Senior Debt and made by a court of competent jurisdiction in a reorganization proceeding under any applicable bankruptcy, insolvency or similar law. For purposes of this Article 11, "payment on the account of the Subordinated Obligations" shall not include the issuance of the Notes or any sale or transfer of the Notes.

SECTION 11.04. SUBROGATION.

Following the payment in full of all Senior Debt, the Holders will be subrogated to the rights of the holders of Senior Debt to receive payments or distributions of assets of the Company applicable to the Senior Debt until all amounts owing on the Notes have been paid in full, and for the purpose of such subrogation no such payments or distributions to the holders of Senior Debt by or on behalf of the Company or by or on behalf of the Holders by virtue of this Article 11 which otherwise would have been made to the Holders will, as between the Company and Holders, be deemed to be payment by the Company to or on account of the Senior Debt, it being understood that the provisions of this Article 11 are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of Senior Debt, on the other hand.

SECTION 11.05. OBLIGATIONS UNCONDITIONAL.

Nothing contained in this Article 11 or elsewhere in this Indenture or the Notes is intended to or will impair, as between the Company and the Holders, the obligations of the Company, which are absolute and unconditional, to pay to the Holders the Subordinated Obligations as and when they become due and payable in accordance with their terms, or is intended to or will affect the relative rights of the Holders and creditors of the Company other than the holders of the Senior Debt, nor will anything herein or therein prevent any Holder from exercising all remedies otherwise permitted by applicable law upon default the Notes, subject to the rights, if any, under this Article 11 of the holders of Senior Debt in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

SECTION 11.06. RELATIVE RIGHTS.

No right of any present or future holders of any Senior Debt to enforce subordination as provided in this Article 11 will at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act by any such holders, or by any noncompliance by the Company with the terms of the Notes, regardless of any knowledge thereof which

any such holders may have or otherwise be charged with. The holders of Senior Debt may extend, renew, modify or amend the terms of the Senior Debt or any security therefor and release, sell or exchange such security and otherwise deal freely with the Company, all without affecting the liabilities and obligations of the parties to the document or the Holders. No amendment to these provisions will be effective against the holders of the Senior Debt who have not consented thereto in writing.

SECTION 11.07. EVENT OF DEFAULT PRESERVED.

The failure to make a payment on account of the Subordinated Obligations by reason of any provision of this Article 11 will not be construed as preventing the occurrence of an Event of Default.

SECTION 11.08. TRUSTEE DUTIES.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 11, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 11, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 11.09. NOTICE BY COMPANY.

The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment of any Obligations with respect to the Notes to violate this Article 11, but failure to give such notice shall not affect the subordination of the Notes to the Senior Debt as provided in this Article 11.

SECTION 11.10. SUBORDINATION MAY NOT BE IMPAIRED BY COMPANY.

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Company or any Holder or by the failure of the Company or any Holder to comply with this Indenture.

SECTION 11.11. RELIANCE UPON ORDER.

Upon any payment or distribution of assets of the Company referred to in this Article 11, the Trustee and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11; provided that the foregoing shall only apply if such court has been apprised of the provisions of this Article 11.

SECTION 11.12. RIGHTS OF TRUSTEE AND PAYING AGENT.

Notwithstanding the provisions of this Article 11 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office at least five Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 11. Nothing in this Article 11 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 11.13. AUTHORIZATION TO EFFECT SUBORDINATION.

Each Holder of a Note by the Holder's acceptance thereof authorizes and directs the Trustee on the Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 11, and appoints the Trustee to act as the Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the Bank Agent is hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

ARTICLE 12
MISCELLANEOUS

SECTION 12.01. TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA ss.318(c), the imposed duties shall control.

SECTION 12.02. NOTICES.

Any notice or communication by the Company, a Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guarantying next day delivery, to the others' address:

If to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711-2497
Attention: David A. Jones
Telecopier No.: (608) 275-3340

With a copy to:

Thomas H. Lee Company
75 State Street, Suite 2600
Boston, MA 02119
Attention: Scott A. Schoen
Telecopier No.: (617) 227-3514

If to a Guarantor:

c/o ROV Holding, Inc.
Delaware Corporate Management, Inc.
1105 North Market Street, Suite 1300
Wilmington, DE 19899

If to the Trustee:

Marine Midland Bank
140 Broadway, 12th Floor
New York, NY 10005
Telecopier No.: (212) 658-6425
Attention: Corporate Trust Department

The Company, the Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guarantying next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guarantying next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA ss. 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

SECTION 12.03. COMMUNICATION BY HOLDERS OF NOTES WITH OTHER HOLDERS OF NOTES.

Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, any Guarantor, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

SECTION 12.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company and/or any Guarantor to the Trustee to take any action under this Indenture, the Company and/or such Guarantor, as the case may be, shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 12.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

SECTION 12.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA ss. 314(a)(4)) shall comply with the provisions of TIA ss. 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

SECTION 12.06. RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 12.07. NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES AND STOCKHOLDERS.

No past, present or future director, officer, employee, incorporator or stockholder of the Company, as such, shall have any liability for any obligations of the Company under the Notes or this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 12.08. GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE SUBSIDIARY GUARANTEES.

SECTION 12.09. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture or the Subsidiary Guarantees.

SECTION 12.10. SUCCESSORS.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 12.11. SEVERABILITY.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.12. COUNTERPART ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 12.13. TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 12.14. FURTHER INSTRUMENTS AND ACTS.

Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

IN WITNESS WHEREOF, each of RAYOVAC CORPORATION and ROV HOLDING, INC., has caused this Indenture to be signed in its corporate name and acknowledged by one of its duly authorized officers; and MARINE MIDLAND BANK has caused this Indenture to be signed and acknowledged by one of its duly authorized signatories, and its seal to be affixed hereunto or impressed hereon, duly attested, as of the day and year first above written.

[Signatures on following page]

SIGNATURES

Dated as of October 22, 1996 RAYOVAC CORPORATION

By: /s/ James A. Broderick

Name: James A. Broderick
Title: Vice President

Attest:

/s/ Lorrie Rimorsky
- - ---

Dated as of October 22, 1996 ROV HOLDING, INC.

By: /s/ Roger F. Warren

Name: Roger F. Warren
Title: President

Attest:

/s/ Lorrie Rimorsky
- - ---

Dated as of October 22, 1996 MARINE MIDLAND BANK

(SEAL)

By: /s/ Frank J. Godino

Name: Frank J. Godino
Title: Assistant Vice President

Attest:

/s/ Eileen M. Hughes
- - ---

EXHIBIT A
(Face of Note)

10 1/4% Senior Subordinated Notes due 2006

No. $_____

RAYOVAC CORPORATION

promises to pay to

or registered assigns,

the principal sum of

Dollars on November 1, 2006.

Interest Payment Dates: May 1, and November 1

Record Dates: April 15, and October 15

Dated: _____ __, _____

RAYOVAC CORPORATION

By:_____
Name:
Title:

By:_____
Name:
Title:

(SEAL)

This is one of the Global
Notes referred to in the
within-mentioned Indenture:

Trustee's Certificate of Authentication

MARINE MIDLAND BANK,
as Trustee, certifies that this is one of the
Notes referred to in the Indenture.

By:_____

(Back of Note)

10 1/4% Senior Subordinated Notes due 2006

[Unless and until it is exchanged in whole or in part for Notes in definitive form, this Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as may be requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.](1)

THE NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT. THE HOLDER OF THE NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN OF RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (1) ABOVE.

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. Rayovac Corporation, a Wisconsin corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 1/4% per annum from October 22, 1996 until maturity and shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement

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(1) This Paragraph should be included only if the Note is issued in global form.

referred to below. The Company will pay interest and Liquidated Damages semi-annually on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be May 1, 1997. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages, if any, to the Persons who are registered Holders of Notes at the close of business on the Record Date set forth on the face hereof next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, interest and Liquidated Damages, if any, at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages, if any, on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Paying Agent on or prior to the applicable Record Date. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. PAYING AGENT AND REGISTRAR. Initially, Marine Midland Bank, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. INDENTURE. The Company issued the Notes under an Indenture dated as of October 22, 1996 ("Indenture") between the Company, ROV Holding and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Notes are unsecured obligations of the Company limited to $100.0 million in aggregate principal amount.

5. OPTIONAL REDEMPTION.

The Notes will not be redeemable at the Company's option prior to November 1, 2001. Thereafter, the Notes will be subject to redemption at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any,

thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

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

Notwithstanding the foregoing, at any time during the first 36 months after the date of the Indenture, the Company may redeem up to 35% of the initial principal amount of the Notes originally issued with the net proceeds of one or more public offerings of equity securities of the Company, at a redemption price equal to 109.250% of the principal amount of such Notes, plus accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption; provided, that at least 65% of the principal amount of Notes originally issued remain outstanding immediately after the occurrence of any such redemption and that such redemption occurs within 60 days following the closing of any such public offering.

6. MANDATORY REDEMPTION.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

7. REPURCHASE AT OPTION OF HOLDER.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase (the "Change of Control Payment"). Within 10 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Restricted Subsidiary consummates any Asset Sales, within five days of each date on which the aggregate amount of Excess Proceeds exceeds $5.0 million, the Company shall commence an offer to all Holders of Notes (an "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to or 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. NOTICE OF REDEMPTION. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Company need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. SUBORDINATION. This Note is subject to the subordination provisions set forth in Article 11 of the Indenture. Each Holder of a Note, by accepting the same, agrees to be bound by such provisions, authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate such subordination and appoints the Trustee to act as such Holder's attorney-in-fact for such purpose.

11. PERSONS DEEMED OWNERS. The registered Holder of a Note may be treated as its owner for all purposes.

12. AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

13. DEFAULTS AND REMEDIES. Events of Default include: (i) default for 30 days in the payment when due of interest or Liquidated Damages on the Notes; (ii) default in payment when due of principal of or premium, if any, on the Notes when the same becomes due and payable at maturity, upon redemption (including in connection with an offer to purchase) or otherwise, (iii) failure by the Company to comply with Articles 4 or 5 of the Indenture, provided that such failure with respect to Sections 4.02, 4.03, 4.04, 4.05, 4.12 and 4.13 of the Indenture remains uncured for 60 days after written notice; (iv) default under certain other agreements relating to Indebtedness of the Company which default results in the acceleration of such Indebtedness prior to its express maturity; (v) certain final judgments for the payment of money that remain undischarged for a period of 60 days; and (vi) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then

outstanding Notes may declare all the Notes to be due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, all outstanding Notes will become due and payable without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest. The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of, Liquidated Damages, if any, or interest on the Notes. The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

14. GUARANTEES. Payment of principal of, Liquidated Damages, if any, and interest (including interest on overdue principal, Liquidated Damages, if any, and interest, if lawful) on the Notes is guaranteed on an unsecured, senior subordinated basis by the Guarantors pursuant to Article 10 of the Indenture. Each Holder of a Note, by accepting the same, agrees to be bound by such provisions, authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate such subordination and appoints the Trustee to act as such Holder's attorney-in-fact for such purpose.

15. TRUSTEE DEALINGS WITH COMPANY. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company, any Guarantor or their Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

16. NO RECOURSE AGAINST OTHERS. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

17. AUTHENTICATION. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

18. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

19. ADDITIONAL RIGHTS OF HOLDERS OF TRANSFER RESTRICTED SECURITIES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transferred Restricted Securities shall have all the rights set forth in the Registration Rights Agreement dated as of October 17, 1996, between the Company and the parties named on the signature pages thereof (the "Registration Rights Agreement").

20. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711-2497
Attention: David A. Jones

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint_____
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.14 of the Indenture, check the box below:

/ / Section 4.10 / / Section 4.14

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.14 of the Indenture, state the amount you elect to have purchased: $_____

Date: _____ Your Signature:_____
(Sign exactly as your name appears on the Note)

Tax Identification No.:_____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF DEFINITIVE NOTE(2)

The following exchanges of a part of this Global Note for Definitive Notes have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

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(2) This should be included only if the Note is issued in global form.

EXHIBIT A-1
FORM OF NOTATION ON NOTE
RELATING TO GUARANTEE

The Guarantor set forth below and each Subsidiary of the Company which in accordance with Section 4.16 or 4.17 of the Indenture is required to guarantee the obligations of the Company under the Notes upon execution of a counterpart of the Indenture or a supplemental Indenture, has jointly and severally unconditionally guaranteed (i) the due and punctual payment of the principal of, interest and Liquidated Damages, if any, on the Notes, whether at the maturity or interest payment date, by acceleration, call for redemption or otherwise, and of interest on the overdue principal of, interest and Liquidated Damages, if any, on the Notes and all other obligations of the Company to the Holders or the Trustee under the Indenture or the Notes and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at maturity, by acceleration or otherwise.

The obligations of each Guarantor to the Holder and to the Trustee pursuant to this Subsidiary Guarantee and the Indenture are as expressly set forth in Article 10 of the Indenture and in such other provisions of the Indenture as are applicable to Guarantors, and reference is hereby made to such Indenture for the precise terms of this Subsidiary Guarantee. The terms of Article 10 of the Indenture and such other provisions of the Indenture as are applicable to Guarantors are incorporated herein by reference.

This is a continuing guarantee and shall remain in full force and effect and shall be binding upon each Guarantor and its successors and assigns until full and final payment of all of the Company's obligations under the Notes and the Indenture and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. This is a guarantee of payment and not a guarantee of collection.

This Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

ROV HOLDING, INC.

By:_____
Name:
Title:

EXHIBIT B

CERTIFICATE TO BE DELIVERED UPON EXCHANGE OR REGISTRATION OF TRANSFER OF NOTES

Re: 10 1/4% Senior Subordinated Notes due 2006 of Rayovac Corporation.

This Certificate relates to $_____ principal amount of Notes held in * _____ book-entry or *_____ definitive form by _____ (the "Transferor").

The Transferor*:

/ / has requested the Trustee by written order to deliver in exchange for its beneficial interest in the Global Note held by the Depositary a Note or Notes in definitive, registered form of authorized denominations in an aggregate principal amount equal to its beneficial interest in such Global Note (or the portion thereof indicated above); or

/ / has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with such request and in respect of each such Note, the Transferor does hereby certify that Transferor is familiar with the Indenture relating to the above captioned Notes and as provided in Section 2.06 of such Indenture, the transfer of this Note does not require registration under the Securities Act (as defined below) because:*

/ / Such Note is being acquired for the Transferor's own account, without transfer (in satisfaction of Section 2.06(a)(ii)(A) or Section 2.06(d)(i)(A) of the Indenture).

/ / Such Note is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) in reliance on Rule 144A (in satisfaction of Section 2.06(a)(ii)(B), Section 2.06(b)(i) or Section 2.06(d)(i) (B) of the Indenture) or pursuant to an exemption from registration in accordance with Rule 904 under the Securities Act (in satisfaction of Section 2.06(a)(ii)(B) or Section 2.06(d)(i)(B) of the Indenture.)

- - ---------------
*Check applicable box.

/ / Such Note is being transferred in accordance with Rule 144 under the Securities Act, or pursuant to an effective registration statement under the Securities Act (in satisfaction of Section 2.06(a)(ii)(B) or Section 2.06(d)(i)(B) of the Indenture).

/ / Such Note is being transferred in reliance on and in compliance with an exemption from the registration requirements of the Securities Act, other than Rule 144A, 144 or Rule 904 under the Securities Act. An Opinion of Counsel to the effect that such transfer does not require registration under the Securities Act accompanies this Certificate (in satisfaction of Section 2.06(a)(ii)(C) or Section 2.06(d)(i)(C) of the Indenture).

_____
[INSERT NAME OF TRANSFEROR]

By:_____

Date:_____

EXHIBIT 4.2

REGISTRATION RIGHTS AGREEMENT

Dated as of October 17, 1996

by and among

Rayovac Corporation

and

Donaldson, Lufkin & Jenrette
Securities Corporation

BA Securities, Inc.

This Registration Rights Agreement (this "Agreement") is made and entered into as of October 17, 1996, by and among Rayovac Corporation, a Wisconsin corporation (the "Company"), and Donaldson, Lufkin & Jenrette Securities Corporation and BA Securities, Inc. as the initial purchasers named in Schedule I to the Purchase Agreement dated as of October 17, 1996 (the "Purchase Agreement") (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"), each of whom has agreed to purchase the Company's 10 1/4% Senior Subordinated Notes due 2006 (the "Notes") pursuant to the Purchase Agreement.

This Agreement is made pursuant to the Purchase Agreement. In order to induce the Initial Purchasers to purchase the Notes, the Company has agreed to provide the registration rights set forth in this Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Business Day: Any day except a Saturday, Sunday or other day in the City of New York, or in the city of the corporate trust office of the Trustee, on which banks are authorized to close.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Broker-Dealer Transfer Restricted Securities: New Notes that are acquired by a Broker-Dealer in the Exchange Offer in exchange for Notes that such Broker-Dealer acquired for its own account as a result of market-making activities or other trading activities (other than Notes acquired directly from the Company or any of its affiliates).

Certificated Securities: As defined in the Indenture.

Closing Date: The date hereof.

Commission: The Securities and Exchange Commission.

Consummate: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the New Notes to be issued in the Exchange Offer, (b) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar under the Indenture of New Notes in the same aggregate principal amount as the aggregate principal

amount of Notes tendered by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Notes, each Interest Payment Date.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Company under the Act of the New Notes pursuant to the Exchange Offer Registration Statement pursuant to which the Company shall offer the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities for New Notes in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, and to certain "accredited investors," as such term is defined in Rule 501(a)(1), (2), (3), and (7) of Regulation D under the Act.

Global Note: As defined in the Indenture.

Holders: As defined in Section 2 hereof.

Indemnified Holder: As defined in Section 8(a) hereof.

Indenture: The Indenture, dated the Closing Date, between the Company and Marine Midland Bank, as trustee (the "Trustee"), pursuant to which the Senior Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Interest Payment Date: As defined in the Senior Notes.

NASD: National Association of Securities Dealers, Inc.

New Notes: The Company's 10 1/4% Senior Subordinated Notes due 2006 to be issued pursuant to the Indenture (i) in the Exchange Offer or (ii) upon the request of any Holder of Notes covered by a Shelf Registration Statement, in exchange for such Notes.

Person: An individual, partnership, corporation, trust, unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Record Holder: With respect to any Damages Payment Date, each Person who is a Holder of Senior Notes on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any registration statement of the Company relating to (a) an offering of New Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) which is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Restricted Broker-Dealer: Any Broker-Dealer which holds Broker-Dealer Transfer Restricted Securities.

Senior Notes: The Notes and the New Notes.

Shelf Registration Statement: As defined in Section 4 hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Note, until (i) the date on which such Note has been exchanged by a person other than a Broker-Dealer for a New Note in the Exchange Offer, (ii) following the exchange by a Broker-Dealer in the Exchange Offer of a Note for a New Note, the date on which such New Note is sold to a purchaser who receives from such Broker-Dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (ii) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Note is distributed to the public pursuant to Rule 144 under the Act.

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law or Commission policy, the Company shall (i) cause to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than the later of (A) 60 days after the Closing Date or (B) the date the procedures set forth in Section 6(a)(i) below have been complied with, the Exchange Offer Registration Statement, (ii) use its reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 135 days after the Closing Date, (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause such Exchange Offer Registration Statement to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification

of the New Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified, or take any action which would subject it to general service of process in any jurisdiction where it is not now so subject, and (iv) upon the effectiveness of such Exchange Offer Registration Statement, use its reasonable best efforts to commence and Consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the New Notes to be offered in exchange for the Notes that are Transfer Restricted Securities and to permit sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers as contemplated by Section 3(c) below.

(b) The Company shall use its best efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 Business Days. The Company shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Senior Notes shall be included in the Exchange Offer Registration Statement. The Company shall use its reasonable best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 Business Days thereafter.

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Restricted Broker-Dealer who holds Notes that are Transfer Restricted Securities and that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities, may exchange such Notes (other than Transfer Restricted Securities acquired directly from the Company or any affiliate of the Company) pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of each Senior Note received by such Broker-Dealer in the Exchange Offer, which prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Senior Notes held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy after the date of this Agreement.

The Company shall use its best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(c) below to the extent necessary to ensure that it is available for sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers, and to ensure that such Registration Statement conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period expiring on the earlier of (i) the date that all Holders of Broker-Dealer Transfer Restricted Securities have sold such securities and (ii) 180 days from the date on which the Exchange Offer Registration Statement is declared effective; provided, however, that any Restricted Broker-Dealer must notify the Company (by means of delivering a letter of transmittal in the Exchange Offer or otherwise) that it is a Restricted Broker-Dealer.

The Company shall provide sufficient copies of the latest version of such Prospectus to such Restricted Broker-Dealers promptly upon request, and in no event later than one day after such request, at any time during such period in order to facilitate such sales.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Company is not required to file an Exchange Offer Registration Statement with respect to the New Notes because the Exchange Offer is not permitted by applicable law (after the procedures set forth in Section 6(a)(i) below have been complied with) or (ii) if any Holder of $1,000,000 aggregate principal amount or more of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation of the Exchange Offer that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the New Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or one of its affiliates, then the Company shall (x) cause to be filed on or prior to 60 days after the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement pursuant to clause (i) above (but in no event prior to the Company's completion of the procedures described in the parenthetical of clause (i)) or 60 days after the date on which the Company receives the notice specified in clause (ii) above a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement")), relating to all Transfer Restricted Securities the Holders of which shall have provided the information required pursuant to Section 4(b) hereof, and shall (y) use its reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 165 days after the Closing Date. If, after the Company has filed an Exchange Offer Registration Statement which satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer shall not be permitted under applicable federal law, then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above. Such an event shall have no effect on the requirements of clause (y) above. The Company shall use its reasonable best efforts to keep the Shelf Registration Statement discussed in this Section 4(a) continuously effective, supplemented and amended as required by and subject to the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period expiring on the earlier of (i) the date that all Holders of Transfer Restricted Securities have sold such securities pursuant to the Shelf Registration Statement and (ii) three years following the Closing Date.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until (i) such Holder furnishes to the Company in writing, within the earlier of (x) 20 days after receipt of a request therefor or (y) the time such Holder delivers the request described in clause (ii) immediately below, such information specified in Item 507 of Regulation S-K under the Act, or otherwise required by the Act or the Commission for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein and (ii) requests the Company in writing to

include such Holders' Transfer Restricted Securities in such Shelf Registration Statement no later than 10 Business Days prior to the date the Company is required to file such Shelf Registration Statement under Section 4(a) hereof. No Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder has provided all such information required to be provided by such holder for inclusion therein. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Company in writing all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in this Agreement, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the date specified for such effectiveness in this Agreement, (iii) the Exchange Offer has not been Consummated within 30 Business Days after the Exchange Offer Registration Statement is first declared effective by the Commission or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable in connection with resales of Transfer Restricted Securities during the periods specified in this Agreement, without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 Business Days (each such event referred to in clauses (i) through (iv), a "Registration Default"), then the Company hereby agrees to pay liquidated damages to each Holder of Transfer Restricted Securities with respect to the first 90-day period immediately following the occurrence of such Registration Default, in an amount equal to $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder for each week or pro rata for a portion of each week that the Registration Default continues. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.50 per week per $1,000 principal amount of Transfer Restricted Securities. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid by the Company on each Damages Payment Date to the Global Note Holder by wire transfer of immediately available funds or by federal funds check and to Holders of Certificated Securities by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of liquidated damages shall cease. All obligations of the Company set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all applicable provisions of Section 6(c) below, shall use its reasonable best efforts to effect such exchange and to permit the sale of Broker-Dealer Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If, following the date hereof there has been published a change in Commission policy with respect to exchange offers such as the Exchange Offer, such that in the reasonable opinion of counsel to the Company there is a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to Consummate an Exchange Offer for such Notes. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company hereby agrees to take all such other actions as are requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff of such submission. Notwithstanding anything to the contrary in this Agreement, if the Company determines, in good faith, that it would be impracticable to comply with the procedures set forth in this Section 6(a)(i), then the Company shall file a Shelf Registration Statement pursuant to the terms of Section 4 hereof.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the New Notes to be issued in the Exchange Offer and (C) it is acquiring the New Notes in its ordinary course of business. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of New Notes obtained by such Holder in exchange for Notes acquired by such Holder directly from the Company or an affiliate thereof.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the New Notes to be received in the Exchange Offer and that, to the best of the Company's information and belief, each Holder participating in the Exchange Offer is acquiring the New Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the New Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(c) below and shall use its best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Exchange Offer Registration Statement and the related Prospectus, to the extent that the same are required to be available to permit sales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers), the Company shall:

(i) use its reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company shall promptly file an appropriate amendment to such Registration Statement, (1) in the case of clause (A), correcting any such misstatement or omission, and (2) in the case of clauses (A) and (B), use its reasonable best efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, and 430A, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration

Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in the case of a Shelf Registration Statement, advise the underwriter(s), if any, and selling Holders promptly and, if requested by such Persons, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company shall use its reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) furnish to each selling Holder named in any Shelf Registration Statement or related Prospectus and each of the underwriter(s) in connection with such sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (other than all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders and underwriter(s) in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (other than all such documents incorporated by reference) to which the selling Holders of the Transfer Restricted Securities covered by such Registration Statement or the underwriter(s) in connection with such sale, if any, shall reasonably object within five Business Days after the receipt thereof. A selling Holder or underwriter, if any, shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains a material misstatement or omission or fails to comply with the applicable requirements of the Act;

(v) promptly prior to the filing of any report on Form 8-K that is to be incorporated by reference into a Shelf Registration Statement or related Prospectus, provide copies of such document to the selling Holders and to the underwriter(s) in connection with such sale, if any, make the Company's representatives available for discussion of such document and other

customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or underwriter(s), if any, reasonably may request;

(vi) make available at reasonable times for inspection by the selling Holders, any managing underwriter participating in any disposition pursuant to such Shelf Registration Statement and any attorney or accountant retained by such selling Holders or any of such underwriter(s), all pertinent financial and other records, pertinent corporate documents and properties of the Company and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Holder, underwriter, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness. If requested by the Company, each such Holder, underwriter, attorney or accountant will agree with the Company that such financial and other records, corporate documents and other information which the Company determines, in good faith, to be confidential and any such financial and other records, corporate documents and other information which it notifies any such Holder, underwriter, attorney or accountant are confidential shall not be disclosed by any such Holder, underwriter, attorney or accountant, unless (A) the disclosure of such financial and other records, corporate documents and other information is necessary to avoid or correct a misstatement or omission in such Registration Statement, (B) the release of such financial and other records, corporate documents and other information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (C) the information in such financial and other records, corporate documents and other information has been made generally available to the public;

(vii) if requested by any selling Holders or the underwriter(s) in connection with such sale, if any, promptly include in any Shelf Registration Statement or related Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities, information with respect to the principal amount of Transfer Restricted Securities being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(viii) furnish to each selling Holder and each of the underwriter(s) in connection with such sale, if any, without charge, at least one copy of the Shelf Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) deliver to each selling Holder and each of the underwriter(s), if any, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(x) enter into such agreements (including in the case of a Shelf Registration Statement, unless not required pursuant to Section 10 hereof, an underwriting agreement) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder of Transfer Restricted Securities or underwriter in connection with any sale or resale pursuant to any Registration Statement contemplated by this Agreement, and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Registration, the Company shall:

(A) furnish (or in the case of paragraph (2), use its best efforts to furnish) to each selling Holder and each underwriter, if any, upon the effectiveness of the Shelf Registration Statement, and to each Restricted Broker-Dealer who was an Initial Purchaser and, upon request, to each other Restricted Broker-Dealer, upon Consummation of the Exchange Offer:

(1) a certificate, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, signed on behalf of the Company by a principal financial or accounting officer of the Company, confirming, as of the date thereof, the matters set forth in paragraph (d) of Section 9 of the Purchase Agreement (but only to the extent then true and correct (with reference therein to the Offering Documents being deemed references to the applicable Registration Statement, as amended or supplemented)) and such other similar matters as the Holders, underwriter(s) and/or Restricted Broker-Dealers may reasonably request; and

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company covering (i) due authorization and enforceability of the New Notes, and (ii) such other matters of the type customarily covered in opinions of counsel of an issuer in connection with similar securities offerings as the Holders, underwriters and/or Restricted Broker-Dealers may reasonably request;

(B) set forth in full or incorporate by reference in the underwriting agreement, if any, in connection with any sale or resale pursuant to any Shelf Registration Statement the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by the selling Holders, the underwriter(s), if any, and Restricted Broker-Dealers, if any, to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (C).

The above shall be done at each closing under such underwriting or similar agreement, as and to the extent required thereunder, and if at any time the representations and warranties of the Company contemplated in (A)(1) above cease to be true and correct, the Company shall so advise the underwriter(s), if any, the selling Holders and each Restricted Broker-Dealer promptly and if requested by such Persons, shall confirm such advice in writing;

(xi) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders or underwriter(s), if any, may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Shelf Registration Statement; provided, however, that the Company shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Shelf Registration Statement, in any jurisdiction where it is not now so subject;

(xii) issue, upon the request of any Holder of Notes covered by any Shelf Registration Statement contemplated by this Agreement, New Notes having an aggregate principal amount equal to the aggregate principal amount of Notes surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such New Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Senior Notes, as the case may be; in return, the Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the selling Holders and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the Holders or the underwriter(s), if any, may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use its best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xvi) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD, and use its best efforts to cause such Registration Statement to become

effective and approved by such governmental agencies or authorities as may be necessary to enable the Holders selling Transfer Restricted Securities to consummate the disposition of such Transfer Restricted Securities;

(xviii) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders of Senior Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xx) provide promptly to each Holder upon request each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) Restrictions on Holders. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(c)(i) or Section 6(c)(iii)(D) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof, or until it is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (the "Advice"). If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice. In the event the Company shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 6(c)(i) or Section 6(c)(iii)(D) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(c)(xv) hereof or shall have received the Advice.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holder with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter") and its counsel in connection therewith that may be required by the rules and regulations of the NASD); (ii) all fees and expenses of compliance with

federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the New Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company and, in accordance with Section 7(b) below, the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing the Senior Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company will reimburse the Holders of Transfer Restricted Securities being tendered in the Exchange Offer and/or resold pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or registered pursuant to the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Any underwriting discounts or commissions shall be paid by the selling Holders of Transfer Restricted Securities, pro rata based on the principal amount thereof held by each selling Holder.

SECTION 8. INDEMNIFICATION

(a) The Company agrees to indemnify and hold harmless (i) each Holder and (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any Holder (any of the persons =referred to in this clause (ii) being hereinafter referred to as a "controlling person") and (iii) the respective officers, directors, partners, employees, representatives and agents of any Holder or any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Holder"), to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred, reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any Indemnified Holder (following the submission of documentation evidencing such costs)) directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except (A) insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information furnished in writing to the Company by any of the Holders expressly for use therein and (B) insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement or omission or alleged untrue statement or omission that was contained or made in a preliminary prospectus and corrected in the

Prospectus and (1) any such losses, claims, damages, liabilities or expenses suffered or incurred by any Indemnified Holder resulted from an action, claim, or suit by any person who purchased New Notes from any Indemnified Holder, (2) the Indemnified Holder failed to deliver or provide a copy of the Prospectus to such person at or prior to the confirmation of the sale of the New Notes and (3) the Prospectus would have cured the defect giving rise to such losses, claims, damages, liabilities or expenses.

In case any action or proceeding (including any governmental investigation) shall be brought or asserted against any of the Indemnified Holders with respect to which indemnity may be sought against the Company, such Indemnified Holder (or the Indemnified Holder controlled by such controlling person) shall promptly notify the Company in writing (provided, that the failure to give such notice shall not relieve the Company of its obligations pursuant to this Agreement) and the Company shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Holder and payment of all fees and expenses. Any Indemnified Holder shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Holder unless (i) the employment of such counsel shall have been specifically authorized in writing by the Company, (ii) the Company shall have failed to assume the defense and employ counsel or (iii) such Indemnified Holder reasonably concludes based on the advice of counsel that (A) there may be one or more legal defenses available to it which are different from or additional to those available to the Company, the assertion of which would be adverse to the interests of the Company or any other Indemnified Holder, or (B) a conflict of interest exists between the Indemnified Person and the Company (in either such case the Company shall not have the right to assume or to continue the defense of such action on behalf of such Indemnified Person), it being understood, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such Indemnified Holders. The Company shall be liable for any settlement of any such action or proceeding effected with its prior written consent, which consent will not be unreasonably withheld, and the Company agrees to indemnify and hold harmless any Indemnified Holder from and against any loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of the Company. Notwithstanding the foregoing sentence, if at any time an Indemnified Holder shall have requested the Company to reimburse the Indemnified Holder for fees and expenses of counsel as contemplated by the second sentence of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 business days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Holder in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of each Indemnified Holder, settle or compromise or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Holder is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Holder from all liability arising out of such action, claim, litigation or proceeding.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company, and its directors, officers, and any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, and the respective officers, directors, partners, employees, representatives and agents of each such person,

to the same extent and subject to the same procedures as the foregoing indemnity from the Company to each of the Indemnified Holders, but only with respect to claims and actions based on information furnished in writing by such Holder expressly for use in any Registration Statement. In case any action or proceeding shall be brought against the Company or its directors or officers or any such controlling person in respect of which indemnity may be sought against a Holder of Transfer Restricted Securities, such Holder shall have the rights and duties given the Company, and the Company, such directors or officers or such controlling person shall have the rights and duties given to each Holder by the preceding paragraph. In no event shall any Holder be liable or responsible for any amount in excess of the total dollar amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement.

(c) If the indemnification provided for in this Section 8 is unavailable to an indemnified party under Section 8(a) or Section 8(b) hereof (other than by reason of exceptions provided in those Sections) in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities or if such allocation is not permitted by applicable law, the relative fault of the Company, on the one hand, and of the Indemnified Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnified Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Indemnified Holder and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and each Holder of Transfer Restricted Securities agree that it would not be just and equitable if contribution pursuant to this Section 8(c) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any documented legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened. Notwithstanding the provisions of this Section 8, no Holder or its related Indemnified Holders shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of its Transfer Restricted Securities pursuant to a Registration Statement exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(c) are several in proportion to the respective principal amount of Notes held by each of the Holders hereunder and not joint.

SECTION 9. RULE 144A

The Company hereby agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company is not subject to Section 13 or 15(d) of the Securities Exchange Act, to make available, upon request of any Holder of Transfer Restricted Securities, to any Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 10. UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities on the basis provided in customary underwriting arrangements entered into in connection therewith and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

SECTION 11. SELECTION OF UNDERWRITERS

For any Underwritten Offering, the investment banker or investment bankers and manager or managers for any Underwritten Offering that will administer such offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided, that such investment bankers and managers must be reasonably satisfactory to the Company. Such investment bankers and managers are referred to herein as the "underwriters."

SECTION 12. MISCELLANEOUS

(a) Remedies. Each Holder, in addition to being entitled to exercise all rights provided herein, in the Indenture, the Purchase Agreement or granted by law, including recovery of liquidated or other damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by them of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Senior Notes. The Company will not take any action, or voluntarily permit any change to occur, with respect to the Senior Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 12(d)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711-2497
Telecopier No.: (608) 275-4577
Attention: James A. Broderick

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
One Beacon Street, 31st Floor
Boston, Massachusetts 02108
Telecopier No.: (617) 573-4822
Attention: Louis A. Goodman

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders of Transfer Restricted Securities; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities directly from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

RAYOVAC CORPORATION

By: /s/ James A. Broderick

Name: James A. Broderick
Title: Vice President

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BA SECURITIES, INC.

By DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

By: /s/ Glenn Tongue

Name: Glenn Tongue
Title: Managing Director

EXHIBIT 4.4
Execution Copy

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RAYOVAC CORPORATION

CREDIT AGREEMENT

Dated as of September 12, 1996

Arranged by

BA SECURITIES, INC.

and

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

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SCHEDULES

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CREDIT AGREEMENT

This CREDIT AGREEMENT is entered into as of September 12, 1996, among RAYOVAC CORPORATION, the several financial institutions from time to time party to this Agreement, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as administrative agent for the Lenders, DLJ CAPITAL FUNDING, INC., as documentation agent for the Lenders, and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION and DLJ CAPITAL FUNDING, INC., as joint syndication agents for the Lenders.

WHEREAS, the Lenders have agreed to make available to the Company term loans and a revolving credit facility with a letter of credit subfacility upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Defined Terms. The following terms have the following meanings:

Acquisition means any transaction or series of related transactions for the purpose of, or resulting directly or indirectly in, (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or a Subsidiary is the surviving entity.

Adjusted Working Capital means the excess of:

(a) (i) the consolidated current assets of the Company and its Subsidiaries less (ii) the amount of cash and cash equivalents included in such consolidated current assets;

over

(b) (i) consolidated current liabilities of the Company and its Subsidiaries less (ii) the amount of short-term Indebtedness (including current maturities of long-term Indebtedness) of the Company and its Subsidiaries included in such consolidated current liabilities.

Administrative Agent means BofA in its capacity as administrative agent for the Lenders hereunder, and any successor administrative agent arising under Section 10.9.

Affiliate means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities or membership interests, by contract, or otherwise. Without limiting the foregoing, any Person which is an officer, director or shareholder of the Company, or a member of the immediate family of any such officer, director or shareholder, shall be deemed to be an Affiliate of the Company.

Agent-Related Persons means BofA and any successor administrative agent arising under Section 10.9, BAI and any successor Issuing Lender, BAI and any successor Swingline Lender, together with their respective Affiliates (including the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

Agent's Payment Office means the address for payments set forth on Schedule 11.2 in relation to the Administrative Agent, or such other address as the Administrative Agent may from time to time specify.

Agents means the Administrative Agent, the Documentation Agent and the Syndication Agents.

Agreement means this Credit Agreement.

Agreement Currency - see subsection 3.10(f).

Applicable Base Rate Margin means: (a) in the case of any Revolving Loan or Term A Loan bearing interest based on the Base Rate, (x) initially, 1.50%, and (y) on and after any date specified below on which the Applicable Base Rate Margin for Revolving Loans and Term A Loans is to be adjusted, the rate per annum set forth in the table below for the applicable Loan opposite the applicable Leverage Ratio; (b) in the case of any Term B Loan bearing interest based on the Base Rate, 2.00%; and (c) in the case of any Term C Loan bearing interest based on the Base Rate, 2.25%.

Leverage Ratio	Applicable Base Rate Margin for Revolving Loans and Term A Loans
Greater than or equal to 4.0:1.0	1.50%
Greater than or equal to 3.5:1.0 but less than 4.0:1.0	1.25%
Greater than or equal to 3.0:1.0 but less than 3.5:1.0	1.00%
Less than 3.0:1.0	0.75%.

The Applicable Base Rate Margin for Revolving Loans and Term A Loans shall be adjusted, to the extent applicable, 45 days (or, in the case of the last calendar quarter of any year, 90 days) after the end of each calendar quarter, based on the Leverage Ratio as of the last day of such calendar quarter; it being understood that if the Company fails to deliver the financial statements required by subsection 7.1(a) or 7.1(b)(ii), as applicable, and the related Compliance Certificate required by subsection 7.2(b) by the 45th day (or, if applicable, the 90th day) after any calendar quarter, the Applicable Base Rate Margin shall be 1.50% for any Revolving Loan or Term A Loan bearing interest based on the Base Rate until such financial statements and Compliance Certificate are delivered.

Applicable Offshore Rate Margin means: (a) in the case of any Revolving Loan or Term A Loan bearing interest based on the Offshore Rate, (x) initially 2.50%, and (y) on and after any date specified below on which the Applicable Offshore Rate Margin for Revolving Loans and Term A Loans is to be adjusted, the rate per annum set forth in the table below for the applicable Loan opposite the applicable Leverage Ratio; (b) in the case of any Term B Loan bearing interest based on the Offshore Rate, 3.00%; and (c) in the case of any Term C Loan bearing interest based on the Offshore Rate, 3.25%.

Leverage Ratio	Applicable Offshore Rate Margin for Revolving Loans and Term A Loans
Greater than or equal to 4.0:1.0	2.50%
Greater than or equal to 3.5:1.0 but less than 4.0:1.0	2.25%
Greater than or equal to 3.0:1.0 but less than 3.5:1.0	2.00%
Less than 3.0:1.0	1.75%.

The Applicable Offshore Rate Margin for Revolving Loans and Term A Loans shall be adjusted, to the extent applicable, 45 days (or, in the case of the last calendar quarter of any year, 90 days) after the end of each calendar quarter, based on the Leverage Ratio as of the last day of such quarter; it being understood that if the Company fails to deliver the financial statements required by subsection 7.1(a) or 7.1(b)(ii), as applicable, and the related Compliance Certificate required by subsection 7.2(b) by the 45th day (or, if applicable, the 90th day) after any calendar quarter, the Applicable Offshore Rate Margin shall be 2.50% for Revolving Loans and Term A Loans bearing interest based on the Offshore Rate until such financial statements and Compliance Certificate are delivered.

Arrangers means BA Securities, Inc., a Delaware corporation, and Donaldson, Lufkin & Jenrette Securities Corporation, a Delaware corporation.

Assignee - see subsection 11.8(a).

Assignment and Acceptance - see subsection 11.8(a).

Attorney Costs means and includes all reasonable and documented fees and disbursements of any law firm or other external counsel and, without duplication of effort, the allocated cost of internal legal services and all disbursements of internal counsel.

BAI means Bank of America Illinois, an Illinois banking corporation.

Bankruptcy Code means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. ss.101, et seq.).

Base Rate means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BAI in Chicago, Illinois as its "reference rate." (The "reference rate" is a rate set

by BAI based upon various factors including BAI's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above or below such announced rate.) Any change in the reference rate announced by BAI shall take effect at the opening of business on the day specified in the public announcement of such change.

Base Rate Loan means a Loan that bears interest based on the Base Rate.

BofA means Bank of America National Trust and Savings Association, a national banking association.

Borrowing means a borrowing hereunder consisting of (a) Revolving Loans, Term A Loans, Term B Loans or Term C Loans of the same Type made to the Company on the same day by the Lenders and, in the case of Offshore Rate Loans, having the same Interest Period, or (b) a Swingline Loan made to the Company by the Swingline Lender, in each case pursuant to Article II.

Borrowing Date means any date on which a Borrowing occurs under Section 2.3.

Bridge Note Agreement means the Securities Purchase Agreement, dated as of September 12, 1996, among the Company, BofA and RC Funding, Inc., as amended from time to time in accordance with Section 8.22.

Bridge Notes means the $100,000,000 Senior Subordinated Increasing Rate Notes due September 15, 1997 of the Company issued pursuant to the Bridge Note Agreement.

Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in New York City, Chicago or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings are carried on in the applicable offshore Dollar interbank market.

Capital Adequacy Regulation means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case regarding capital adequacy of any bank or of any Person controlling a bank.

Capital Expenditures means all expenditures which, in accordance with GAAP, would be required to be capitalized and shown on the consolidated balance sheet of the Company, but excluding expenditures made in connection with the replacement, substitution or restoration of assets to the extent financed (i) from insurance proceeds (or other

similar recoveries) paid on account of the loss of or damage to the assets being replaced or restored or (ii) with awards of compensation arising from the taking by eminent domain or condemnation of the assets being replaced.

Cash Collateralize means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lender and the Lenders, as additional collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Lender (which documents are hereby consented to by the Lenders). Derivatives of such term shall have corresponding meanings. The Company hereby grants the Administrative Agent, for the benefit of the Administrative Agent, the Issuing Lender and the Lenders, a security interest in all such cash and deposit account balances. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at BAI.

Cash Equivalent Investments shall mean (i) securities issued or directly and fully guaranteed or insured by the United States of America or guaranteed by a government that is a member of the OECD ("OECD Country") or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America or such OECD Country, as applicable, is pledged in support thereof) having maturities of not more than three years from the date of acquisition, (ii) marketable direct obligations issued by any State of the United States of America or any local government or other political subdivision thereof rated (at the time of acquisition of such security) at least AA by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") or the equivalent thereof by Moody's Investors Service, Inc. ("Moody's") having maturities of not more than one year from the date of acquisition, (iii) time deposits, certificates of deposit and bankers' acceptances of (x) any Lender, (y) any commercial bank that is a member of the Federal Reserve System or an applicable central bank of an OECD Country having capital and surplus in excess of $250,000,000 or (z) any bank whose short-term commercial paper rating (at the time of acquisition of such security) by S&P is at least A-1 or the equivalent thereof (any such bank, an "Approved Bank"), in each case with maturities of not more than six months from the date of acquisition, (iv) commercial paper and variable or fixed rate notes issued by any Lender or Approved Bank or by the parent company of any Lender or Approved Bank and commercial paper and variable rate notes issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating (at the time of acquisition of such security) of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long-term unsecured debt rating (at the time of

acquisition of such security) of at least AA or the equivalent thereof by S&P or at least Aa or the equivalent thereof by Moody's and in each case maturing within one year after the date of acquisition and (v) repurchase agreements with any Lender or any primary dealer maturing within one year from the date of acquisition that are fully collateralized by investment instruments that would otherwise be Cash Equivalent Investments; provided that the terms of such repurchase agreements comply with the guidelines set forth in the Federal Financial Institutions Examination Council Supervisory Policy -- Repurchase Agreements of Depository Institutions With Securities Dealers and Others, as adopted by the Comptroller of the Currency on October 31, 1985.

CERCLA means the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

CERCLIS means the Comprehensive Environmental Response Compensation Liability Information System List.

Change of Control means (i) the failure of the Purchasers that are Affiliates of the Thomas H. Lee Company to own, free and clear of all Liens and encumbrances, 51% of the outstanding shares of voting stock of the Company on a fully-diluted basis or 51% of the economic value of all equity interests of the Company on a fully-diluted basis or (ii) while any Bridge Notes are outstanding, any "Change of Control" as defined in the Bridge Note Agreement or, while any Rollover Notes are outstanding, any "Change of Control" as defined in the Rollover Indenture or, while any Qualified Notes are outstanding, any "Change of Control" as defined in any Qualified Indenture or any other similar event, regardless of how designated, if the occurrence of such event would require the Company, pursuant to any Qualified Indenture, to redeem or repurchase any Qualified Notes prior to their expressed maturity.

Closing Date means the date on which all conditions precedent set forth in Sections 5.1 and 5.2 are satisfied or waived by all Lenders in their sole discretion (or, in the case of subsection 5.1(e), waived by the Person entitled to receive the applicable payment).

Code means the Internal Revenue Code of 1986.

Collateral Document means the Security Agreement, each Trademark Security Agreement, each Patent Security Agreement, each Pledge Agreement, each Mortgage and any other document pursuant to which collateral securing the liabilities of the Company or any Guarantor under any Loan Document is granted or pledged to the Administrative Agent for the benefit of itself and the Lenders.

Commercial Letter of Credit means any Letter of Credit which is drawable upon presentation of a sight draft and other documents evidencing the sale or shipment of goods purchased by the Company in the ordinary course of business.

Commitment means, as to each Lender, such Lender's Revolving Commitment, Term A Commitment, Term B Commitment or Term C Commitment, as applicable.

Common Stock means the common stock, par value $.01 per share, of the Company.

Company means Rayovac Corporation, a Wisconsin corporation.

Company Pledge Agreement - see subsection 5.1(i).

Compliance Certificate means a certificate substantially in the form of Exhibit C.

Computation Period means, except as otherwise expressly stated herein, any period of four consecutive fiscal quarters and in any case ending on the last day of a fiscal quarter.

Consolidated Net Income means, with respect to the Company and its Subsidiaries for any period, the net income (or loss) of the Company and its Subsidiaries for such period.

Contingent Liabilities means, at any time, the maximum estimated amount of liabilities reasonably likely to result at such time from pending litigation, asserted and unasserted claims and assessments, guaranties, uninsured risks and other contingent liabilities of each of the Company and of each Guarantor after giving effect to the transactions contemplated by this Agreement (including all fees and expenses related thereto).

Contingent Obligation means, as to any Person, any direct or indirect liability of such Person, whether or not contingent, with or without recourse: (a) with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligation") of another Person (the "primary obligor"), including any obligation of such Person (i) to purchase, repurchase or otherwise acquire such primary obligation or any security therefor, (ii) to advance or provide funds for the payment or discharge of any primary obligation, or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet item, level of income or financial condition of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any primary obligation of the ability of the primary obligor to make payment of such

primary obligation, or (iv) otherwise to assure or hold harmless the holder of any primary obligation against loss in respect thereof (each, a "Guaranty Obligation"); (b) with respect to any Surety Instrument (other than any Letter of Credit) issued for the account of such Person or as to which such Person is otherwise liable for reimbursement of drawings or payments; (c) to purchase any materials, supplies or other property from, or to obtain the services of, another Person if the relevant contract or other related document or obligation requires that payment for such materials, supplies or other property, or for such services, shall be made regardless of whether delivery of such materials, supplies or other property is ever made or tendered, or such services are ever performed or tendered; or (d) in respect of any Swap Contract. The amount of any Contingent Obligation shall, (1) in the case of Guaranty Obligations, be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof, (2) in the case of Swap Contracts, be equal to the Swap Termination Value and (3) in the case of other Contingent Obligations, be equal to the maximum reasonably anticipated liability in respect thereof.

Continuing Debt - see subsection 8.5(d).

Continuing Debt Reserve means, on any date, the aggregate outstanding principal amount, or, with respect to Continuing Debt under a line of credit or similar revolving facility, the maximum amount committed to be advanced, of all Continuing Debt on such date.

Contractual Obligation means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

Conversion/Continuation Date means any date on which, under Section 2.4, the Company (a) converts Loans of one Type to the other Type or (b) continues as Offshore Rate Loans, but with a new Interest Period, Offshore Rate Loans having Interest Periods expiring on such date.

Credit Extension means and includes (a) the making of any Loan hereunder and (b) the Issuance of any Letter of Credit hereunder.

Debt to be Repaid means all Indebtedness listed on Schedule 5.1.

Designated Proceeds - see subsection 2.8(a).

DLJ means DLJ Capital Funding, Inc., a Delaware corporation.

Documentation Agent means DLJ, in its capacity as documentation agent for the Lenders.

Dollar Amount means, in relation to any Indebtedness (i) denominated in Dollars, the amount of such Indebtedness, and (ii) denominated in a currency other than Dollars, the Dollar Equivalent of the amount of such Indebtedness on the last day of the immediately preceding calendar month.

Dollar Equivalent means, in relation to an amount denominated in a currency other than Dollars, the amount of Dollars which could be purchased with such amount at the prevailing foreign exchange spot rate.

Dollars and $ mean lawful money of the United States.

Dormant Subsidiaries means, so long as either such Person does not have assets with a fair market value in the aggregate in excess of $100,000 and transacts no business, Minera Vindaluz and Zoe-Phos International; provided that no Subsidiary may be a Dormant Subsidiary if the Company or any of its other Subsidiaries provides any credit support thereto or is liable in any respect for the liabilities thereof.

EBITDA means, for any Computation Period, the sum of

(a) Consolidated Net Income of the Company for such period excluding, to the extent reflected in determining such Consolidated Net Income, extraordinary gains and losses for such period,

plus

(b) to the extent deducted in determining Consolidated Net Income, Interest Expense, income tax expense, depreciation and amortization for such period.

Effective Amount means, (a) with respect to any Revolving Loans, Swingline Loans and Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Revolving Loans, Swingline Loans and Term Loans occurring on such date, and (b) with respect to any outstanding L/C Obligations on any date (i) the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date, (ii) the amount of any undrawn Commercial Letters of Credit which have expired less than 25 days prior to such date and (iii) any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any

Letter of Credit or any reduction in the maximum amount available for drawing under Letters of Credit taking effect on such date.

Eligible Assignee means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least $500,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the OECD, or a political subdivision of any such country, and having a combined capital and surplus of at least $500,000,000, provided that such bank is acting through a branch or agency located in the United States; (iii) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Lender, (B) a Subsidiary of a Person of which a Lender is a Subsidiary, or (C) a Person of which a Lender is a Subsidiary; and (iv) an insurance company, pension fund, mutual fund, commercial finance company or similar financial institution having a net worth of at least $250,000,000.

Employment Agreement means the Employment Agreement dated as of September 12, 1996 between the Company and David A. Jones, as amended from time to time in accordance with Section 8.22.

Environmental Claims means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability under any Environmental Law or responsibility for violation of any Environmental Law, or for release or injury to the environment.

Environmental Laws means CERCLA, the Resource Conservation and Recovery Act and all other federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes relating to pollution or protection of public or employee health or the environment, together with all administrative orders, consent decrees, licenses, authorizations and permits of any Governmental Authority implementing them.

ERISA means the Employee Retirement Income Security Act of 1974.

ERISA Affiliate means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

ERISA Event means: (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a

substantial cessation of operations which is treated as such a withdrawal; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

Escrow Agreement means the Escrow Agreement, dated as of September 12, 1996, among the Company, RC Funding, Inc., BofA and Snoga, Inc., as escrow agent, as amended from time to time in accordance with Section 8.22.

Event of Default means any of the events or circumstances specified in Section 9.1.

Excess Cash Flow means, for any period, the remainder of

(a) the sum, without duplication, of

(i) Consolidated Net Income for such period, excluding any extraordinary gains or losses to the extent reflected in calculating Consolidated Net Income,

plus

(ii) all depreciation and amortization of assets (including goodwill and other intangible assets) of the Company and its Subsidiaries deducted in determining Consolidated Net Income for such period,

plus

(iii) any net decrease in Adjusted Working Capital during such period (exclusive of decreases in working capital associated with asset sales),

plus

(iv) all federal, state, local and foreign income taxes of the Company and its Subsidiaries deducted in determining Consolidated Net Income for such period,

less

(b) the sum, without duplication, of

(i) repayments of principal of Term Loans pursuant to Section 2.9, regularly scheduled principal payments arising with respect to any other long-term Indebtedness of the Company and its Subsidiaries, and the portion of any regularly scheduled payments with respect to capital leases allocable to principal, in each case made during such period,

plus

(ii) voluntary prepayments of the Term Loans pursuant to Section 2.7 during such period (other than any such voluntary prepayments to the extent that the same are applied during such period to the scheduled unpaid principal installments of the Term Loans in forward order of maturity pursuant to Section 2.7),

plus

(iii) cash payments made in such period with respect to Capital Expenditures,

plus

(iv) all federal, state, local and foreign income taxes paid by the Company and its Subsidiaries during such period,

plus

(v) any net increase in Adjusted Working Capital during such period (exclusive of increases in working capital associated with asset sales).

Exchange Act means the Securities Exchange Act of 1934.

Excluded Assets has the meaning assigned thereto in the Security Agreement.

Excluded Taxes - see the definition of "Taxes."

Fair Value means, at any time, the amount at which the assets, in their entirety, of each of the Company and of each Guarantor would likely change hands at such time as part of a going concern and for continued use as part of a going concern between a willing buyer and a willing seller, within a commercially reasonable period of time, each having reasonable knowledge of the relevant facts, with neither being under any compulsion to act.

Federal Funds Rate means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Administrative Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent.

Fee Letter - see subsection 2.11(a).

Financial Standby Letter of Credit means any Standby Letter of Credit which any Lender is required under any Requirement of Law (including under 12 CFR Part 3, Appendix A, Section 3, clause (b)) to classify as a financial letter of credit with respect to its issuance thereof or participation therein pursuant to this Agreement.

Fixed Charge Coverage Ratio means, for the Computation Period most recently ended on or before such date, the ratio of (a) EBITDA for such Computation Period to (b) the sum of (i) Interest Expense for such Computation Period and (ii) the scheduled installments of principal of the Term Loans for such Computation Period; provided, however, that with respect to Computation Periods ending prior to September 30, 1997, EBITDA, Interest Expense and scheduled installments of principal of the Term Loans shall be measured from the period from October 1, 1996 through the end of the Computation Period.

Foreign Subsidiary shall mean each Subsidiary of the Company organized under the laws of any jurisdiction other than the United States or any state thereof.

FRB means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

Funded Debt means all indebtedness of the Company and its Subsidiaries as determined in accordance with GAAP.

Further Taxes means any and all present or future taxes, levies, assessments, imposts, duties, deductions, fees, withholdings or similar charges (including net income taxes and franchise taxes), and all liabilities with respect thereto, imposed by any jurisdiction on account of amounts paid or payable pursuant to Section 4.1.

GAAP means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

Governmental Authority means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

Guarantor means each Subsidiary that executes the Guaranty on the Closing Date and each other Person which from time to time executes and delivers a counterpart of the Guaranty.

Guaranty means the guaranty, substantially in the form of Exhibit F, which will be executed by ROV Holding on the Closing Date and, if applicable, from time to time by other Guarantors.

Guaranty Obligation has the meaning specified in the definition of Contingent Obligation.

Hazardous Material means

(a) any "hazardous substance", as defined by CERCLA;

(b) any "hazardous waste", as defined by the Resource Conservation and Recovery Act;

(c) any petroleum product; or

(d) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the meaning of any other Environmental Law.

Honor Date - see subsection 3.3(b).

Indebtedness of any Person means, without duplication: (a) all indebtedness of such Person for borrowed money; (b) all obligations issued, undertaken or assumed by such Person as the deferred purchase price of property or services (other than trade payables entered into and accrued expenses arising in the ordinary course of business on ordinary terms); (c) all non-contingent reimbursement or

payment obligations with respect to Surety Instruments; (d) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (e) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (f) all obligations of such Person with respect to capital leases; (g) all indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (h) all Guaranty Obligations of such Person in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) above.

Indemnified Liabilities - see Section 11.5.

Indemnified Person - see Section 11.5.

Independent Auditor - see subsection 7.1(a).

Insolvency Proceeding means, with respect to any Person, (a) any case, action or proceeding with respect to such Person before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of such creditors; in each case undertaken under any U.S. Federal, State or foreign law, including the Bankruptcy Code.

Interest Expense means for any period the consolidated interest expense of the Company and its Subsidiaries for such period (including all imputed interest on capital leases).

Interest Payment Date means (i) as to any Offshore Rate Loan, the last day of each Interest Period applicable to such Loan and, in the case of any Offshore Rate Loan with a six-month Interest Period, the three-month anniversary of the first day of such Interest Period, and (ii) as to any Base Rate Loan, the last Business Day of each calendar quarter.

Interest Period means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is

converted into or continued as an Offshore Rate Loan, and ending one, two, three or six months thereafter, as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the following Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period;

(iii) no Interest Period applicable to a Term A Loan, a Term B Loan or a Term C Loan or any portion of any thereof shall extend beyond any date upon which is due any scheduled principal payment in respect of the Term A Loans, Term B Loans or Term C Loans, as applicable, unless the aggregate principal amount of Term A Loans, Term B Loans or Term C Loans, as applicable, represented by Base Rate Loans, or by Offshore Rate Loans having Interest Periods that will expire on or before such date, equals or exceeds the amount of such principal payment; and

(iv) no Interest Period for any Revolving Loan shall extend beyond the Revolving Termination Date.

IRB Debt means Indebtedness of the Company arising as a result of the issuance of tax-exempt industrial revenue bonds or similar tax-exempt public financing.

IRS means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions under the Code.

Issuance Date - see subsection 3.1(a).

Issue means, with respect to any Letter of Credit, to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "Issued," "Issuing" and "Issuance" have corresponding meanings.

Issuing Lender means BAI in its capacity as issuer of one or more Letters of Credit hereunder, together with any replacement letter of credit issuer arising under subsection 10.1(b) or Section 10.9.

Joint Venture means a corporation, partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) which is not a Subsidiary of the Company or any of its Subsidiaries and which is now or hereafter formed by the Company or any of its Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

Jones Note means the $500,000 Full Recourse Promissory Note, dated September 12, 1996, made by David A. Jones in favor of the Company.

Judgment Currency - see subsection 3.10(f).

L/C Advance means each Lender's participation in any L/C Borrowing in accordance with its Revolving Percentage.

L/C Amendment Application means an application form for amendment of an outstanding standby or commercial documentary letter of credit as shall at any time be in use at the Issuing Lender, as the Issuing Lender shall request.

L/C Application means an application form for issuances of a standby or commercial documentary letter of credit as shall at any time be in use at the Issuing Lender, as the Issuing Lender shall request.

L/C Borrowing means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made nor converted into a Borrowing of Revolving Loans under subsection 3.3(c).

L/C Commitment means the commitment of the Issuing Lender to Issue, and the commitments of the Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding under Article III, in an aggregate amount not to exceed on any date the lesser of $10,000,000 and the amount of the aggregate amount of all Revolving Commitments; it being understood that the L/C Commitment is a part of the Revolving Commitments, rather than a separate, independent commitment.

L/C Fee Rate means, at any time, (i) the Applicable Offshore Rate Margin less 1.00%, in the case of each Commercial Letter of Credit, and (ii) the Applicable Offshore Rate Margin for Revolving Loans, in the case of each Financial Standby Letter of Credit and each Non-Financial Standby Letter of Credit; provided that each of the foregoing rates shall be increased by 2% at any time an Event of Default exists.

L/C Obligations means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed

drawings under all Letters of Credit, including all outstanding L/C Borrowings.

L/C-Related Documents means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the Issuing Lender's standard form documents for letter of credit issuances.

Lenders means the several financial institutions from time to time party to this Agreement. References to the "Lenders" shall include BAI in its capacity as the Issuing Lender and BAI in its capacity as Swingline Lender; for purposes of clarification only, to the extent that the Swingline Lender or the Issuing Lender may have any rights or obligations in addition to those of the other Lenders due to its status as Swingline Lender or Issuing Lender, its status as such will be specifically referenced.

Lending Office means, as to any Lender, the office or offices of such Lender specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, on Schedule 11.2, or such other office or offices as such Lender may from time to time specify to the Company and the Administrative Agent.

Letters of Credit means any letters of credit (whether standby letters of credit or commercial documentary letters of credit) Issued by the Issuing Lender pursuant to Article III.

Leverage Ratio means for each Computation Period the ratio of

(i) the aggregate outstanding principal amount of all Funded Debt as of any date

to

(ii) EBITDA for such Computation Period most recently ended on or before such date;

provided, however, that with respect to Computation Periods ending prior to September 30, 1997, EBITDA shall be measured from the period from October 1, 1996 through the end of the Computation Period and annualized as follows (x) with respect to the Computation Period ending December 31, 1996, EBITDA during such Computation Period shall be multiplied by four, (y) with respect to the Computation Period ending March 31, 1997, EBITDA during such Computation Period shall be multiplied by two and (z) with respect to the Computation Period ending June 30, 1997, EBITDA during such Computation Period shall be multiplied by four-thirds.

Lien means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, or any financing lease having substantially the same economic effect as any of the foregoing, but not including the interest of a lessor under an operating lease).

Loan means an extension of credit by a Lender to the Company under Article II or Article III in the form of a Revolving Loan, Term Loan, Swingline Loan or L/C Advance. Each Revolving Loan and each Term Loan may be divided into tranches which are Base Rate Loans or Offshore Rate Loans (each a "Type" of Loan).

Loan Documents means this Agreement, any Notes, the Fee Letter, the L/C-Related Documents, the Guaranty, the Collateral Documents and all other documents delivered to the Administrative Agent or any Lender in connection herewith.

Management Agreement means the Management Agreement, dated as of September 12, 1996, between Thomas H. Lee Company and the Company, as amended from time to time in accordance with Section 8.22.

Mandatory Prepayment Event - see subsection 2.8(a).

Margin Stock means "margin stock" as such term is defined in Regulation G, T, U or X of the FRB.

Material Adverse Effect means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Company or any Guarantor to perform any of its obligations under any Loan Document; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company or any Guarantor of any Loan Document.

Minera Vindaluz means Minera Vindaluz, S.A. de C.V., a corporation organized under the laws of Mexico.

Mortgage means a mortgage, leasehold mortgage, deed of trust or similar document granting a Lien on real property in appropriate form for filing or recording in the applicable jurisdiction and otherwise reasonably satisfactory to the Administrative Agent.

Multiemployer Plan means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, with respect to which the Company or any ERISA Affiliate may have any liability.

Net Cash Proceeds means:

(a) with respect to the sale, transfer, or other disposition by the Company or any Subsidiary of any asset (including any stock of any Subsidiary), the aggregate cash proceeds (including cash proceeds received by way of deferred payment of principal pursuant to a note, installment receivable or otherwise, but only as and when received) received by the Company or any Subsidiary pursuant to such sale, transfer or other disposition, net of (i) the direct costs relating to such sale, transfer or other disposition (including, without limitation, sales commissions and legal, accounting and investment banking fees), (ii) taxes paid or reasonably estimated by the Company to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (iii) amounts required to be applied to the repayment of any Indebtedness secured by a Lien on the asset subject to such sale, transfer or other disposition (other than the Loans); and

(b) with respect to any issuance of equity securities or Other Debt, the aggregate cash proceeds received by the Company or any Subsidiary pursuant to such issuance, net of the direct costs relating to such issuance (including, without limitation, sales and underwriter's commissions and legal, accounting and investment banking fees).

Net Worth means the Company's consolidated stockholders' equity.

Non-Dollar Letter of Credit - see Section 3.10.

Non-Financial Standby Letter of Credit means any Standby Letter of Credit that is not a Financial Standby Letter of Credit.

Note means a promissory note executed by the Company in favor of a Lender pursuant to subsection 2.2(b), in substantially the form of Exhibit D.

Notice of Borrowing means a notice in substantially the form of Exhibit A.

Notice of Conversion/Continuation means a notice in substantially the form of Exhibit B.

Obligations means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document owing by the Company to any Lender, the Administrative Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, or now existing or hereafter arising.

OECD means the Organization for Economic Cooperation and Development.

Offshore Rate means, for any Interest Period, with respect to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward, if necessary, to the next 1/16th of 1%) determined by the Administrative Agent as follows:

$$\text{Offshore Rate} = \frac{\text{IBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"Eurodollar Reserve Percentage" means for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward, if necessary, to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"); and

"IBOR" means the rate of interest per annum determined by the Administrative Agent as the rate at which Dollar deposits in the approximate amount of BAI's Offshore Rate Loan for such Interest Period would be offered by BofA's Grand Cayman Branch, Grand Cayman B.W.I. (or such other office as may be designated for such purpose by BofA), to major banks in the offshore dollar interbank market at their request at approximately 11:00 a.m. (New York City time) two Business Days prior to the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

Offshore Rate Loan means a Loan that bears interest based on the Offshore Rate.

Organization Documents means, (a) for any domestic corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument

relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation and (b) for any foreign corporation, the equivalent documents.

Other Debt means debt securities of the Company and its Subsidiaries, other than as permitted by Section 8.5.

Other Taxes means any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Agreement or any other Loan Document.

Overnight Rate - see subsection 3.10(g).

Participant - see subsection 11.8(c).

Patent Security Agreement - see subsection 5.1(g).

PBGC means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

Pension Plan means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA with respect to which the Company or any ERISA Affiliate may have any liability.

Permitted Liens - see Section 8.1.

Permitted Swap Obligations means all obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under Swap Contracts, provided that each of the following criteria is satisfied: (a) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments or assets held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person in conjunction with a securities repurchase program not otherwise prohibited hereunder, and not for purposes of speculation or taking a "market view;" and (b) such Swap Contracts do not contain (i) any provision ("walk-away" provision) exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party or (ii) any provision creating or permitting the declaration of an event of default, termination event or similar event upon the occurrence of an Event of Default hereunder (other than an Event of Default under subsection 9.1(a)).

Person means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

Plan means an employee benefit plan (as defined in Section 3(3) of ERISA) with respect to which the Company may have any liability.

Pledge Agreement means the Company Pledge Agreement and each Subsidiary Pledge Agreement.

Present Fair Salable Value means, at any time, the amount that could be obtained at such time by an independent willing seller from an independent willing buyer if the assets of each of the Company and each Guarantor are sold with reasonable promptness in an arm's-length transaction under present conditions for the sale of comparable assets.

Prior Credit Agreement - see Section 5.1.

Proposed Bridge Note Refinancing means (i) any refinancing of the Bridge Notes by the issuance of Rollover Notes in accordance with Article VII of the Bridge Note Agreement or (ii) any refinancing of the Bridge Notes or the Rollover Notes by a Qualified Refinancing or by a private placement or public offering of Subordinated Debt of the Company in an aggregate principal amount not to exceed $100,000,000, which shall not require scheduled payments of principal earlier than September 30, 2006 and which shall not require or permit cash interest payments to accrue thereon at a rate in excess of 15.25% per annum.

Public Offering means the offering of equity securities or Indebtedness registered under the Securities Act of 1933.

Purchasers means Thomas H. Lee Equity Fund III, L.P., Thomas H. Lee Foreign Fund III, L.P., certain other Affiliates of Thomas H. Lee Company and David A. Jones, as identified on Exhibit A of the Recapitalization Agreement.

Pyle Agreements means (a) the Consulting Agreement dated as of September 12, 1996 between the Company and Thomas F. Pyle, Jr., (b) the Confidentiality, Non-Competition, No-Solicitation and No-Hire Agreement dated as of September 12, 1996 between the Company and Thomas F. Pyle, Jr. and (c) the Confidentiality, Non-Competition, No-Solicitation and No-Hire Agreement dated as of September 12, 1996 between the Company and Judith Pyle, in each case as amended from time to time in accordance with Section 8.22.

Qualified Indenture means a trust indenture entered into by the Company with an indenture trustee with terms and provisions no more restrictive to the Company than the Rollover Indenture, and with subordination terms no less

advantageous to the Lenders than the subordination terms in the Rollover Indenture, as amended from time to time in accordance with Section 8.22.

Qualified Notes means subordinated notes of the Company in an aggregate principal amount not to exceed $100,000,000, which shall not require scheduled payments of principal prior to September 30, 2006, which shall not require cash interest payments thereon at a rate in excess of 15.25% per annum, and which are issued pursuant to a Qualified Indenture.

Qualified Refinancing means a refinancing of the Bridge Notes or the Rollover Notes with Qualified Notes.

Rayovac U.K. - see subsection 5.1(i).

Recapitalization Agreement means the Stock Purchase and Redemption Agreement, dated September 12, 1996, among the Company, the Redemption Shareholders and the Purchasers, as amended from time to time in accordance with Section 8.22.

Recapitalization Transaction means the purchase by the Purchasers of not less than 9,089,581 shares of Common Stock from certain Redemption Shareholders and the redemption by the Company of 5,807,581 shares of Common Stock of certain Redemption Shareholders, in each case pursuant to the Recapitalization Agreement and in each case prior to giving effect to a 5-for-1 stock split to occur with respect to the Common Stock immediately after the closing of such purchase and redemption, after which the Purchasers that are Affiliates of the Thomas H. Lee Company shall hold at least 79% of the combined voting power and value of all classes of stock of the Company.

Redemption Shareholders means the holders of all shares of stock of the Company immediately prior to the Recapitalization Transaction, as identified on Exhibit B to the Recapitalization Agreement.

Release means a "release", as such term is defined in CERCLA.

Replacement Lender - see Section 4.7.

Reportable Event means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC or administrative pronouncements.

Required Lenders means, at any time, Lenders having an aggregate Total Percentage of 51% or more.

Required Revolving Lenders means, at any time, Revolving Lenders having an aggregate Revolving Percentage of 51% or more.

Required Term A Lenders means, at any time, Term A Lenders having an aggregate Term A Percentage of 51% or more.

Required Term B Lenders means, at any time, Term B Lenders having an aggregate Term B Percentage of 51% or more.

Required Term C Lenders means, at any time, Term C Lenders having an aggregate Term C Percentage of 51% or more.

Requirement of Law means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Resource Conservation and Recovery Act means the Resource Conservation and Recovery Act, 42 U.S.C. Section 690, et seq.

Responsible Officer means the chief executive officer or the president of the Company, or any other officer having substantially the same authority and responsibility or the chief financial officer or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

Revolving Commitment means, as to any Lender, the commitment of such Lender to make Revolving Loans pursuant to subsection 2.1(d). The initial amount of each Revolving Lender's Revolving Commitment is set forth across from such Lender's name on Schedule 1.1.

Revolving Lender means, at any time, a Lender with a Revolving Commitment or which then holds any Revolving Loan.

Revolving Loan - see subsection 2.1(d).

Revolving Percentage means, as to any Lender, the percentage which (a) the amount of such Lender's Revolving Commitment is of (b) the aggregate amount of all of the Revolving Lenders' Revolving Commitments.

Revolving Termination Date means the earlier to occur of:

(a) September 30, 2002; and

(b) the date on which the Revolving Commitments terminate in accordance with the provisions of this Agreement.

Rollover Indenture means the Indenture, dated as of September 12, 1996, among the Company, ROV Holding and Marine Midland Bank, as trustee, with respect to the Rollover Notes, as amended from time to time in accordance with Section 8.22.

Rollover Notes means the Senior Subordinated Notes, due September 30, 2005, of the Company to be issued pursuant to the Rollover Indenture in a principal amount equal to the then outstanding principal amount of the Bridge Notes at the date of the stated maturity of the Bridge Notes, plus accrued but unpaid interest thereon at such date, which shall not require scheduled payments of principal earlier than September 15, 2005 and which shall not require cash interest payments to accrue thereon at a rate in excess of 15.25% per annum.

ROV Holding means ROV Holding, Inc., a Delaware corporation and a Subsidiary.

SEC means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

Security Agreement - see subsection 5.1(g).

Standby Letter of Credit means any Letter of Credit that is not a Commercial Letter of Credit.

Stated Liabilities means, at any time, the recorded liabilities (including Contingent Liabilities that would be recorded in accordance with GAAP) of each of the Company and of each Guarantor at such time after giving effect to the transactions contemplated under this Agreement, determined in accordance with GAAP consistently applied, together with the amount, without duplication, of all Loans and Contingent Liabilities.

Subordinated Debt means all unsecured Indebtedness of the Company for money borrowed which is subject to, and is only entitled to the benefits of, terms and provisions (including maturity, amortization, acceleration, interest rate, sinking fund, covenant, default and subordination provisions) satisfactory in form and substance to the Required Lenders, in each case as evidenced by their written approval thereof (which may be granted or withheld in their sole discretion), including, without limiting the foregoing, the Bridge Notes and the Rollover Notes (the terms and conditions of the Bridge Notes and Rollover Notes are hereby consented to by the Lenders).

Subordinated Debt Proceeds means, at any time, the lesser of (a) $100,000,000 and (b) the lesser of (x) the aggregate original principal amount of, or (y) the gross proceeds received by the Company upon issuance of, all outstanding Bridge Notes, Rollover Notes or Qualified Notes of the Company at such time.

Subsidiary of a Person means any corporation, association, partnership, limited liability company, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests is owned or controlled directly or indirectly by such Person, or one or more of the Subsidiaries of such Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

Subsidiary Pledge Agreement means the U.K. Charge and each other agreement pursuant to which any Subsidiary pledges to the Administrative Agent shares of stock owned by it or Indebtedness owing to it.

Surety Instruments means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, surety bonds and similar instruments.

Swap Contract means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

Swap Termination Value means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include any Lender).

Swingline Loan has the meaning specified in subsection 2.5(a).

Syndication Agents means BofA and DLJ, in their capacities as syndication agents for the Lenders.

Taxes means any and all present or future taxes, levies, assessments, imposts, duties, deductions, charges or withholdings, fees or similar charges and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, such taxes (including income taxes, branch profit taxes or franchise taxes) as are imposed on or measured by such Lender's or the Administrative Agent's, as the case may be, net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender or the Administrative Agent, as the case may be, is organized, maintains a lending office or conducts business (collectively, "Excluded Taxes").

Term A Commitment means, as to any Lender, the commitment of such Lender to make a Term A Loan pursuant to subsection 2.1(a). The amount of each Term A Lender's Term A Commitment is set forth across from such Lender's name on Schedule 1.1.

Term A Lender means, at any time, a Lender with a Term A Commitment or which then holds any Term A Loan.

Term A Loan - see subsection 2.1(a).

Term A Percentage means, as to any Lender, the percentage which (a) the Term A Commitment of such Lender (or, after the making of the Term A Loans, the principal amount of such Lender's Term A Loan) is of (b) the aggregate amount of Term A Commitments (or after the making of the Term A Loans, the aggregate principal amount of all Term A Loans). The initial Term A Percentage of each Lender is set forth across from such Lender's name on Schedule 1.1.

Term B Commitment means, as to any Lender, the commitment of such Lender to make a Term B Loan pursuant to subsection 2.1(b). The amount of each Term B Lender's Term B Commitment is set forth across from such Lender's name on Schedule 1.1.

Term B Lender means, at any time, a Lender with a Term B Commitment or which then holds any Term B Loan.

Term B Loan - see subsection 2.1(b).

Term B Percentage means, as to any Lender, the percentage which (a) the Term B Commitment of such Lender (or, after the making of the Term B Loans, the principal amount of such Lender's Term B Loan) is of (b) the aggregate amount of Term B Commitments (or after the making of the Term B Loans, the aggregate principal amount of all Term B

Loans). The initial Term B Percentage of each Lender is set forth across from such Lender's name on Schedule 1.1.

Term C Commitment means, as to any Lender, the commitment of such Lender to make a Term C Loan pursuant to subsection 2.1(c). The amount of each Term C Lender's Term C Commitment is set forth across from such Lender's name on Schedule 1.1.

Term C Lender means, at any time, a Lender with a Term C Commitment or which then holds any Term C Loan.

Term C Loan - see subsection 2.1(c).

Term C Percentage means, as to any Lender, the percentage which (a) the Term C Commitment of such Lender (or, after the making of the Term C Loans, the principal amount of such Lender's Term C Loan) is of (b) the aggregate amount of Term C Commitments (or after the making of the Term C Loans, the aggregate principal amount of all Term C Loans). The initial Term C Percentage of each Lender is set forth across from such Lender's name on Schedule 1.1.

Term Loan means a Term A Loan, a Term B Loan or a Term C Loan.

Total Percentage means, as to any Lender, the percentage which (a) the aggregate amount of such (i) Lender's Revolving Commitment plus (ii) such Lender's Term A Commitment (or, after the making of the Term A Loans, the outstanding principal amount of such Lender's Term A Loans) plus (iii) such Lender's Term B Commitment (or, after the making of the Term B Loans, the outstanding principal amount of such Lender's Term B Loans) plus (iv) such Lender's Term C Commitment (or, after the making of the Term C Loans, the outstanding principal amount of such Lender's Term C Loans) is of (b) the aggregate amount of (i) the Revolving Commitments of all Lenders plus (ii) the Term A Commitments of all Lenders (or, after the making of the Term A Loans, the outstanding principal amount of all Term A Loans) plus (iii) the Term B Commitments of all Lenders (or, after the making of the Term B Loans, the outstanding principal amount of all Term B Loans) plus (iv) the Term C Commitments of all Lenders (or, after the making of the Term C Loans, the outstanding principal amount of all Term C Loans); provided that after the Revolving Commitments have been terminated, "Total Percentage" shall mean as to any Lender the percentage which the aggregate principal amount of such Lender's Loans is of the aggregate principal amount of all Loans. The initial Total Percentage of each Lender is set forth opposite such Lender's name on Schedule 1.1.

Trademark Security Agreement - see subsection 5.1(g).

Type has the meaning specified in the definition of "Loan."

U.K. Charge - see subsection 5.1(i).

Unfunded Pension Liability means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of such Pension Plan's assets, determined in accordance with the assumptions used for funding such Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

United States and U.S. each means the United States of America.

Unmatured Event of Default means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

Wholly-Owned Subsidiary means any corporation in which (other than director's qualifying shares or due to native ownership requirements) 100% of the capital stock of each class is owned beneficially and of record by the Company or by one or more other Wholly-Owned Subsidiaries.

Zoe-Phos International means Zoe-Phos International N.V., a corporation organized under the laws of the Netherlands Antilles.

1.2 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding"; and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

1.3 Accounting Principles.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied; provided that if the Company notifies the Administrative Agent that the Company wishes to amend any covenant in Article VIII or any corresponding definition to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Company that the Required Lenders wish to amend Article VIII or any corresponding definition for such purpose), then the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Lenders.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

ARTICLE II

THE CREDITS

2.1 Amounts and Terms of Commitments. (a) The Term A Credit. Each Term A Lender severally agrees, on the terms and conditions set forth herein, to make a single loan to the Company (each such loan, a "Term A Loan") on the Closing Date in an amount not to exceed such Term A Lender's Term A Percentage of $55,000,000. Amounts borrowed as Term A Loans which are repaid or prepaid by the Company may not be reborrowed. The Term A Commitments shall expire concurrently with the making of the Term A Loans on the Closing Date.

(b) The Term B Credit. Each Term B Lender severally agrees, on the terms and conditions set forth herein, to make a single loan to the Company (each such loan, a "Term B Loan") on the Closing Date in an amount not to exceed such Term B Lender's Term B Percentage of $25,000,000. Amounts borrowed as Term B Loans which are repaid or prepaid by the Company may not be reborrowed. The Term B Commitments shall expire concurrently with the making of the Term B Loans on the Closing Date.

(c) The Term C Credit. Each Term C Lender severally agrees, on the terms and conditions set forth herein, to make a single loan to the Company (each such loan, a "Term C Loan") on the Closing Date in an amount not to exceed such Term C Lender's Term C Percentage of $25,000,000. Amounts borrowed as Term C Loans which are repaid or prepaid by the Company may not be reborrowed. The Term C Commitments shall expire concurrently with the making of the Term C Loans on the Closing Date.

(d) The Revolving Credit. Each Revolving Lender severally agrees, on the terms and conditions set forth herein, to make loans to the Company (each such loan, a "Revolving Loan"), from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding such Revolving Lender's Revolving Percentage of the aggregate amount of the Revolving Commitments; provided that, after giving effect to any Borrowing of Revolving Loans, (x) the sum of the Effective Amount of all Revolving Loans plus the Effective Amount of all Swingline Loans plus the Effective Amount of all L/C Obligations shall not exceed (y) the aggregate amount of the Revolving Commitments less the amount of the Continuing Debt Reserve at the time of such Borrowing; and provided, further, the amount of all Revolving Loans and Swingline Loans made on the Closing Date shall not exceed $26,000,000; provided, further, however, that if all of the proceeds of a Borrowing of Revolving Loans will be used to permanently reduce the amount of Continuing Debt, such Borrowing may be made if such Borrowing could otherwise be made under the first proviso to this subsection (d) without giving effect to the Continuing Debt Reserve. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company may borrow under this subsection 2.1(d), prepay under Section 2.7 and reborrow under this subsection 2.1(d).

2.2 Loan Accounts. (a) The Loans made by each Lender and the Letters of Credit Issued by the Issuing Lender shall be evidenced by one or more accounts or records maintained by such Lender or the Issuing Lender, as the case may be, in the ordinary course of business. The accounts or records maintained by the Administrative Agent, the Issuing Lender and each Lender shall be conclusive (absent manifest error) as to the amount of the Loans made by the Lenders to the Company and the Letters of Credit Issued for the account of the Company, and the interest and payments thereon. Any failure to record or any error in doing so shall not, however, limit or otherwise affect the obligation of

the Company hereunder to pay any amount owing with respect to any Loan or any Letter of Credit.

(b) Upon the request of any Lender made through the Administrative Agent, the Loans made by such Lender may be evidenced by one or more Notes in addition to loan accounts. Each such Lender shall endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto. Each such Lender is irrevocably authorized by the Company to endorse its Note(s) and each Lender's record shall be conclusive absent manifest error; provided, however, that the failure of a Lender to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any Note to such Lender.

2.3 Procedure for Borrowing. (a) Each Borrowing shall be made upon the Company's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent (i) prior to 11:00 a.m. (Chicago time) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Loans and (ii) prior to 11:00 a.m. (Chicago time) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans), specifying:

(A) the amount of the Borrowing, which shall be in an amount of $3,000,000 or a higher integral multiple of $100,000;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Loans comprising the Borrowing (subject to Section 2.16); and

(D) in the case of Offshore Rate Loans, the duration of the Interest Period applicable to such Loans included in such notice.

(b) The Administrative Agent will promptly notify each Lender of its receipt of any Notice of Borrowing and of the amount of such Lender's share of the related Borrowing based upon such Lender's Revolving Percentage, Term A Percentage, Term B Percentage or Term C Percentage, as applicable.

(c) Each Lender will make the amount of its share of each Borrowing available to the Administrative Agent for the account of the Company at the Agent's Payment Office by 1:00 p.m. (Chicago time) on the Borrowing Date requested by the Company in funds immediately available to the Administrative Agent. The proceeds of all Loans will then be made available to the Company by the Administrative Agent at such office by crediting the account of the Company on the books of BAI with the aggregate of

the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

(d) After giving effect to any Borrowing, there may not be more than twelve different Interest Periods in effect.

2.4 Conversion and Continuation Elections. (a) Subject to Section 2.16, the Company may, upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.4(b):

(i) elect to convert, on any Business Day, any Base Rate Loans (in an aggregate amount of $3,000,000 or a higher integral multiple of $100,000) into Offshore Rate Loans;

(ii) elect to convert, on the last day of the applicable Interest Period, any Offshore Rate Loans (or any part thereof in an aggregate amount of $3,000,000 or a higher integral multiple of $100,000) into Base Rate Loans; or

(iii) elect to continue, as of the last day of the applicable Interest Period, any Offshore Rate Loans having Interest Periods expiring on such day (or any part thereof in an aggregate amount of $3,000,000 or a higher integral multiple of $100,000);

provided that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing shall have been reduced, by payment, prepayment or conversion of part thereof, to be less than $3,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than (i) 11:00 a.m. (Chicago time) at least three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans and (ii) not later than 11:00 a.m. (Chicago time) one Business Day prior to the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate principal amount of Loans to be converted or continued;

(C) the Type of Loans resulting from the proposed conversion or continuation; and

(D) in the case of conversions into Offshore Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Company has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, the Company shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a Notice of Conversion/Continuation or, if no timely notice is provided by the Company, the Administrative Agent will promptly notify each Lender of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans held by each Lender with respect to which the notice was given.

(e) Unless the Required Lenders otherwise agree, during the existence of an Event of Default or Unmatured Event of Default, the Company may not elect to have a Loan converted into or continued as an Offshore Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, there may not be more than twelve different Interest Periods in effect.

2.5 Swingline Loans.

(a) Subject to the terms and conditions hereof, the Swingline Lender may, in its sole discretion (subject to subsection 2.5(b)), make a portion of the Revolving Commitments available to the Company by making swingline loans (each such loan, a "Swingline Loan") to the Company on any Business Day during the period from the Closing Date to the Revolving Termination Date in accordance with the procedures set forth in this Section 2.5 in an aggregate principal amount at any one time outstanding not to exceed the lesser of (x) the aggregate available amount of the Revolving Commitments and (y) $5,000,000, notwithstanding the fact that such Swingline Loans, when aggregated with the Swingline Lender's outstanding Revolving Loans, may exceed the Swingline Lender's Revolving Percentage of the aggregate amount of the Revolving Commitments; provided that at no time shall the sum of the Effective Amount of all Swingline Loans, Revolving Loans and L/C Obligations exceed the aggregate amount of the Revolving Commitments. Subject to the other terms and conditions hereof, the Company may borrow under this subsection 2.5(a), prepay pursuant to subsection 2.5(d) and reborrow pursuant to this subsection 2.5(a) from time to time; provided that the Swingline Lender shall not be obligated to make any Swingline Loan.

(b) The Company shall provide the Administrative Agent and the Swingline Lender irrevocable written notice (or notice by a telephone call confirmed promptly by facsimile) of any Swingline Loan requested hereunder (which notice must be received by the Swingline Lender and the Administrative Agent prior to

12:00 p.m. (Chicago time) on the requested Borrowing Date) specifying (i) the amount to be borrowed, and (ii) the requested Borrowing Date, which must be a Business Day. Upon receipt of such notice, the Swingline Lender will promptly confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such notice from the Company and, if not, the Swingline Lender will provide the Administrative Agent with a copy thereof. If and only if the Administrative Agent notifies the Swingline Lender on the proposed Borrowing Date that it may make available to the Company the amount of the requested Swingline Loan, then, subject to the terms and conditions hereof, the Swingline Lender may make the amount of the requested Swingline Loan available to the Company by crediting the account of the Company on the books of BAI with the amount of such Swingline Loan. The Administrative Agent will not so notify the Swingline Lender if the Administrative Agent has knowledge that (A) the limitations set forth in the proviso set forth in the first sentence of subsection 2.5(a) are being violated or would be violated by such Swingline Loan or (B) one or more conditions specified in Article V is not then satisfied. Each Swingline Loan shall be in an aggregate principal amount equal to $500,000 or a higher integral multiple of $100,000. The Swingline Lender will promptly notify the Administrative Agent of the amount of each Swingline Loan.

(c) Principal of and accrued interest on each Swingline Loan shall be due and payable (i) on demand made by the Swingline Lender at any time upon one Business Day's prior notice to the Company furnished at or before 10:45 a.m. (Chicago time), and (ii) in any event on the Revolving Termination Date. Interest on Swingline Loans shall be for the sole account of the Swingline Lender (except to the extent that the other Lenders have funded the purchase of participations therein pursuant to subsection 2.5(e)).

(d) The Company may, from time to time on any Business Day, make a voluntary prepayment, in whole or in part, of the outstanding principal amount of any Swingline Loan, without incurring any premium or penalty; provided that

(i) each such voluntary prepayment shall require prior written notice given to the Administrative Agent and the Swingline Lender no later than 1:00 p.m. (Chicago time) on the day on which the Company intends to make a voluntary prepayment, and

(ii) each such voluntary prepayment shall be in an amount equal to $500,000 or a higher integral multiple of $100,000 (or, if less, the aggregate outstanding principal amount of all Swingline Loans then outstanding).

Voluntary prepayments of Swingline Loans shall be made by the Company to the Swingline Lender at such office as the Swingline Lender may designate by notice to the Company from time

to time. All such payments shall be made in Dollars and in immediately available funds no later than 4:00 p.m. (Chicago time) on the date specified by the Company pursuant to clause (i) above (and any payment received later than such time shall be deemed to have been received on the next Business Day). The Swingline Lender will promptly notify the Administrative Agent of the amount of each prepayment of Swingline Loans.

(e) If (i) any Swingline Loan shall remain outstanding at 11:00 a.m. (Chicago time) on the Business Day immediately prior to a Business Day on which Swingline Loans are due and payable pursuant to subsection 2.5(c) and by such time on such Business Day the Administrative Agent shall have received neither (A) a Notice of Borrowing delivered pursuant to Section 2.3 requesting that Revolving Loans be made pursuant to subsection 2.1(d) on such following Business Day in an amount at least equal to the aggregate principal amount of such Swingline Loans, nor (B) any other notice indicating the Company's intent to repay such Swingline Loans with funds obtained from other sources, or (ii) any Swingline Loans shall remain outstanding during the existence of an Unmatured Event of Default or Event of Default and the Swingline Lender shall in its sole discretion notify the Administrative Agent that the Swingline Lender desires that such Swingline Loans be converted into Revolving Loans, then the Administrative Agent shall be deemed to have received a Notice of Borrowing from the Company pursuant to Section 2.3 requesting that Base Rate Loans be made pursuant to subsection 2.1(d) on the following Business Day in an amount equal to the aggregate amount of such Swingline Loans, and the procedures set forth in subsections 2.3(b) and 2.3(c) shall be followed in making such Base Rate Loans; provided that such Base Rate Loans shall be made notwithstanding the Company's failure to comply with Section 5.2; and provided, further, that if a Borrowing of Revolving Loans becomes legally impractical and if so required by the Swingline Lender at the time such Revolving Loans are required to be made by the Revolving Lenders in accordance with this subsection 2.5(e), each Revolving Lender agrees that in lieu of making Revolving Loans as described in this subsection 2.5(e), such Revolving Lender shall purchase a participation from the Swingline Lender in the applicable Swingline Loans in an amount equal to such Revolving Lender's Revolving Percentage of such Swingline Loans, and the procedures set forth in subsections 2.3(b) and 2.3(c) shall be followed in connection with the purchases of such participations. The proceeds of such Base Rate Loans (or participations purchased) shall be delivered by the Administrative Agent to the Swingline Lender to repay such Swingline Loans (or as payment for such participations). A copy of each notice given by the Administrative Agent to the Revolving Lenders pursuant to this subsection 2.5(e) with respect to the making of Loans, or the purchases of participations, shall be promptly delivered by the Administrative Agent to the Company. Each Revolving Lender's obligation in accordance with this Agreement to make the Revolving Loans, or purchase the participations, as contemplated by this subsection 2.5(e), shall be absolute and unconditional and shall not be affected by any

circumstance, including (1) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the Swingline Lender, the Company or any other Person for any reason whatsoever; (2) the occurrence or continuance of an Unmatured Event of Default, an Event of Default or a Material Adverse Effect; or (3) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.6 Termination or Reduction of Revolving Commitments.

(a) The Company may, upon not less than three Business Days' prior written notice to the Administrative Agent, permanently reduce the Revolving Commitments to an amount which is not less than the sum of the Effective Amount of all Revolving Loans plus the Effective Amount of all Swingline Loans plus the Effective Amount of all L/C Obligations plus the amount of the Continuing Debt Reserve. Any such reduction shall be in an aggregate amount of $2,000,000 or a higher integral multiple of $1,000,000. The Company may at any time on like notice terminate the Revolving Commitments upon payment in full of all Revolving Loans and Swingline Loans and Cash Collateralization in full of all L/C Obligations.

(b) In addition, after (and to the extent not applied to) the payment in full of all Term Loans pursuant to subsection 2.8(a), upon the occurrence of any Mandatory Prepayment Event, the Revolving Commitments shall be reduced by the amount of all Designated Proceeds resulting from such Mandatory Prepayment Event, with each such reduction effective at the time required in subsection 2.8(a) for a prepayment of Term Loans resulting from such Mandatory Prepayment Event.

(c) Once reduced in accordance with this Section, the Revolving Commitments may not be increased. Any reduction of the Revolving Commitments shall be applied to the Revolving Commitment of each Revolving Lender according to its Revolving Percentage. All accrued commitment fees to, but not including, the effective date of any termination of the Revolving Commitments shall be paid on the effective date of such reduction or termination.

2.7 Optional Prepayments.

(a) Subject to Section 4.4, (i) the Company may, from time to time, upon irrevocable written notice to the Administrative Agent (which notice must be received by 11:00 a.m. (Chicago time) one Business Day prior to the requested day of prepayment in the case of Base Rate Loans and 11:00 a.m. (Chicago time) three Business Days prior to the date of prepayment in the case of Offshore Rate Loans), prepay any Borrowing of Revolving Loans in whole or in part, without premium or penalty, in an aggregate amount of $1,000,000 or a higher integral multiple of $100,000 and (ii) the Company may, from time to time, upon not less than three Business Days' irrevocable notice to the

Administrative Agent, prepay any Borrowing of Term Loans in whole or in part, without premium or penalty, in an aggregate amount of $3,000,000 or a higher integral multiple of $100,000.

(b) Each notice of prepayment shall specify the date and amount of such prepayment and the Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of any such notice and of such Lender's share of such prepayment based upon such Lender's Revolving Percentage, in the case of a prepayment of Revolving Loans, Term A Percentage, in the case of a prepayment of Term A Loans, Term B Percentage, in the case of a prepayment of Term B Loans, or Term C Percentage, in the case of a prepayment of Term C Loans. If any such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid and any amounts required pursuant to Section 4.4. Each prepayment of Revolving Loans shall be applied to each Revolving Lender's Revolving Loans according to such Revolving Lender's Revolving Percentage. Each prepayment of Term Loans shall be applied pro rata to the Term A Loans, Term B Loans and Term C Loans; provided, that if any Lender holding Term B Loans or Term C Loans so requests by notice to the Administrative Agent not later than two Business Days prior to the date of prepayment, the portion of any prepayment which would have been applied to such Lender's Term B Loans or Term C Loans shall be applied pro rata to the remaining installments of the Term A Loans of all Lenders; provided, further, that once the Term A Loans shall have been fully repaid, such remaining prepayment amounts, if any, shall be applied pro rata to the Term B Loans and Term C Loans. All such prepayments of the Term Loans shall be applied, at the Company's election (expressed in writing to the Administrative Agent no later than one Business Day prior to such prepayment), (x) against one or both of the next two unpaid principal installments of each of the Term A Loans, Term B Loans and Term C Loans (subject to the provisos to the immediately preceding sentence), (y) pro rata to the unpaid installments of each of the Term A Loans, Term B Loans and Term C Loans or (z) in such combination of the alternatives expressed in clauses (x) and (y) as the Company shall specify in writing to the Administrative Agent (it being understood that if the Company fails to give any notice as to application of such prepayment, such prepayment will be applied as set forth in clause (y)).

2.8 Mandatory Prepayments of Loans. (a) The Company (or, in the case of clause (iii), if the Administrative Agent is holding the proceeds of insurance or condemnation as additional Collateral pursuant to the terms of the Security Agreement or any Mortgage, the Administrative Agent upon the Company's instruction) shall make a prepayment of the Term Loans upon the occurrence of any of the following (each a "Mandatory Prepayment Event") at the following times and in the following amounts (such amounts being referred to as "Designated Proceeds"):

(i) Within 60 days after any sale, transfer or other disposition by the Company or any Subsidiary of any asset (other than assets described in clause (ii) below), other than sales of inventory and dispositions of obsolete, unused, surplus or unnecessary equipment (other than Excluded Assets), in each case in the ordinary course of business, to a Person other than the Company or a Subsidiary, in an amount equal to 100% of the Net Cash Proceeds of such sale, transfer or other disposition; provided, that the foregoing shall not apply (x) to sales, transfers or other dispositions of such assets the proceeds of which are used or committed to be used by the Company for the financing of the replacement of such assets being sold within 60 days of any such sale, (y) to the extent that the Net Cash Proceeds of all such sales, transfers or other dispositions in any fiscal year is less than $500,000 or (z) to any sale of Excluded Assets occurring on the Closing Date.

(ii) Within 30 days after any sale, transfer or other disposition (including by way of merger or consolidation) by the Company or any Subsidiary of any of the capital stock of any of the Company's operating Subsidiaries to a Person other than the Company or a Subsidiary, in an amount equal to 100% of the Net Cash Proceeds of such sale.

(iii) Within 90 days after the receipt of any insurance or condemnation proceeds (or other similar recoveries) by the Company or any Subsidiary or by the Administrative Agent (to the extent the Administrative Agent is holding the insurance or condemnation proceeds as additional Collateral pursuant to Section 6 of the Security Agreement or any provision of any Mortgage) from any casualty loss incurred by the Company or any Subsidiary or condemnation of property, in an amount equal to 100% of such insurance or condemnation proceeds (or other similar recoveries) net of any collection expenses; provided that no such prepayment shall be required (x) to the extent such proceeds are used by the Company, or will be so used within 90 days from the date of receipt of such proceeds for the financing of the replacement, substitution or restoration of the assets sustaining such casualty loss or condemnation or (y) to the extent that all such insurance or condemnation proceeds received in any fiscal year is less than $500,000.

(iv) Concurrently with the receipt of any Net Cash Proceeds from any issuance of equity securities of the Company (including a Public Offering, but excluding any issuance of shares of Common Stock pursuant to any employee or director stock option program, benefit plan or compensation program and excluding any such Net Cash

Proceeds used to redeem or repurchase the Bridge Notes or the Rollover Notes), in an amount equal to 50% of such Net Cash Proceeds.

(v) Concurrently with the receipt of any Net Cash Proceeds from the issuance of any Other Debt of the Company or any Subsidiary or any IRB Debt in an amount equal to 100% of such Net Cash Proceeds.

(vi) Within 90 days after the end of each fiscal year, in an amount equal to 75% of Excess Cash Flow for such fiscal year; provided that if the Leverage Ratio as of the end of such fiscal year is less than 3.0:1.0, then the amount of the required prepayment shall be 50% of Excess Cash Flow.

All prepayments of Term Loans pursuant to this subsection 2.8(a) shall be applied to the prepayment of the Term Loans pro rata among the Term A Loans, Term B Loans and Term C Loans, with application to the remaining installments of each (x) in inverse order of maturity, in the case of prepayments pursuant to clauses (i), (ii) and (iii) and (y) pro rata, in the case of prepayments pursuant to clauses (iv), (v) and (vi); provided that if any Lender holding Term B Loans or Term C Loans so requests, by notice to the Administrative Agent not later than two Business Days prior to the date upon which such prepayment is due, the portion of any prepayment which would have been applied to such Lender's Term B Loans or Term C Loans shall be applied pro rata to the remaining installments of the Term A Loans of all Lenders; provided, further, that once the Term A Loans shall have been fully prepaid, such remaining prepayment amounts, if any, shall be applied pro rata to the Term B Loans and Term C Loans.

(b) If on any date the Effective Amount of L/C Obligations exceeds the amount of the L/C Commitment, the Company shall Cash Collateralize on such date the outstanding Letters of Credit in an amount equal to the excess of the L/C Obligations over the amount of the L/C Commitment. Subject to Section 4.4, if on any date after giving effect to any Cash Collateralization made on such date pursuant to the immediately preceding sentence, the Effective Amount of the Revolving Loans plus the Effective Amount of all Swingline Loans plus the Effective Amount of all L/C Obligations plus the Continuing Debt Reserve exceeds the aggregate amount of the Revolving Commitments, the Company shall immediately prepay the outstanding principal amount of the Revolving Loans, Swingline Loans and/or L/C Advances in an amount equal to such excess.

2.9 Repayment. (a) The Term A Credit. The Company shall repay the Term A Loans in quarterly installments on the last day of each fiscal quarter, commencing on December 31, 1996, in the amount set forth opposite the period below in which such quarterly date occurs:

Period	Quarterly Amounts
Closing Date through 9/30/97	$1,000,000
10/1/97 through 9/30/98	$1,500,000
10/1/98 through 9/30/99	$2,000,000
10/1/99 through 9/30/00	$2,500,000
10/1/00 through 9/30/01	$3,000,000
10/1/01 through 9/30/02	$3,750,000.

(b) The Term B Credit. The Company shall repay the Term B Loans in quarterly installments on the last day of each fiscal quarter, commencing on December 31, 1996, in the amount set forth opposite the period below in which such quarterly date occurs:

Period	Quarterly Amounts
Closing Date through 9/30/02	$ 62,500
10/1/02 through 9/30/03	$5,875,000.

(c) The Term C Credit. The Company shall repay the Term C Loans in quarterly installments on the last day of each fiscal quarter, commencing on December 31, 1996, in the amount set forth opposite the period below in which such quarterly date occurs:

Period	Quarterly Amounts
Closing Date through 9/30/03	$ 62,500
10/1/03 through 9/30/04	$5,812,500.

(d) The Revolving Credit. The Company shall pay to the Administrative Agent, for the account of the Lenders, on the Revolving Termination Date the aggregate principal amount of all Revolving Loans outstanding on such date.

2.10 Interest. (a) Each Revolving Loan and Term Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Offshore Rate or the Base Rate, as the case may be (and subject to the Company's right to convert to the other Type of Loans under Section 2.4), plus the Applicable Offshore Rate Margin or Applicable Base Rate Margin, as the case may be. Each Swingline Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Base Rate plus the Applicable Base Rate Margin for Revolving Loans.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date therefor. Interest shall also be paid on the date of any prepayment of Offshore Rate Loans under Section 2.7 or 2.8 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof.

(c) Notwithstanding subsection (a) of this Section, during the existence of any Event of Default, the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Loans and, to the extent permitted by applicable law, on any other amount payable hereunder or under any other Loan Document, at a rate per annum equal to the rate otherwise applicable thereto pursuant to the terms hereof or such other Loan Document (or, if no such rate is specified, the Base Rate plus the Applicable Base Rate Margin then in effect for Revolving Loans) plus 2%. All such interest shall be payable on demand.

(d) Anything herein to the contrary notwithstanding, the obligations of the Company to any Lender hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder to the extent (but only to the extent) that contracting for or receiving such payment by such Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Lender, and in such event the Company shall pay such Lender interest at the highest rate permitted by applicable law.

2.11 Fees. In addition to certain fees described in Section 3.8:

(a) Arranger and Agency Fees. The Company shall pay fees to BA Securities, Inc. and DLJ for their own accounts and agency fees to the Administrative Agent for the Administrative Agent's own account, in each case as required by the letter agreement (the "Fee Letter") among the Company, the Arrangers, DLJ and the Administrative Agent dated August 26, 1996.

(b) Commitment Fees. The Company shall pay to the Administrative Agent for the account of each Revolving Lender a commitment fee calculated at the rate of 0.50% per annum on the average daily unused portion of such Revolving Lender's Revolving Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Administrative Agent. For purposes of calculating utilization under this subsection, the Revolving Commitments shall be deemed used to the extent of the Effective Amount of all Revolving Loans then outstanding (but Swingline Loans shall not constitute usage of any Revolving Lender's Revolving Commitment) plus the Effective Amount of all L/C Obligations then outstanding. Such commitment fee shall accrue from the Closing Date to the Revolving Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter, with the final payment to be made on the Revolving Termination Date. The commitment fees provided in this subsection shall accrue at all times after the Closing Date, including at any time during which one or more conditions in Article V are not met.

2.12 Computation of Fees and Interest. (a) All computations of interest for Base Rate Loans when the Base Rate is determined by BAI's "reference rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest and fees shall be made on the basis of a 360-day year and actual days elapsed. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Company and the Lenders in the absence of manifest error. The Administrative Agent will, at the request of the Company or any Lender, deliver to the Company or such Lender, as the case may be, a statement showing the quotations used by the Administrative Agent in determining any interest rate and the resulting interest rate.

2.13 Payments by the Company. (a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Administrative Agent for the account of the Lenders at the Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 1:00 p.m. (Chicago time) on the date specified herein. Except as expressly provided herein, the Administrative Agent will promptly distribute, in like funds as received, to each Lender its Revolving Percentage of any portion of such payment related to the Revolving Loans, its Term A Percentage of any portion of such payment relating to the Term A Loans, its Term B Percentage of any portion of such payment relating to the Term B Loans or its Term C Percentage of any portion of such payment relating to the Term C Loans. Any payment received by the Administrative Agent later than 1:00 p.m. (Chicago time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day (unless, in the case of an Offshore Rate Loan, such following Business Day is in another calendar month, in which case such payment shall be made on the preceding Business Day), and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Administrative Agent receives notice from the Company prior to the date on which any payment is due to the Lenders that the Company will not make such payment in full as and when required, the Administrative Agent may assume that the Company has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If

and to the extent the Company has not made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

2.14 Payments by the Lenders to the Administrative Agent. (a) Unless the Administrative Agent receives notice from a Lender on or prior to the Closing Date, or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Administrative Agent for the account of the Company the amount of such Lender's Revolving Percentage, Term A Percentage, Term B Percentage or Term C Percentage, as applicable, of such Borrowing, the Administrative Agent may assume that each Lender has made such amount available to the Administrative Agent in immediately available funds on the Borrowing Date and the Administrative Agent may (but shall not be required to), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Company such amount, such Lender shall on the Business Day following such Borrowing Date make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Lender with respect to amounts owing under this subsection (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Lender's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Company of such failure to fund and, upon demand by the Administrative Agent, the Company shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Lender to make any Loan on any Borrowing Date shall not relieve any other Lender of any obligation hereunder to make a Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on any Borrowing Date.

2.15 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in

excess of its ratable share of such payment (determined in accordance with the provisions of this Agreement), such Lender shall immediately (a) notify the Administrative Agent of such fact and (b) purchase from the other Lenders such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment pro rata with each other Lender; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Company agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 11.10) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments.

2.16 Limitation on Offshore Rate Option. Notwithstanding anything to the contrary herein, until the earlier to occur of (x) October 31, 1996 and (y) the Arrangers giving notice to the Company that they have completed syndication of the Loans and Commitments, the Company may not borrow Offshore Rate Loans or convert Base Rate Loans into Offshore Rate Loans.

ARTICLE III

THE LETTERS OF CREDIT

3.1 The Letter of Credit Subfacility. (a) On the terms and conditions set forth herein: (i) the Issuing Lender agrees, (A) from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date to issue Letters of Credit for the account of the Company, and to amend or renew Letters of Credit previously issued by it, in accordance with subsections 3.2(c) and 3.2(d), and (B) to honor properly drawn drafts under the Letters of Credit issued by it; and (ii) the Revolving Lenders severally agree to participate in Letters of Credit Issued for the account of the Company; provided that the Issuing Lender shall not be obligated to Issue, and no Revolving Lender shall be obligated to participate in, any Letter of Credit if as of the date of Issuance of such Letter of Credit (the "Issuance Date") (1) the sum of the Effective Amount of all L/C Obligations plus the Effective Amount of all Revolving Loans plus the Effective Amount of all Swingline Loans exceeds the

aggregate amount of all Revolving Commitments less the Continuing Debt Reserve, (2) the Effective Amount of all L/C Obligations exceeds the amount of the L/C Commitment or (3) the sum of the participation of any Revolving Lender in the Effective Amount of all L/C Obligations plus the outstanding principal amount of the Revolving Loans of such Revolving Lender shall exceed such Revolving Lender's Revolving Commitment; provided, however, that if a Standby Letter of Credit is to be issued to a lender who is committed to make advances on Continuing Debt or to whom Continuing Debt is owing, and any drawings under such Letter of Credit will permanently reduce Continuing Debt, such Letter of Credit may be Issued if such Letter of Credit could otherwise be Issued under clause (1) above without giving effect to the Continuing Debt Reserve. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company's ability to obtain Letters of Credit shall be fully revolving, and, accordingly, the Company may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) The Issuing Lender shall not be under any obligation to Issue any Letter of Credit if:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Lender from Issuing such Letter of Credit, or any Requirement of Law applicable to the Issuing Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the Issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the Issuing Lender in good faith deems material to it;

(ii) the Issuing Lender has received written notice from any Lender, the Administrative Agent or the Company, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in Article V is not then satisfied;

(iii) the expiry date of such Letter of Credit is after the Revolving Termination Date, or, in the case of a Commercial Letter of Credit, the expiry date of such Letter of Credit is less than 25 days prior to the Revolving Termination Date, unless all of the Lenders have approved such expiry date in writing;

(iv) such Letter of Credit does not provide for drafts, or is not otherwise in form and substance acceptable to the Issuing Lender, or the Issuance of such Letter of Credit shall violate any applicable policies of the Issuing Lender; or

(v) such Letter of Credit is denominated in a currency other than Dollars.

3.2 Issuance, Amendment and Renewal of Letters of Credit.

(a) Each Letter of Credit shall be issued upon the irrevocable written request of the Company received by the Issuing Lender and the Administrative Agent at least four Business Days (or such shorter time as the Issuing Lender and the Administrative Agent may agree in a particular instance in their sole discretion) prior to the proposed date of issuance. Each such request for issuance of a Letter of Credit shall be by facsimile, confirmed immediately in an original writing, in the form of an L/C Application, and shall specify in form and detail satisfactory to the Issuing Lender: (i) the face amount of the Letter of Credit; (ii) the expiry date of the Letter of Credit; (iii) the name and address of the beneficiary thereof; (iv) the documents to be presented by the beneficiary of the Letter of Credit in case of any drawing thereunder; (v) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; (vi) in the case of a Standby Letter of Credit, whether such Letter of Credit is a Financial Standby Letter of Credit or a Non-Financial Standby Letter of Credit; and (vii) such other matters as the Issuing Lender may require.

(b) At least two Business Days prior to the Issuance of any Letter of Credit, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of the L/C Application or L/C Amendment Application from the Company and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. If and only if the Administrative Agent notifies the Issuing Lender on or before the Business Day immediately preceding the proposed date of Issuance of a Letter of Credit that the Issuing Lender may Issue such Letter of Credit, then, subject to the terms and conditions hereof, the Issuing Lender shall, on the requested date, Issue such Letter of Credit for the account of the Company in accordance with the Issuing Lender's usual and customary business practices. The Administrative Agent shall not give such notice if the Administrative Agent has knowledge that (A) such Issuance is not then permitted under subsection 3.1(a) as a result of the limitations set forth in clause (1) or (2) thereof or (B) the Issuing Lender has received a notice described in subsection 3.1(b)(ii). The Administrative Agent will promptly notify the Lenders of any Letter of Credit Issuance hereunder.

(c) From time to time while a Letter of Credit is outstanding and prior to the Revolving Termination Date, the Issuing Lender will, upon the written request of the Company

received by the Issuing Lender (with a copy sent by the Company to the Administrative Agent) at least four Business Days (or such shorter time as the Issuing Lender and the Administrative Agent may agree in a particular instance in their sole discretion) prior to the proposed date of amendment, amend any Letter of Credit issued by it. Each such request for amendment of a Letter of Credit shall be made by facsimile, confirmed immediately in an original writing, made in the form of an L/C Amendment Application and shall specify in form and detail satisfactory to the Issuing Lender: (i) the Letter of Credit to be amended; (ii) the proposed date of amendment of such Letter of Credit (which shall be a Business Day); (iii) the nature of the proposed amendment; and (iv) such other matters as the Issuing Lender may require. The Issuing Lender shall not have any obligation to amend any Letter of Credit if: (A) the Issuing Lender would have no obligation at such time to Issue such Letter of Credit in its amended form under the terms of this Agreement; or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(d) The Issuing Lender and the Lenders agree that, while a Letter of Credit is outstanding and prior to the Revolving Termination Date, at the option of the Company and upon the written request of the Company received by the Issuing Lender (with a copy sent by the Company to the Administrative Agent) at least four Business Days (or such shorter time as the Issuing Lender and the Administrative Agent may agree in a particular instance in their sole discretion) prior to the proposed date of notification of renewal, the Issuing Lender shall be entitled, with the approval of the Administrative Agent, to authorize the automatic renewal of any Letter of Credit issued by it. Each such request for renewal of a Letter of Credit shall be made by facsimile, confirmed immediately in an original writing, in the form of an L/C Amendment Application, and shall specify in form and detail satisfactory to the Issuing Lender: (i) the Letter of Credit to be renewed; (ii) the proposed date of notification of renewal of such Letter of Credit (which shall be a Business Day); (iii) the revised expiry date of such Letter of Credit (which, unless all Lenders otherwise consent in writing, shall be prior to the Revolving Termination Date); and (iv) such other matters as the Issuing Lender may require. The Issuing Lender shall not be under any obligation to renew any Letter of Credit if: (A) the Issuing Lender would have no obligation at such time to issue or amend such Letter of Credit in its renewed form under the terms of this Agreement; or (B) the beneficiary of such Letter of Credit does not accept the proposed renewal of such Letter of Credit. If any outstanding Letter of Credit shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from the Issuing Lender that such Letter of Credit shall not be renewed, and if at the time of renewal the Issuing Lender would be entitled to authorize the automatic renewal of such Letter of Credit in accordance with this subsection 3.2(d) upon the request of the Company but the Issuing Lender shall not have received any L/C Amendment Application from the Company with respect to such renewal or other written

direction by the Company with respect thereto, the Issuing Lender shall nonetheless be permitted to allow such Letter of Credit to renew, subject to the approval of the Administrative Agent, and the Company and the Lenders hereby authorize such renewal, and, accordingly, the Issuing Lender shall be deemed to have received an L/C Amendment Application from the Company requesting such renewal.

(e) The Issuing Lender may, at its election (or as required by the Administrative Agent at the direction of the Required Lenders), deliver any notices of termination or other communications to any Letter of Credit beneficiary or transferee, and take any other action as necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than the Revolving Termination Date.

(f) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than any Letter of Credit).

(g) The Issuing Lender will deliver to the Administrative Agent, concurrently or promptly following its delivery of a Letter of Credit, or amendment to or renewal of a Letter of Credit, to an advising bank or a beneficiary, a true and complete copy of each such Letter of Credit or amendment to or renewal of a Letter of Credit.

3.3 Risk Participations, Drawings and Reimbursements.

(a) Immediately upon the Issuance of each Letter of Credit, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Lender a participation in such Letter of Credit and each drawing thereunder in an amount equal to the product of (i) such Revolving Lender's Revolving Percentage times (ii) the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

(b) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Issuing Lender will promptly notify the Company and the Administrative Agent. The Company shall reimburse the Issuing Lender prior to 10:30 a.m. (Chicago time), on each date that any amount is paid by the Issuing Lender under any Letter of Credit (each such date, an "Honor Date") in an amount equal to the amount so paid by the Issuing Lender; provided, to the extent that the Issuing Lender accepts a drawing under a Letter of Credit after 10:30 a.m. (Chicago time), the Company will not be obligated to reimburse the Issuing Lender until the next Business Day and the "Honor Date" for such Letter of Credit shall be such next Business Day. If the Company fails to reimburse the Issuing Lender for the full amount of any drawing under any Letter of Credit by 10:30 a.m. (Chicago time) on the Honor Date, the Issuing Lender will promptly notify the Administrative Agent and

the Administrative Agent will promptly notify each Revolving Lender thereof, and the Company shall be deemed to have requested that Base Rate Loans be made by the Revolving Lenders to be disbursed on the Honor Date under such Letter of Credit, subject to the amount of the unutilized portion of the Revolving Commitments and subject to the conditions set forth in Section 5.3 other than Section 5.3(a). Any notice given by the Issuing Lender or the Administrative Agent pursuant to this subsection 3.3(b) may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(c) Each Revolving Lender shall upon any notice pursuant to subsection 3.3(b) make available to the Administrative Agent for the account of the Issuing Lender an amount in Dollars and in immediately available funds equal to its Revolving Percentage of the amount of the drawing, whereupon the participating Revolving Lenders shall (subject to subsection 3.3(d)) each be deemed to have made a Revolving Loan consisting of a Base Rate Loan to the Company in such amount. If any Revolving Lender so notified fails to make available to the Administrative Agent for the account of the Issuing Lender the amount of such Revolving Lender's Revolving Percentage of the amount of such drawing by no later than 1:00 p.m. (Chicago time) on the Honor Date, then interest shall accrue on such Revolving Lender's obligation to make such payment, from the Honor Date to the date such Revolving Lender makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Administrative Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Administrative Agent to give any such notice on the Honor Date or in sufficient time to enable any Revolving Lender to effect such payment on such date shall not relieve such Revolving Lender from its obligations under this Section 3.3.

(d) With respect to any unreimbursed drawing that is not converted into Revolving Loans consisting of Base Rate Loans in whole or in part, because of the Company's failure to satisfy the conditions set forth in Section 5.3 (other than Section 5.3(a), which need not be satisfied) or for any other reason, the Company shall be deemed to have incurred from the Issuing Lender an L/C Borrowing in the amount of such drawing, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Base Rate Margin then in effect for Revolving Loans plus 2% per annum, and each Revolving Lender's payment to the Issuing Lender pursuant to subsection 3.3(c) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Revolving Lender in satisfaction of its participation obligation under this Section 3.3.

(e) Each Revolving Lender's obligation in accordance with this Agreement to make Revolving Loans or L/C Advances, as

contemplated by this Section 3.3, as a result of a drawing under a Letter of Credit, shall be absolute and unconditional and without recourse to the Issuing Lender and shall not be affected by any circumstance, including (i) any set-off, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the Issuing Lender, the Company or any other Person for any reason whatsoever, (ii) the occurrence or continuance of an Event of Default, an Unmatured Event of Default or a Material Adverse Effect or (iii) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that each Revolving Lender's obligation to make Revolving Loans under this Section 3.3 is subject to the conditions set forth in Section 5.3.

3.4 Repayment of Participations. (a) Upon (and only upon) receipt by the Administrative Agent for the account of the Issuing Lender of immediately available funds from the Company (i) in reimbursement of any payment made by the Issuing Lender under a Letter of Credit with respect to which any Revolving Lender has paid the Administrative Agent for the account of the Issuing Lender for such Revolving Lender's participation in such Letter of Credit pursuant to Section 3.3 or (ii) in payment of interest thereon, the Administrative Agent will pay to each Revolving Lender, in like funds as those received by the Administrative Agent for the account of the Issuing Lender, the amount of such Revolving Lender's Revolving Percentage of such funds, and the Issuing Lender shall receive the amount of the Revolving Percentage of such funds of any Revolving Lender that did not so pay the Administrative Agent for the account of the Issuing Lender.

(b) If the Administrative Agent or the Issuing Lender is required at any time to return to the Company, or to a trustee, receiver, liquidator or custodian, or to any official in any Insolvency Proceeding, any portion of any payment made by the Company to the Administrative Agent for the account of the Issuing Lender pursuant to subsection 3.4(a) in reimbursement of a payment made under a Letter of Credit or interest or fee thereon, each Revolving Lender shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent or the Issuing Lender the amount of its Revolving Percentage of any amount so returned by the Administrative Agent or the Issuing Lender plus interest thereon from the date such demand is made to the date such amount is returned by such Revolving Lender to the Administrative Agent or the Issuing Lender, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

3.5 Role of the Issuing Lender. (a) Each Lender and the Company agree that, in paying any drawing under a Letter of Credit, the Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft and certificate expressly required by such Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or

the authority of the Person executing or delivering any such document.

(b) No Agent-Related Person, Issuing Lender nor any of their respective correspondents, participants or assignees shall be liable to any Lender for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders (including the Required Lenders, as applicable); (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided that this assumption is not intended to, and shall not, preclude the Company's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under this Agreement or any other agreement. No Agent-Related Person, Issuing Lender nor any of their respective correspondents, participants or assignees shall be liable or responsible for any of the matters described in clauses (i) through (vii) of Section 3.6; provided that, anything in such clauses to the contrary notwithstanding, the Company may have a claim against the Issuing Lender, and the Issuing Lender may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by the Issuing Lender's willful misconduct or gross negligence or the Issuing Lender's willful or grossly negligent failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing: (i) the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) the Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.6 Obligations Absolute. The obligations of the Company under this Agreement and any L/C-Related Document to reimburse the Issuing Lender for a drawing under a Letter of Credit, and to repay any L/C Borrowing and any drawing under a Letter of Credit converted into Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Company in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

(iii) the existence of any claim, set-off, defense or other right that the Company may have at any time against any beneficiary or any transferee of any Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by the L/C-Related Documents or any unrelated transaction;

(iv) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit;

(v) any payment by the Issuing Lender under any Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Issuing Lender under any Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of any Letter of Credit, including any arising in connection with any Insolvency Proceeding;

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the obligations of the Company in respect of any Letter of Credit; or

(vii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company or a guarantor.

3.7 Cash Collateral Pledge. If any Letter of Credit remains outstanding and partially or wholly undrawn as of the Revolving Termination Date, then the Company shall immediately Cash Collateralize the L/C Obligations in an amount equal to the maximum amount then available to be drawn under all Letters of Credit.

3.8 Letter of Credit Fees. (a) The Company shall pay to the Administrative Agent for the account of each Revolving Lender

a letter of credit fee with respect to each Letter of Credit equal to the L/C Fee Rate per annum of the average daily maximum amount available to be drawn on such Letter of Credit, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter. Such letter of credit fee shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Closing Date, through the Revolving Termination Date (or such later date upon which all outstanding Letters of Credit shall expire or be fully drawn), with the final payment to be made on the Revolving Termination Date (or such later date).

(b) The Company shall pay to the Issuing Lender a letter of credit fronting fee for each Letter of Credit Issued equal to 0.25% per annum of the average daily maximum amount available to be drawn on such Letter of Credit, computed on the last Business Day of each calendar quarter and on the Revolving Termination Date (or such later date on which such Letter of Credit shall expire or be fully drawn).

(c) The letter of credit fees payable under subsection 3.8(a) and the fronting fees payable under subsection 3.8(b) shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Closing Date, through the Revolving Termination Date (or such later date upon which all outstanding Letters of Credit shall expire or be fully drawn), with the final payment to be made on the Revolving Termination Date (or such later date). For purposes of calculating the fees payable under subsection 3.8(a) and subsection 3.8(b), any undrawn Commercial Letters of Credit should be considered outstanding and available to be drawn upon for 25 days after their expiry date.

(d) The Company shall pay to the Issuing Lender from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Issuing Lender relating to letters of credit as from time to time in effect.

3.9 Uniform Customs and Practice. The Uniform Customs and Practice for Documentary Credits as published by the International Chamber of Commerce most recently at the time of issuance of any Letter of Credit shall (unless otherwise expressly provided in such Letter of Credit) apply to each Letter of Credit.

3.10 Non-Dollar Letters of Credit. The Company, the Administrative Agent, the Issuing Lender and the Lenders (i) agree that the Issuing Lender may (in its sole discretion) issue Letters of Credit ("Non-Dollar Letters of Credit") in currencies other than Dollars and (ii) further agree as follows with respect to such Non-Dollar Letters of Credit:

(a) The Company agrees that its reimbursement obligation under subsection 3.3(b) and any resulting L/C Borrowing, in each case in respect of a drawing under any Non-Dollar Letter of Credit, (a) shall be payable in Dollars at the Dollar Equivalent of such obligation in the currency in which such Non-Dollar Letter of Credit was issued (determined on the date of payment) and (b) shall bear interest at a rate per annum equal to the sum of the Overnight Rate plus the Applicable Offshore Rate Margin for Revolving Loans plus 3% for each day from and including the Honor Date to but excluding the date such obligation is paid in full (it being understood that any payment received after 10:30 a.m., Chicago time, on any day shall be deemed received on the following Business Day).

(b) Each Lender agrees that its obligation to make Revolving Loans under subsection 3.3(b) and to make L/C Advances for any unpaid reimbursement obligation or L/C Borrowing in respect of a drawing under any Non-Dollar Letter of Credit shall be payable in Dollars at the Dollar Equivalent of such obligation in the currency in which such Non-Dollar Letter of Credit was issued (calculated on the date of payment) (and any such amount which is not paid when due shall bear interest at a rate per annum equal to the Overnight Rate plus, beginning on the third Business Day after such amount was due, the Applicable Offshore Rate Margin for Revolving Loans).

(c) For purposes of determining whether there is availability for the Company to request, continue or convert any Loan, or request, extend or increase the face amount of any Letter of Credit, the Dollar Equivalent of the Effective Amount of each Non-Dollar Letter of Credit shall be calculated on the date such Loan is to be made, continued or converted or such Letter of Credit is to be issued, extended or increased.

(d) For purposes of determining (i) the amount of the unused portion of the Revolving Commitments under subsection 2.11(b), (ii) the letter of credit fee under subsection 3.8(a) and (iii) the letter of credit fronting fee under subsection 3.8(b), the Dollar Equivalent of the Effective Amount of any Non-Dollar Letter of Credit shall be determined on each of (1) the date of an issuance, extension or change in the face amount of such Non-Dollar Letter of Credit, (2) the date of any payment by the Issuing Lender in respect of a drawing under such Non-Dollar Letter of Credit, (3) the last day of each calendar month and (4) each day on which the aggregate amount of the Revolving Commitments and/or L/C Commitment is reduced.

(e) If, on the last day of any calendar month or any day on which the aggregate amount of the Revolving Commitments and/or L/C Commitment is reduced, the sum of the Effective Amount of all Revolving Loans plus the Effective

Amount of all Letters of Credit plus the Effective Amount of all Swingline Loans (valuing the Effective Amount of, and all reimbursement obligations and L/C Borrowings of the Company in respect of, any Non-Dollar Letter of Credit at the Dollar Equivalent thereof as of such day) would exceed the aggregate amount of the Revolving Commitments, then the Company will immediately eliminate such excess by prepaying Revolving Loans and/or Swingline Loans and/or causing one or more Letters of Credit to be reduced or terminated.

(f) If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due in respect of any Non-Dollar Letter of Credit in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Issuing Lender could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of the Company in respect of any such sum due from it to the Administrative Agent, the Issuing Lender or any Lender hereunder shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of the applicable Non-Dollar Letter of Credit (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by the Issuing Lender of any sum adjudged to be so due in the Judgment Currency, the Issuing Lender may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the sum originally due to the Issuing Lender in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent, the Issuing Lender or the Lender to whom such obligation was owing against such loss. If the amount of the Agreement Currency so purchased is greater than the sum originally due to the Issuing Lender in such currency, the Issuing Lender agrees to return the amount of any excess to the Company (or to any other Person who may be entitled thereto under applicable law).

(g) For purposes of this Section, "Overnight Rate" means, for any day, the rate of interest per annum at which overnight deposits in the applicable currency, in an amount approximately equal to the amount with respect to which such rate is being determined, would be offered for such day by the London Branch of BofA to major banks in the London or other applicable offshore interbank market. The Overnight Rate for any day which is not a Business Day (or on which dealings are not carried on in the applicable offshore interbank market) shall be the Overnight Rate for the immediately preceding Business Day.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

4.1 Taxes. (a) Any and all payments by the Company to each Lender or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Taxes. In addition, the Company shall pay all Other Taxes.

(b) The Company agrees to indemnify and hold harmless each Lender and the Administrative Agent for the full amount of Taxes, Other Taxes and Further Taxes paid by such Lender in the amount necessary to preserve the after-tax yield such Lender would have received if such Taxes, Other Taxes or Further Taxes had not been imposed, and any liability (including penalties, interest, additions to tax and reasonable out-of-pocket expenses) arising therefrom or with respect thereto, whether or not such Taxes, Other Taxes or Further Taxes were correctly or legally asserted; provided, however, that no participant of any Lender shall be entitled to receive any greater payment under this subsection 4.1(b) than such Lender would have been entitled to receive with respect to the rights participated; and provided further that the Company shall not indemnify any Lender (or participant thereof) or the Administrative Agent for Taxes, Other Taxes, Further Taxes, penalties, additions to tax, interest and expenses arising as a result of any of their own willful misconduct or gross negligence. Payment under this subsection 4.1(b) shall be made within 30 days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor, including with such demand an identification of the Taxes, Other Taxes or Further Taxes (together with the amounts thereof) with respect to which such demand for indemnification is being made.

(c) If the Company shall be required by law to deduct or withhold any Taxes, Other Taxes or Further Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that, after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section), such Lender or the Administrative Agent, as the case may be, receives and retains an amount equal to the sum it would have received and retained had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings; and

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law.

(d) Within 10 days after the date the Company receives any receipt for the payment of Taxes, Other Taxes or Further Taxes, the Company shall furnish to each Lender and the Administrative Agent the original or a certified copy of such receipt evidencing payment thereof, or other evidence of payment satisfactory to such Lender or the Administrative Agent.

(e) If the Company is required to pay additional amounts to any Lender or the Administrative Agent pursuant to subsection (b) of this Section or Section 4.3, then such Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to reduce or eliminate any such additional payment by the Company which may thereafter accrue, if such change in the sole judgment of such Lender is not otherwise disadvantageous to such Lender.

(f) If a Lender (or participant thereof) or the Administrative Agent shall become aware that it is entitled to receive a refund (including interest and penalties, if any) in respect of Taxes, Other Taxes or Further Taxes as to which it has been indemnified by the Company pursuant to this Section 4.1, it shall promptly notify the Company in writing of the availability of such refund (including interest and penalties, if any) and shall, within 30 days after receipt of a request by the Company, apply for such refund. If any Lender (or participant thereof) or the Administrative Agent receives a refund (including interest and penalties, if any) in respect of any Taxes, Other Taxes or Further Taxes as to which it has been indemnified by the Company pursuant to this Section 4.1, it shall promptly notify the Company of the receipt of such refund and shall, within 15 days of receipt, repay such refund (to the extent of amounts that have been paid by the Company under this Section 4.1 with respect to such refund and not previously reimbursed) to the Company, net of all reasonable out-of-pocket expenses of such Lender or the Administrative Agent and without any interest (other than the interest, if any, included in such refund).

4.2 Illegality. (a) After the date hereof, if any Lender determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by the Lender to the Company through the Administrative Agent, any obligation of such Lender to make Offshore Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) After the date hereof, if a Lender determines that it is unlawful to maintain any Offshore Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Administrative Agent), prepay in

full such Offshore Rate Loan, together with interest accrued thereon and any amount required under Section 4.4, either on the last day of the Interest Period thereof, if such Lender may lawfully continue to maintain such Offshore Rate Loan to such day, or on such earlier date on which such Lender may no longer lawfully continue to maintain such Offshore Rate Loan (as determined by such Lender). If the Company is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Company shall borrow from the affected Lender, in the amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Lender to make or maintain Offshore Rate Loans has been terminated or suspended pursuant to subsection (a) or (b) above, all Loans which would otherwise be made by such Lender as Offshore Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Administrative Agent or demand upon the Company under this Section, the affected Lender shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of such Lender, be illegal or otherwise disadvantageous to such Lender.

4.3 Increased Costs and Reduction of Return. (a) After the date hereof, if any Lender determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate) in or in the interpretation of any law or regulation or (ii) compliance by such Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Offshore Rate Loan or participating in Letters of Credit or, in the case of the Issuing Lender, any increase in the cost to the Issuing Lender of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs.

(b) After the date hereof, if any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by such Lender (or its Lending Office) or any corporation controlling such Lender with any Capital Adequacy Regulation, affects or would affect the

amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased as a consequence of any of its Commitments, Loans, credits or obligations under this Agreement, then, upon demand of such Lender to the Company through the Administrative Agent, the Company shall pay to such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender for such increase.

(c) This Section 4.3 shall not require the Company to reimburse the Administrative Agent or any Lender for any Taxes which are otherwise covered by the indemnity set forth in Section 4.1 or any Excluded Taxes.

4.4 Funding Losses. The Company shall reimburse each Lender and hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of:

(a) the failure of the Company to make on a timely basis any payment of principal of any Offshore Rate Loan;

(b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation;

(c) the failure of the Company to make any prepayment in accordance with any notice delivered under Section 2.7;

(d) the prepayment (including pursuant to Section 2.8) or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under subsection 2.4(a) of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Lenders under this Section and under subsection 4.3(a), each Offshore Rate Loan made by a Lender (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the IBOR used in determining the Offshore Rate for such Offshore Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Loan is in fact so funded.

4.5 Inability to Determine Rates. If the Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or the Required Lenders determine (and notify the Administrative Agent) that the Offshore Rate applicable pursuant to subsection 2.10(a) for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Offshore Rate Loans hereunder shall be suspended until the Administrative Agent, with the consent of the Required Lenders, revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Offshore Rate Loans.

4.6 Certificates of Lenders. Any Lender claiming reimbursement or compensation under this Article IV shall deliver to the Company (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the basis for such claim and a calculation of the amount payable to such Lender and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

4.7 Substitution of Lenders. In the event the Company becomes obligated to pay additional amounts to any Lender pursuant to Sections 4.1(b) or (c) or Section 4.3, or if it becomes illegal for any Lender to continue to fund or to make Offshore Rate Loans pursuant to Section 4.2, as a result of any condition described in any such Section, then, unless such Lender has theretofore taken steps to remove or cure, and has removed or cured, the conditions creating the cause for such obligation to pay such additional amounts or for such illegality, the Company may designate another Lender which is acceptable to the Administrative Agent, the Issuing Lender and the Swingline Lender in their sole discretion (such Lender being herein called a "Replacement Lender") to purchase the Loans of such Lender and such Lender's rights hereunder, without recourse to or warranty by, or expense to, such Lender for a purchase price equal to the outstanding principal amount of the Loans payable to such Lender plus any accrued but unpaid interest on such Loans and accrued but unpaid commitment fees in respect of such Lender's Commitments and any other amounts payable to such Lender under this Agreement, and to assume all the obligations of such Lender hereunder, and, upon such purchase, such Lender shall no longer be a party hereto or have any rights hereunder and shall be relieved from all obligations to the Company hereunder, and the Replacement Lender shall succeed to the rights and obligations of such Lender hereunder.

4.8 Survival. The agreements and obligations of the Company in this Article IV shall survive the payment of all other Obligations.

ARTICLE V

CONDITIONS PRECEDENT

5.1 Conditions of Initial Credit Extensions. The obligation of each Lender to make its initial Credit Extension is subject to the conditions (in addition to the conditions set forth in Sections 5.2 and 5.3) that (i) the Company shall have submitted evidence reasonably satisfactory to the Agents that all Debt to be Repaid has been (or concurrently with the initial Borrowing will be) paid in full, that all agreements and instruments governing the Debt to be Repaid (including the Second Amended and Restated Credit Agreement, dated April 2, 1996, among the Company, NationsBank of North Carolina, N.A., as co-agent, and The First National Bank of Chicago, as agent, and other parties thereto (the "Prior Credit Agreement")) and that all Liens securing such Debt to be Repaid have been (or concurrently with the initial Borrowing will be) terminated and (ii) the Administrative Agent shall have received on or before September 30, 1996 all of the following, in form and substance satisfactory to each Agent and each Lender, and (except for the Notes) in sufficient copies for the Administrative Agent and each Lender:

(a) Credit Agreement and Notes. This Agreement and the Notes (if any) executed by each party thereto.

(b) Resolutions and Incumbency.

(i) Copies of resolutions of the board of directors of the Company and each Guarantor authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary or an Assistant Secretary of such Person; and

(ii) A certificate of the Secretary or an Assistant Secretary of the Company and each Guarantor certifying the names and true signatures of the officers of such Person authorized to execute, deliver and perform this Agreement and all other Loan Documents to be delivered by it hereunder.

(c) Organization Documents; Good Standing. Each of the following documents:

(i) for the Company and each Guarantor, the articles or certificate of incorporation and the bylaws of each such Person, as the case may be, as in effect on the Closing Date, certified by the Secretary or Treasurer of such Person, as of the Closing Date; and

(ii) a good standing certificate for the Company and each Guarantor from the Secretary of State (or similar applicable Governmental Authority) of the jurisdiction of its organization.

(d) Legal Opinions.

(i) An opinion of Skadden, Arps, Slate, Meagher & Flom, counsel to the Company and ROV Holding, substantially in the form of Exhibit J, and

(ii) Opinions of local counsel to the Company and/or ROV Holding in Wisconsin, North Carolina and the United Kingdom, substantially in the forms of Exhibits K-1 through K-4 hereto.

(e) Payment of Fees. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of the Agents and the Arrangers to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Agents' reasonable estimate of Attorney Costs incurred or to be incurred by them or the Arrangers through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and the Agents), including any such costs, fees and expenses arising under or referenced in Section 2.11 or 11.4.

(f) Certificate. A certificate signed by a Responsible Officer, dated as of the Closing Date, stating that:

(i) the representations and warranties contained in Article VI are true and correct on and as of such date, as though made on and as of such date;

(ii) no Event of Default or Unmatured Event of Default exists or will result from the initial Credit Extension; and

(iii) no event or circumstance has occurred since June 30, 1996 that has resulted, or would reasonably be expected to result, in a Material Adverse Effect.

(g) Security Agreement, etc. A security agreement, substantially in the form of Exhibit E (the "Security Agreement"), executed by the Company and each Subsidiary (other than a Foreign Subsidiary), together with: (1) evidence, satisfactory to the Agents, that all filings and recordings necessary to perfect the Lien granted to the Administrative Agent (for the benefit of itself and the Lenders) on any collateral granted under the Security Agreement have been duly made (or will be duly made contemporaneously with the initial Credit Extension on the Closing Date) and are in full force and effect; (2) a trademark security agreement, substantially in the form attached

to the Security Agreement (each, a "Trademark Security Agreement"), issued by the Company and (3) a patent security agreement, substantially in the form attached to the Security Agreement (each, a "Patent Security Agreement"), issued by the Company.

(h) Guaranty. The Guaranty executed by each Subsidiary (other than a Foreign Subsidiary).

(i) Pledge Agreements. A pledge agreement, substantially in the form of Exhibit G, issued by the Company (the "Company Pledge Agreement") with respect to its pledge of 65% of the stock of ROV Holding and all intercompany Indebtedness owing to the Company; and a Deed of Charge and Memorandum of Deposit substantially in the form of Exhibit H (the "U.K. Charge"), issued by ROV Holding with respect to its pledge of 65% of the stock of its Subsidiary Rayovac (U.K.) Limited, a corporation organized under the laws of England ("Rayovac, U.K."), and all intercompany Indebtedness owing to ROV Holding; in each case together with the stock certificates (if any) to be pledged thereunder and undated stock powers, or other instruments of transfer in form and substance satisfactory to the Agents, duly executed in blank and all intercompany notes (if any) to be pledged thereunder, duly endorsed to the order of the Administrative Agent.

(j) Real Property. With respect to each parcel of real property owned or leased by the Company or any Subsidiary and listed on Schedule 5.1(j), a duly executed Mortgage providing for a fully perfected Lien, in favor of the Administrative Agent for the benefit of the Agents and the Lenders, in all right, title and interest of the Company and each Subsidiary to the real property subject to such Mortgage, superior in right to any Lien (other than Permitted Liens), existing or future, which the Company or any Subsidiary or any creditors thereof or purchasers therefrom, or any other Person, may have against such real property, together with:

(i) an ALTA (or other form acceptable to the Administrative Agent and the Required Lenders) mortgagee policy of title insurance or a binder issued by a title insurance company satisfactory to the Administrative Agent and the Required Lenders insuring (or undertaking to insure, in the case of a binder) that the Mortgage creates and constitutes a valid first mortgage Lien against such real property in favor of the Administrative Agent, subject only to exceptions acceptable to the Administrative Agent and the Required Lenders, with such endorsements and affirmative insurance as the Administrative Agent or the Required Lenders may reasonably request;

(ii) copies of all documents of record concerning such parcel as shown on the commitment for the ALTA Loan Title Insurance Policy referred to above; and

(iii) original or certified copies of all insurance policies required to be maintained with respect to such real property by this Agreement, any Mortgage or any other Loan Document.

(k) Recapitalization Agreement and Other Documents. A copy, certified as true and correct by the Secretary or the Treasurer of the Company, of each of (a) the Recapitalization Agreement (including all exhibits and schedules thereto), (b) the Bridge Note Agreement, (c) the Rollover Indenture, (d) the Escrow Agreement, (e) the Management Agreement, (f) the Pyle Agreements, (g) the Employment Agreement and (h) the Jones Note.

(l) Solvency Certificate. A Solvency Certificate, substantially in the form of Exhibit I, executed by the chief financial officer of the Company.

(m) Other Documents. Such other approvals, opinions, documents or materials as any Agent or any Lender may reasonably request.

5.2 Other Conditions to Initial Loan or Letter of Credit. The obligation of each Lender to make its initial Credit Extension is, in addition to the conditions precedent specified in Sections 5.1 and 5.3, subject to the following conditions precedent or (in the case of subsection 5.2(b)) concurrent:

(a) Bridge Notes. The Company shall have issued the Bridge Notes on terms and conditions satisfactory to the Agents for gross proceeds of not less than $100,000,000.

(b) Recapitalization Transaction. The Agents shall have received evidence, reasonably satisfactory to the Agents, that the Recapitalization Transaction has been completed on terms and conditions satisfactory to the Agents.

5.3 Conditions to All Credit Extensions. The obligation of each Lender to make any Loan to be made by it and the obligation of the Issuing Lender to Issue any Letter of Credit is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date or Issuance Date:

(a) Notice, Application. In the case of any Loan, the Administrative Agent shall have received a Notice of Borrowing and, in the case of any Issuance of any Letter of Credit, the Issuing Lender and the Administrative Agent shall have received an L/C Application or L/C Amendment Application, as required under Section 3.2.

(b) Continuation of Representations and Warranties. The representations and warranties in Article VI shall be true and correct in all material respects on and as of such Borrowing Date or Issuance Date with the same effect as if made on and as of such Borrowing Date or Issuance Date (except to the extent such representations and warranties expressly refer to an earlier

date, in which case they shall be true and correct as of such earlier date).

(c) No Existing Default. No Event of Default or Unmatured Event of Default shall exist or shall result from such Borrowing or Issuance.

Each Notice of Borrowing and L/C Application or L/C Amendment Application submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of such notice and as of the applicable Borrowing Date or Issuance Date, that the conditions in this Section 5.3 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to each Agent and each Lender that:

6.1 Corporate Existence and Power. The Company and each of its Subsidiaries (other than any Dormant Subsidiary):

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals (i) to own its assets and to carry on its business and (ii) to execute, deliver and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(d) is in compliance with all Requirements of Law;

except, in each case referred to in clause (b)(i), (c) or (d), to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.2 Corporate Authorization; No Contravention. The execution and delivery by the Company of this Agreement and each other Loan Document to which it is a party, the Borrowings hereunder, the execution and delivery by each Guarantor of each Loan Document to which it is a party and the performance by each of the Company and each Guarantor of its obligations under each Loan Document to which it is a party (i) are within the corporate powers of the Company and each Guarantor, as applicable, (ii) have been duly authorized by all necessary corporate action on

the part of the Company and each Guarantor (including any necessary shareholder action) and (iii) do not and will not:

(a) contravene the terms of any of the Organization Documents of the Company or any Guarantor;

(b) conflict with or result in a breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Company or any Guarantor is a party or any order, injunction, writ or decree of any Governmental Authority to which the Company, any Guarantor or any of their properties are subject; or

(c) violate any Requirement of Law.

6.3 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, (i) the Company of this Agreement or any other Loan Document to which it is a party or (ii) any Guarantor with respect to each Loan Document to which it is a party, except, in each case, for filings required to perfect Liens in favor of the Administrative Agent granted under the Loan Documents.

6.4 Binding Effect. This Agreement and each other Loan Document to which the Company is a party constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability; and with respect to each Guarantor, each Loan Document to which such Guarantor is a party constitutes the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to enforceability.

6.5 Litigation. Except as specifically disclosed in Schedule 6.5, there are no actions, suits, proceedings, claims or disputes pending or, to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company or any Subsidiary or any of their respective properties which: (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or (b) would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or other order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other

Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

6.6 No Default. No Event of Default or Unmatured Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Closing Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date, create an Event of Default under subsection 9.1(e).

6.7 ERISA Compliance.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and, to the best knowledge of the Company, nothing has occurred which would cause the loss of such qualification. The Company and each ERISA Affiliate has made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or actions by any Governmental Authority, with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur that would reasonably be expected to have a Material Adverse Effect; (ii) no contribution failure has occurred with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability to the PBGC under Title IV of ERISA with respect to any Pension Plan; (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to any Multiemployer Plan that would reasonably be expected to have a Material Adverse Effect; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

6.8 Use of Proceeds; Margin Regulations. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by Sections 7.13 and 8.7. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

6.9 Title to Properties. Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or a valid leasehold interest in, all real property necessary or used in the ordinary conduct of its businesses, except for such defects in title as would not, individually or in the aggregate, have a Material Adverse Effect. Each of the Company and each Subsidiary has good title to all their other respective material properties and assets (except for those assets disposed of not in violation of this Agreement and the other Loan Documents). As of the Closing Date, the property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.10 Taxes. The Company and its Subsidiaries have filed all Federal and State income tax returns and all other material tax returns and reports required to be filed, and have paid all Federal and State income taxes and all other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no written, and, to the best of the Company's knowledge, there is no oral, proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

6.11 Financial Condition. (a) The audited consolidated financial statements of the Company dated June 30, 1994, June 30, 1995 and June 30, 1996, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal periods ended on such dates:

(i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein;

(ii) present fairly the financial condition of the Company and its Subsidiaries as of the dates thereof and results of operations for the periods covered thereby; and

(iii) except as specifically disclosed in Schedule 6.11, show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) The Company has furnished to each Agent and each Lender an estimated pro forma balance sheet of the Company and its Subsidiaries as of September 30, 1996 (giving effect to the

Recapitalization Transaction, the refinancing of the Debt to be Repaid, the incurrence of the Obligations and the Bridge Notes and the consummation of all other transactions contemplated to occur on such date), prepared by Coopers & Lybrand L.L.P. and certified as true and correct in all material respects by the Chief Financial Officer of the Company.

(c) The Company has furnished to each Agent and each Lender financial projections dated the Closing Date and covering the period from September 30, 1996 to September 30, 2004. Such projections were prepared by the Company and its Subsidiaries in good faith on the basis of information and assumptions that the Company and its senior management believed to be reasonable as of the date of such projections and such assumptions are reasonable as of the Closing Date (it being understood that projections are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and that no assurance can be given that the projections will be realized).

(d) Since June 30, 1996 there has been no Material Adverse Effect.

6.12 Regulated Entities. None of the Company or any Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940. None of the Company or any Subsidiary is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

6.13 No Burdensome Restrictions. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation or subject to any restriction in any Organization Document or any Requirement of Law which would reasonably be expected to have a Material Adverse Effect.

6.14 Copyrights, Patents, Trademarks and Licenses, etc. The Company and its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights and other similar rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any valid rights held by any other Person. Except as specifically disclosed in Schedule 6.5, no claim or litigation regarding any of the foregoing is pending or threatened against the Company or any Subsidiary, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code, relating in each case to intellectual property, is, to the knowledge of the Company, pending or proposed, which, in either

case, would reasonably be expected to have a Material Adverse Effect.

6.15 Subsidiaries. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 6.15 hereto and has no equity investments in any other corporation or entity other than those specifically disclosed in part (b) of Schedule 6.15. As of the Closing Date, neither of Minera Vindaluz or Zoe-Phos International has assets with a fair market value in excess of $100,000 or conducts any business. As of the Closing Date, none of the Company or any of its Subsidiaries provides any credit support to, or is liable in any manner for any liabilities of, Minera Vindaluz or Zoe-Phos International.

6.16 Insurance. Except as specifically disclosed in Schedule 6.16, the properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company (other than Wrenford Insurance Company Limited), in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or such Subsidiary operates.

6.17 Solvency, etc. On the Closing Date (or, in the case of any Person that becomes a Guarantor after the Closing Date, on the date such Person becomes a Guarantor), and immediately prior to and after giving effect to the Issuance of each Letter of Credit and each Borrowing hereunder and the use of the proceeds thereof, (a) each of the Company and each Guarantor will not have an unreasonably small capital (meaning that for the period from the date of determination through September 30, 2004, each of the Company and each Guarantor, after consummation of the transactions contemplated by this Agreement, is a going concern and has sufficient capital to ensure that it will be able to pay its debts and liabilities as they mature and continue to be a going concern in the business in which such entities are engaged and proposed to be engaged for such period), (b) each of the Company's and each Guarantor's assets will exceed its liabilities, (c) each of the Company and each Guarantor will be solvent, will be able to pay its Stated Liabilities as they mature (meaning that each of the Company and such Guarantor will have sufficient assets and cash flow to pay their respective Stated Liabilities as those liabilities mature or otherwise become payable in the normal course of business) and (d) both the Fair Value and Present Fair Saleable Value of the assets of the Company and each Guarantor exceeds the Stated Liabilities, respectively, of each of the Company and each Guarantor.

6.18 Recapitalization Transaction, Bridge Notes, etc.

(a) Concurrent with the initial Credit Extension, the Recapitalization Transaction has been consummated in

accordance with the terms of the Recapitalization Agreement, without waiver of any of the conditions thereof.

(b) The Recapitalization Transaction and the issuance and sale of the Bridge Notes complied with all Requirements of Law (including the Securities Act of 1933), and all necessary governmental, regulatory, shareholder and other consents and approvals required for the consummation of the Recapitalization Transaction and the issuance and sale of the Bridge Notes were, prior to the consummation thereof, duly obtained and in full force and effect. All applicable waiting periods with respect to the Recapitalization Transaction and the issuance and sale of the Bridge Notes have expired without any action being taken by any competent Governmental Authority which restrains, prevents or imposes material adverse conditions upon the consummation of any such transaction.

(c) The execution and delivery of the Recapitalization Agreement, the consummation of the Recapitalization Transaction and the issuance and sale of the Bridge Notes did not violate any Requirement of Law, or result in a breach of, or constitute a default under, any Contractual Obligation affecting the Company or any of its Subsidiaries.

(d) There does not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon the consummation of the Recapitalization Transaction and the issuance and sale of the Bridge Notes.

(e) All of the representations and warranties of the Company and, to the best of the Company's knowledge, the Redemption Shareholders contained in the Recapitalization Agreement are true and correct in all material respects as of the date hereof.

(f) All of the representations and warranties of the Company set forth in the Bridge Note Agreement are true and correct in all material respects as of the date hereof.

6.19 Real Property. Set forth on Schedule 6.19 is a complete and accurate list, as of the date of this Agreement, of the address and legal description of any real property owned or leased by the Company or any Subsidiary, together with, in the case of leased property, the last known name and mailing address of the lessor of such property.

6.20 Swap Obligations. Neither the Company nor any of its Subsidiaries has incurred any outstanding obligations under any Swap Contracts, other than Permitted Swap Obligations. The Company has undertaken its own independent assessment of its consolidated assets, liabilities and commitments and has considered appropriate means of mitigating and managing risks associated with such matters and has not relied on any swap

counterparty or any Affiliate of any swap counterparty in determining whether to enter into any Swap Contract.

6.21 Senior Indebtedness. The Company's obligation to pay the Obligations, including interest thereon and all fees, costs, expenses and indemnities related thereto, constitute "Designated Senior Debt" of the Company as such term is defined in each of the Bridge Note Agreement and the Rollover Indenture. The Guaranty Obligations of each Subsidiary party to the guaranty of each of the Bridge Notes and the Rollover Notes are subordinated to the prior payment in full in cash of such Subsidiary's Guaranty Obligations under the Guaranty. The Company acknowledges that the Lenders and the Administrative Agent have entered into this Agreement, and have extended Commitments, in reliance upon the subordination provisions in the Bridge Notes and the Rollover Indenture and in the Subsidiary guaranties thereof. If any Qualified Notes are outstanding, the foregoing representation and warranty shall be deemed made with respect to Qualified Notes and the related Qualified Indenture to the same extent made with respect to Rollover Notes and the Rollover Indenture.

6.22 Environmental Warranties. Except as set forth in Schedule 6.22:

(a) all facilities and property (including underlying groundwater) owned or leased by the Company or any of its Subsidiaries are in compliance with all Environmental Laws, except for such non-compliance as would not reasonably be expected to result in a Material Adverse Effect;

(b) there are no pending or threatened Environmental Claims, except for such Environmental Claims that are not reasonably likely, either singly or in the aggregate, to result in a Material Adverse Effect;

(c) there have been no Releases of Hazardous Materials at, on or under any property now or, to the best of the Company's knowledge, previously owned or leased by the Company or any of its Subsidiaries that, singly or in the aggregate, have, or may reasonably be expected to have, a Material Adverse Effect;

(d) the Company and its Subsidiaries have been issued and are in compliance with all permits, certificates, approvals, licenses and other authorizations relating to environmental matters and necessary or desirable for their businesses, except to the extent that the failure to have or comply with such permits, certificates, approvals, licenses and other authorizations relating to environmental matters would not be reasonably likely to have a Material Adverse Effect;

(e) no property now or, to the best of the Company's knowledge, previously owned or leased by the Company or any

of its Subsidiaries is listed or proposed for listing (with respect to owned property only) on the National Priorities List pursuant to CERCLA, or, to the best of the Company's knowledge, is on the CERCLIS or on any similar state list of sites requiring investigation or clean-up, except, in each case, for any such listing that, singly or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and

(f) to the best of the Company's knowledge, neither the Company nor any Subsidiary of the Company has directly transported or directly arranged for the transportation of any Hazardous Material to any location which is listed or proposed for listing on the National Priorities List pursuant to CERCLA, or which is the subject of federal, state or local enforcement actions or other investigations which may lead to Environmental Claims against the Company or such Subsidiary except, in each case, to the extent that the foregoing would not reasonably be expected to have a Material Adverse Effect.

6.23 Full Disclosure. None of the representations or warranties made by the Company or any Subsidiary in the Loan Documents as of the date such representations and warranties are made or deemed made and none of the written statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Company or any Subsidiary in connection with the Loan Documents, considering each of the foregoing taken as a whole and in the context in which it was made and together with all other representations, warranties and written statements taken as a whole theretofore furnished by the Company and its Subsidiaries to the Administrative Agent and the Lenders in connection with the Loan Documents, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make such representation, warranty or written statement, in light of the circumstances under which it is made, not misleading as of the time when made or delivered; provided that the Company's representation and warranty as to any forecast, projection or other statement regarding future performance, future financial results or other future development is limited to the fact that such forecast, projection or statement was prepared in good faith on the basis of information and assumptions that the Company believed to be reasonable as of the date such material was provided (it being understood that projections are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and that no assurance can be given that the projections will be realized).

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Required Lenders waive compliance in writing:

7.1 Financial Statements. The Company shall deliver to the Administrative Agent, in form and detail satisfactory to the Required Lenders:

(a) as soon as available, but not later than 90 days after the end of each fiscal year, a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of a nationally-recognized independent public accounting firm (the "Independent Auditor"), which report (x) shall state that such consolidated financial statements present fairly the consolidated financial position of the Company and its Subsidiaries for the periods indicated in conformity with GAAP applied on a basis consistent with prior years and (y) shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's (other than a Dormant Subsidiary's) records;

(b) Promptly when available, and in any event within 30 days after the end of each month that is not the end of a fiscal quarter, and within 45 days after the end of each month that is the end of a fiscal quarter (other than the last month of each fiscal year), (i) balance sheets of the Company and each Subsidiary as of the end of such month, and the related statements of income, shareholders' equity and cash flows for such month and for the period beginning with the first day of the applicable fiscal year and ending on the last day of such month, including a comparison with the corresponding month and period of the previous fiscal year and a comparison with the budget for such month and for such period of the current fiscal year, together with a certificate of the chief executive officer or the chief financial officer of the Company that each such statement fairly presents the financial condition and results of operations of the Company and its Subsidiaries (subject to normal year-end audit adjustments) and has been prepared in accordance with the management policies consistently applied and (ii) if such month is the end of a fiscal quarter, a copy of the unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and the related consolidated statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, together with a certificate of the chief executive

officer or the chief financial officer of the Company that each such statement fairly presents the financial condition and results of operations (subject to normal year-end audit adjustments) of the Company and its Subsidiaries and has been prepared in accordance with GAAP consistently applied;

(c) Not later than 60 days after the end of each fiscal year, a copy of the projections of the Company of the consolidated operating budget and cash flow budget of the Company and its Subsidiaries for the succeeding fiscal year, such projections to be accompanied by a certificate of the chief financial officer of the Company to the effect that (i) such projections were prepared by the Company in good faith, (ii) the Company has a reasonable basis for the assumptions contained in such projections and (iii) such projections have been prepared according to such assumptions; and

(d) As soon as available but not later than November 30, 1996, the unaudited consolidated balance sheet of the Company and its Subsidiaries as of September 30, 1996 (giving effect to the Recapitalization Transaction, the refinancing of the Debt to be Repaid, the incurrence of the Obligations and the Indebtedness represented by the Bridge Notes and the consummation of all other transactions contemplated to occur on such date) prepared by the Company in accordance with GAAP.

7.2 Certificates; Other Information. The Company shall furnish to the Administrative Agent:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), a certificate of the Independent Auditor stating that in making the examination necessary therefor no knowledge was obtained of any Event of Default or Unmatured Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsection 7.1(a) and each set of quarterly statements referred to in subsection 7.1(b)(ii), a Compliance Certificate executed by a Responsible Officer;

(c) promptly, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodic or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC;

(d) promptly from time to time, any notices (including without limitation notices of default or acceleration thereunder) received from any holder or trustee of, under or with respect to any Subordinated Debt of the Company;

(e) promptly, upon request by the Administrative Agent or any Lender at any time, a calculation of the Continuing Debt Reserve as in effect at any time, with such supporting

documentation in respect thereof as the Administrative Agent or such Lender may reasonably request;

(f) forthwith upon any Qualified Refinancing, a copy of the related Qualified Indenture, certified as true and correct by the Secretary or an Assistant Secretary of the Company; and

(g) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Administrative Agent, at the request of any Lender, may from time to time reasonably request.

7.3 Notices. Promptly upon a Responsible Officer obtaining knowledge thereof, the Company shall notify the Administrative Agent (and the Administrative Agent will promptly distribute such notice to the Lenders) of:

(a) the occurrence of any Event of Default or Unmatured Event of Default;

(b) any matter that has resulted or would reasonably be expected to result in a Material Adverse Effect, including, if applicable, (i) any breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary, (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary;

(c) the occurrence of any of the following events affecting the Company or any ERISA Affiliate (but in no event more than ten days after such event, provided that the Company shall notify the Administrative Agent (which shall promptly inform each Lender thereof) not less than ten days before the occurrence of any event described in clause (ii) below), and deliver to the Administrative Agent (which shall promptly deliver to each Lender a copy thereof) a copy of any notice with respect to such event that is filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any ERISA Affiliate with respect to such event:

(i) an ERISA Event;

(ii) a contribution failure with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA;

(iii) a material increase in Unfunded Pension Liabilities;

(iv) the adoption of, or the commencement of contributions to, any Plan subject to Section 412 of the Code by the Company or any ERISA Affiliate; or

(v) the adoption of any amendment to a Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liabilities;

(d) any material change in accounting policies or financial reporting practices by the Company or any of its consolidated Subsidiaries;

(e) any Mandatory Prepayment Event;

(f) any proposed payment of or on Subordinated Debt prior to the making thereof; and

(g) upon the request from time to time of the Administrative Agent, the Swap Termination Values, together with a description of the method by which such values were determined, relating to any then-outstanding Swap Contracts to which the Company or any of its Subsidiaries is party.

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under subsection 7.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or any other Loan Document that have been breached or violated.

7.4 Preservation of Corporate Existence, Etc. The Company shall, and shall cause each Subsidiary (other than a Dormant Subsidiary) to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation except a Subsidiary need not be in compliance with the foregoing to the extent such Subsidiary is sold pursuant to Section 8.2 or merged or consolidated unto another Person pursuant to Section 8.3;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises, in each case which are material and which are necessary or desirable in the normal conduct of its business except in connection with transactions permitted by Section 8.3 and dispositions of assets permitted by Section 8.2; and

(c) preserve or renew all of its registered patents, copyrights, trademarks, trade names and service marks, the non-preservation of which would reasonably be expected to have a Material Adverse Effect.

7.5 Maintenance of Property. The Company shall, and shall cause each Subsidiary (other than a Dormant Subsidiary) to,

maintain and preserve all property material to the normal conduct of its business in good working order and condition, ordinary wear and tear excepted, other than obsolete, worn out or surplus equipment; provided, however, that nothing in this Section 7.5 shall prevent the Company or any of its Subsidiaries from discontinuing the operation and the maintenance of any of its properties or any Dormant Subsidiary if such discontinuance is, in the opinion of the Board of Directors or senior management of the Company, desirable in the conduct of its business and not disadvantageous in any material respect to the Lenders.

7.6 Insurance. The Company shall, and shall cause each Subsidiary (other than a Dormant Subsidiary) to, maintain with financially sound and reputable independent insurers or with Wrenford Insurance Company Limited, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

7.7 Payment of Obligations. The Company shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable all of its material obligations and liabilities, including:

(a) all material tax liabilities, assessments and governmental charges or levies upon it or its properties or assets unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; and

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property.

7.8 Compliance with Laws. The Company shall, and shall cause each Subsidiary to, comply in all material respects with all material Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act), except such as may be contested in good faith or as to which a bona fide dispute may exist.

7.9 Compliance with ERISA. The Company shall, and shall cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

7.10 Inspection of Property and Books and Records. The Company shall, and shall cause each Subsidiary to, maintain proper books of record and account, in which full, true and

correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. The Company shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of the Administrative Agent or any Lender (a) to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and to make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants and (b) to inspect any of their inventory and equipment, to perform appraisals of any of their equipment, and to inspect, audit, check and make copies and/or extracts from the books, records, computer data and records, computer programs, journals, orders, receipts, correspondence and other data relating to inventory, accounts receivable, contract rights, general intangibles, equipment and any other collateral, or relating to any other transactions between the parties hereto; at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, that when an Event of Default exists, the Administrative Agent or any Lender may do any of the foregoing without advance notice. After the occurrence and during the continuance of any Event of Default, any such inspection shall be at the Company's expense.

7.11 Interest Rate Protection. The Company shall, not later than 90 days after the Closing Date, enter into one or more Permitted Swap Obligations, each with a term of at least three years, on an ISDA standard form with one or more Lenders or Affiliates thereof or with counterparties reasonably acceptable to the Agents with respect to not less than $62,500,000 of the principal amount of the Term Loans in form and substance satisfactory to the Agents.

7.12 Environmental Covenant. The Company will, and will cause each of its Subsidiaries to,

(a) use and operate all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all Hazardous Materials in material compliance with all applicable Environmental Laws;

(b) promptly notify the Administrative Agent and provide copies of all written Environmental Claims, and shall act in a diligent and prudent fashion to address such Environmental Claims, including Environmental Claims that allege that the Company or any of its Subsidiaries is not in compliance with Environmental Laws; and

(c) provide such information and certifications which the Administrative Agent may reasonably request from time to time to evidence compliance with this Section 7.12.

7.13 Use of Proceeds. The Company shall use the proceeds of the Loans and the Letters of Credit (i) to finance the Recapitalization Transaction, (ii) to repay Debt to be Repaid, (iii) to pay up to $3,750,000 of fees and expenses related to the issuance of the Bridge Notes and the Loans and (iv) for working capital and other general corporate purposes not in contravention of any Requirement of Law or of any Loan Document.

7.14 Further Assurances. (a) The Company shall, and shall cause each Subsidiary to, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, any and all such further acts, deeds, conveyances, security agreement, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments the Administrative Agent or the Required Lenders, as the case may be, may reasonably request from time to time in order (a) to ensure that (i) the obligations of the Company hereunder and under the other Loan Documents are secured by substantially all assets of the Company (provided, that unless otherwise reasonably required by the Required Lenders, the pledge of the capital stock of a Foreign Subsidiary shall be limited to 65% of the outstanding capital stock of such Subsidiary and, so long as ROV Holding owns no substantial business assets other than stock of Foreign Subsidiaries, the pledge of stock of ROV Holding shall be limited to 65% of the outstanding capital stock of ROV Holding) other than stock of Dormant Subsidiaries and guaranteed, pursuant to the Guaranty, by all Subsidiaries (other than Foreign Subsidiaries and Dormant Subsidiaries) (including, promptly upon the acquisition or creation thereof, any Subsidiary created or acquired after the date hereof) and (ii) the obligations of each Subsidiary under the Guaranty are secured by substantially all of the assets of such Subsidiary other than stock of Dormant Subsidiaries (provided, that unless reasonably required by the Required Lenders, the pledge of the capital stock of a Foreign Subsidiary shall be limited to 65% of the outstanding capital stock of such Subsidiary), (b) to perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby and (c) to better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Administrative Agent and the Lenders the rights granted or now or hereafter intended to be granted to the Administrative Agent and the Lenders under any Loan Documents or under any other document executed in connection therewith. Contemporaneously with the execution and delivery of any document referred to above, the Company shall, and shall cause each Subsidiary to, deliver all resolutions, opinions and corporate documents as the Administrative Agent or the Required Lenders may reasonably request to confirm the enforceability of such document and the perfection of the security interest created thereby, if applicable.

(b) As soon as practicable, but in any event within 60 days following the Closing Date, the Company shall cause ROV Holding to (i) pledge to the Administrative Agent, pursuant to documentation in form and substance satisfactory to the Administrative Agent, 65% of the capital stock of ROV Holding's Subsidiaries Rayovac Far East Limited, a corporation organized under the laws of Hong Kong, Rayovac Canada Inc., a corporation organized under the laws of Canada, and Ray-O-Vac Europe B.V., a corporation organized under the laws of the Netherlands, (ii) in connection with such pledges, deliver to the Administrative Agent such certificates and opinions of counsel as requested by the Administrative Agent and (iii) deliver to the Administrative Agent the stock certificates (if any) to be pledged thereunder, together with undated stock powers duly executed in blank.

(c) In the event that any Subsidiary that on the date hereof is a Dormant Subsidiary ceases to be a Dormant Subsidiary, the Company shall promptly pledge or cause to be pledged, pursuant to documentation in form and substance satisfactory to the Administrative Agent, (i) 65% of the stock of such Subsidiary to be pledged to the Administrative Agent (so long as such Subsidiary is not owned by a Foreign Subsidiary) pursuant to documentation in form and substance satisfactory to the Administrative Agent, (ii) in connection with such pledge, deliver or cause to be delivered to the Administrative Agent such certificates and opinions of counsel as requested by the Administrative Agent and (iii) deliver or cause to be delivered to the Administrative Agent the stock certificates (if any) to be pledged thereunder, together with undated stock powers duly executed in blank.

(d) If the Company shall not have sold its real property located at 922 South Main Street, Covington, Tennessee on or before 180 days after the Closing Date, the Company shall deliver to the Administrative Agent a duly executed Mortgage with respect to such property providing for a fully perfected Lien, in favor of the Administrative Agent for the benefit of the Agents and the Lenders, in all right, title and interest of the Company in such property, superior in right to any Lien (other than Permitted Liens), existing or future, which the Company or any creditors thereof or purchasers therefrom, or any other Person, may have against such property, together with documents of the type specified in Section 5.1(j) with respect to such property.

(e) Within 30 days after the Closing Date, the Company shall cause each financial institution at which the Company or any Subsidiary (other than a Foreign Subsidiary) maintains any lockbox, deposit account or other similar account to deliver to the Administrative Agent and the Company a writing, in form and substance satisfactory to the Administrative Agent, acknowledging and consenting to the security interest of the Administrative Agent in such lockbox or account and all cash, checks, drafts and other instruments or writings for the payment of money from time to time therein, confirming such financial institution's agreement to follow the instructions of the Administrative Agent

with respect to all such cash, checks, drafts and other instruments or writings for the payment of money following the occurrence of any Event of Default or Unmatured Event of Default of the type specified in Section 9.1(f) or (g) and waiving all rights of setoff and banker's lien on all items held in any such lockbox or account.

7.15 Clean-Down of Loans. The Company agrees to cause the aggregate outstanding principal amount of the Revolving Loans, for at least 30 consecutive days in each fiscal year set forth below, to be equal to or less than the amount set forth across from such fiscal year below:

Fiscal Year	Amount
ending 9/30/97	$10,000,000
ending 9/30/98	$5,000,000
each fiscal year thereafter	$0.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Required Lenders waive compliance in writing:

8.1 Limitation on Liens. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on property of the Company or any Subsidiary on the Closing Date and set forth on Schedule 8.1 securing Indebtedness outstanding on such date;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 7.7, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens (other than any Lien imposed by ERISA) consisting of pledges or deposits required in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(f) Liens on property of the Company or any Subsidiary securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) surety bonds (excluding appeal bonds and other bonds posted in connection with court proceedings or judgments) and (iii) other non-delinquent obligations of a like nature, in each case, incurred in the ordinary course of business; provided that all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) Liens consisting of judgment or judicial attachment Liens and Liens securing contingent obligations on appeal bonds and other bonds posted in connection with court proceedings or judgments, provided that the enforcement of such Liens is effectively stayed and all such Liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed $3,000,000;

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the businesses of the Company and its Subsidiaries taken as a whole;

(i) purchase money security interests on any property acquired by the Company or any Subsidiary in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property, provided that (i) any such Lien attaches to such property concurrently with or within 90 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the Indebtedness secured thereby does not exceed 100% of the cost of such property and (iv) the principal amount of the Indebtedness secured by all such purchase money security interests shall not at any time exceed $5,000,000;

(j) Liens securing obligations in respect of capital leases on assets subject to such leases, provided that such capital leases are otherwise permitted hereunder;

(k) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution, provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations

promulgated by the FRB and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution;

(l) extensions, renewals and replacements of Liens referred to in clauses (a) through (k) above; provided that any such extension, renewal or replacement Lien is limited to the property or assets covered by the Lien extended, renewed or replaced and does not secure any Indebtedness in addition to that secured immediately prior to such extension, renewal or replacement;

(m) Liens relating to IRB Debt permitted by subsection 8.5(k) covering only those capital improvements financed by such IRB Debt; and

(n) Liens securing other Indebtedness of the Company and its Subsidiaries not expressly permitted by clauses (a) through (m) above; provided that the aggregate amount of the Indebtedness secured by Liens permitted pursuant to this clause (n) does not exceed $3,000,000 in the aggregate;

provided that no Lien (other than as set forth in clause (b) above) may attach to any Excluded Assets.

8.2 Disposition of Assets. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) the sale of equipment to the extent that such equipment is exchanged for credit against the purchase price of similar replacement equipment, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement equipment;

(c) dispositions not otherwise permitted hereunder (including the disposition of all of the capital stock of any operating Subsidiary and including a disposition pursuant to a sale and lease-back transaction) which are made for fair market value if the fair market value of all assets so disposed of by the Company and its Subsidiaries under this clause (c) does not exceed $5,000,000 in the aggregate; provided that (i) at the time of any disposition, no Event of Default or Unmatured Event of Default shall exist or will result from such disposition, (ii) at least 90% of the consideration received by the Company or such Subsidiary from such disposition is in cash or Cash Equivalent Investments and (iii) the proceeds thereof are applied as provided in subsection 2.8(a);

(d) mergers expressly permitted by Section 8.3 or transfers by any Wholly-Owned Subsidiary of the Company of its assets upon its liquidation to the Company or any of its Wholly- Owned Subsidiaries; and

(e) in addition to any other disposition permitted by this Section 8.2, the sale or disposition of any assets (including the disposition of all of the capital stock of any operating Subsidiary and including a disposition pursuant to a sale and lease-back transaction) if the fair market value of all assets so disposed of by the Company and its Subsidiaries under this clause (e) does not exceed $1,000,000 in the aggregate; provided that (i) at the time of any disposition, no Event of Default or Unmatured Event of Default shall exist or will result from such disposition and (ii) the proceeds thereof are applied as provided in subsection 2.8(a).

8.3 Consolidations and Mergers. The Company shall not, and shall not permit any Subsidiary to, merge or consolidate with or into any other Person, except that any Subsidiary may merge with the Company (provided that the Company shall be the continuing or surviving corporation) or with any one or more Wholly-Owned Subsidiaries (provided that a Wholly-Owned Subsidiary shall be the continuing or surviving corporation).

8.4 Loans and Investments. The Company shall not, and shall not permit any Subsidiary to, purchase or acquire, or make any commitment to purchase or acquire, any capital stock, equity interest or other obligations or securities of, or any interest in, any other Person, or make or commit to make any Acquisition, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in, any other Person, except for:

(a) investments in Cash Equivalent Investments;

(b) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) investments by the Company in its Wholly-Owned Subsidiaries or by any Subsidiary in any Wholly-Owned Subsidiary, in the form of contributions to capital or loans or advances; provided that, immediately before and after giving effect to such investment, no Event of Default or Unmatured Event of Default shall have occurred and be continuing and the aggregate amount invested in Foreign Subsidiaries after the Closing Date shall not exceed $2,000,000;

(d) loans or advances made by any Subsidiary to the Company;

(e) loans and advances to employees in the ordinary course of business (such as travel advances and including the

Jones Note) in an aggregate amount not at any time exceeding $1,000,000;

(f) investments by the Company and its Subsidiaries in Joint Ventures in the form of contributions of capital, loans, advances or Contingent Obligations; provided that, immediately before and after giving effect to such investment, (x) no Event of Default or Unmatured Event of Default shall have occurred and be continuing, including without limitation pursuant to Section 8.9, and (y) the aggregate amount of all investments pursuant to this clause (f) shall not exceed $2,000,000 in the aggregate (with all such investments valued at the time of investment at the cash amount thereof, if in cash, the fair market value thereof as determined by the board of directors of the Company, if in property, and at the maximum amount thereof if in Contingent Obligations);

(g) investments constituting Permitted Swap Obligations or payments or advances under Swap Contracts relating to Permitted Swap Obligations;

(h) other investments in an aggregate amount not exceeding $5,000,000 during the term of this Agreement (with all such investments valued at the time of investment at the cash amount thereof, if in cash, the fair market value thereof as determined by the board of directors of the Company, if in property, and at the maximum amount thereof if in Contingent Obligations); and

(i) investments existing on the Closing Date and set forth on Schedule 8.4.

8.5 Limitation on Indebtedness. The Company shall not, and shall not permit any Subsidiary to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the Guaranty;

(b) the Bridge Notes and any Subordinated Debt that represents the Proposed Bridge Note Refinancing and related Guaranty Obligations by Subsidiaries of the Company (provided that the Company may not pay cash interest on any Subordinated Debt that represents the Bridge Note Refinancing at a rate per annum greater than 15.25% on the lesser of the gross proceeds received by the Company therefrom or the original principal amount thereof);

(c) Indebtedness consisting of Contingent Obligations permitted pursuant to Section 8.8;

(d) Indebtedness existing, or drawable pursuant to commitments existing, on the Closing Date, in each case as set forth in Schedule 8.5(d), and extensions, renewals or

replacements of such Indebtedness to the extent that the principal amount (with respect to term debt) or maximum commitment (with respect to lines of credit or revolving facilities) of such Indebtedness is not increased (collectively, "Continuing Debt");

(e) Indebtedness of Subsidiaries to the Company or Wholly-Owned Subsidiaries; provided, that the aggregate amount of all such Indebtedness of Foreign Subsidiaries and other investments by the Company and its Subsidiaries in Foreign Subsidiaries shall not exceed $2,000,000;

(f) Indebtedness secured by Liens permitted by subsection 8.1(i);

(g) Indebtedness incurred in connection with leases permitted pursuant to Section 8.10;

(h) Indebtedness of the Company or any Subsidiary of the Company in connection with guaranties resulting from endorsement of negotiable instruments in the ordinary course of business;

(i) surety bonds and appeal bonds required in the ordinary course of business or in connection with the enforcement of rights or claims of the Company or in connection with judgments that do not result in an Unmatured Event of Default or an Event of Default;

(j) reimbursement obligations in respect of letters of credit listed on Schedule 8.5(j), provided that such letters of credit are terminated or replaced by Letters of Credit within 10 days after the Closing Date;

(k) IRB Debt in a principal amount not to exceed $8,000,000 at any one time outstanding; and

(l) other Indebtedness in an aggregate amount not at any time exceeding $5,000,000.

It is understood that any Indebtedness borrowed in a foreign currency shall continue to be permitted under this Section, notwithstanding any fluctuation in the Dollar Amount of such Indebtedness, as long as the outstanding principal balance of such Indebtedness (denominated in its original currency) does not exceed the maximum amount of such Indebtedness (denominated in such currency) permitted to be outstanding on the date such Indebtedness was incurred.

8.6 Transactions with Affiliates. The Company shall not, and shall not permit any Subsidiary to, enter into any transaction with any Affiliate of the Company (other than a Subsidiary), except upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person

not an Affiliate of the Company; provided, that the Management Agreement, the Pyle Agreements, the Jones Note and the Employment Agreement shall not violate this Section.

8.7 Use of Proceeds. The Company shall not, and shall not permit any Subsidiary to, use any portion of the proceeds of any Loan or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock or (iv) acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

8.8 Contingent Obligations. The Company shall not, and shall not permit any Subsidiary to, create, incur, assume or suffer to exist any Contingent Obligation except:

(a) endorsements for collection or deposit in the ordinary course of business;

(b) Permitted Swap Obligations;

(c) Contingent Obligations of the Company and its Subsidiaries existing as of the Closing Date and listed in Schedule 8.8 and Guaranty Obligations by the Company relating to Indebtedness of Wholly-Owned Subsidiaries, provided, that all Contingent Obligations permitted by this subsection 8.8(c) shall not exceed $10,000,000 at any one time;

(d) Contingent Obligations arising under the Loan Documents; and

(e) Contingent Obligations with respect to Joint Ventures to the extent permitted by Section 8.9.

8.9 Joint Ventures. The Company shall not, and shall not permit any Subsidiary to, enter into any Joint Venture, except that the Company or any Subsidiary may enter into any Joint Venture so long as the aggregate amount invested by the Company and its Subsidiaries in all Joint Ventures in any form (including without limitation by capital contribution, incurrence of Indebtedness by any such Joint Venture to the Company or any Subsidiary or the incurrence of Contingent Obligations by the Company or any Subsidiary with respect to any such Joint Venture), during the term of this Agreement does not exceed $2,000,000; provided, however, that for purposes of determining the aggregate amount invested in Joint Ventures hereunder (x) any return of principal or equity received in cash on any amount invested hereunder and (y) the fair market value of any other property received in exchange for any amount invested hereunder shall be deducted.

8.10 Lease Obligations. The Company shall not, and shall not permit any Subsidiary to, create or suffer to exist any

obligations for the payment of rent for any property under lease or agreement to lease, except for:

(a) leases of the Company and its Subsidiaries in existence on the Closing Date and any renewal, extension or refinancing thereof;

(b) operating leases entered into by the Company or any Subsidiary after the Closing Date in the ordinary course of business; and

(c) capital leases entered into by the Company to finance the acquisition of equipment; provided that no Event of Default or Unmatured Event of Default has occurred and is continuing or will result from the incurrence of the obligations of the Company contemplated thereby.

8.11 Minimum Fixed Charge Coverage. The Company will not permit the Fixed Charge Coverage Ratio for any Computation Period to be less than the ratio set forth below opposite the period in which such Computation Period ends:

Period	Ratio
12/31/96 - 12/31/97	1.55:1.0
03/31/98 - 12/31/98	1.65:1.0
03/31/99 - 12/31/99	1.75:1.0
03/31/00 - 12/31/00	1.85:1.0
03/31/01 - 12/31/01	1.95:1.0
03/31/02 and thereafter	2.00:1.0.

8.12 Minimum EBITDA. The Company will not permit EBITDA for any Computation Period to be less than the amount set forth below opposite the period in which such Computation Period ends:

Period	EBITDA
12/31/96 - 12/31/97	$40,000,000
03/31/98 - 09/30/98	$45,000,000
12/31/98 - 06/30/99	$50,000,000
09/30/99 - 12/31/99	$55,000,000
03/31/00 - 12/31/00	$60,000,000
03/31/01 - 12/31/01	$65,000,000
03/31/02 - 12/31/02	$70,000,000

03/31/03 - 12/31/03	$75,000,000
03/31/04 and thereafter	$80,000,000;

provided, however, that with respect to Computation Periods ending prior to September 30, 1997, EBITDA shall be measured from the period from October 1, 1996 through the end of the Computation Period and annualized as follows (x) with respect to the Computation Period ending December 31, 1996, EBITDA during such Computation Period shall be multiplied by four, (y) with respect to the Computation Period ending March 31, 1997, EBITDA during such Computation Period shall be multiplied by two and (z) with respect to the Computation Period ending June 30, 1997, EBITDA during such Computation Period shall be multiplied by four-thirds.

8.13 Minimum Adjusted Net Worth. The Company will not permit at any time from and after October 1, 1996 (i) the Net Worth of the Company at such time plus Subordinated Debt Proceeds at such time to be less than (ii) (a) its Net Worth on September 30, 1996, plus (b) $95,000,000, plus (c) 75% of cumulative Consolidated Net Income for the period beginning on October 1, 1996 and ending on the date of calculation (provided that if Consolidated Net Income is less than zero for any fiscal year, or for the completed portion of the then-current fiscal year, Consolidated Net Income for such fiscal year or portion shall be deemed to be zero).

8.14 Maximum Leverage Ratio. The Company will not permit the Leverage Ratio for any Computation Period to exceed the ratio set forth below opposite the period in which such Computation Period ends:

Period	Ratio
12/31/96	6.00:1.0
03/31/97 - 12/31/97	5.25:1.0
03/31/98 - 12/31/98	4.50:1.0
03/31/99 - 12/31/99	4.00:1.0
03/31/00 - 12/31/00	3.50:1.0
03/31/01 and thereafter	3.00:1.0.

8.15 Maximum Capital Expenditures. The Company will not permit the aggregate amount of all Capital Expenditures made by the Company and its Subsidiaries for any fiscal year to exceed the amount set forth below opposite such fiscal year:

Fiscal Year	Amount
ending 9/30/97	$17,000,000
ending 9/30/98	$17,000,000
ending 9/30/99	$18,000,000
ending 9/30/00	$19,000,000
ending 9/30/01	$20,000,000
ending 9/30/02	$21,000,000
ending 9/30/03	$22,000,000
ending 9/30/04	$23,000,000;

provided, however, that to the extent Capital Expenditures actually made in any fiscal year are less than the amount permitted to be made in such fiscal year (without giving effect to any carryforward), the lesser of (x) the amount of the difference and (y) 50% of the amount of Capital Expenditures permitted to be made in the next succeeding fiscal year as set forth in the schedule above may be carried forward and used to make Capital Expenditures in such next succeeding fiscal year.

8.16 Restricted Payments. The Company shall not, and shall not permit any Subsidiary to, (i) declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding, or (ii) make any redemptions, prepayments, defeasances or repurchases of any Subordinated Debt except that:

(a) any Subsidiary may declare and pay dividends to the Company or a Wholly-Owned Subsidiary;

(b) the Company may declare and make dividend payments or other distributions payable solely in Common Stock;

(c) the Bridge Notes may be exchanged for the Rollover Notes pursuant to the terms of the Bridge Note Agreement and the Bridge Notes or the Rollover Notes may be repaid using the Net Cash Proceeds of the Proposed Bridge Note Refinancing;

(d) the Company or any of its Subsidiaries may purchase Common Stock or options with respect to Common Stock held by employees or management of the Company or any of its Subsidiaries in connection with the termination of employment of any such employees or management, provided that any such payments do not exceed $2,000,000 in the aggregate; and

(e) upon the initial Public Offering of the Company, the Company may repurchase or redeem Bridge Notes, Rollover Notes or other Subordinated Debt incurred to refinance the Bridge Notes

or Rollover Notes (including Qualified Notes) with the Net Cash Proceeds of such initial Public Offering; provided that no more than $35,000,000 principal amount of Subordinated Debt (other than the Bridge Notes or Rollover Notes) may be repurchased or redeemed pursuant to this clause (e).

8.17 ERISA. The Company shall not, and shall not permit any of its ERISA Affiliates to: (a) engage in a prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan which has resulted or would reasonably be expected to result in liability of the Company in an aggregate amount in excess of $1,000,000 at any time; or (b) engage in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

8.18 Limitations on Sale and Leaseback Transactions. The Company shall not, and shall not permit any Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Company or any Subsidiary of any real or personal property, which property is or has been sold or transferred by the Company or any Subsidiary to such Person in contemplation of taking back a lease thereof in an aggregate amount in excess of $5,000,000.

8.19 Limitation on Restriction of Subsidiary Dividends and Distributions. The Company will not, and will not permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make other distributions on its capital stock owned by the Company or any Subsidiary, or pay any Indebtedness owed to the Company or any Subsidiary, (b) make loans or advances to the Company or (c) transfer any of its assets or properties to the Company, except for such encumbrances or restrictions existing by reason of or under (i) applicable law, (ii) this Agreement and the other Loan Documents and (iii) prior to the termination thereof on the Closing Date, the Prior Credit Agreement.

8.20 Inconsistent Agreements. The Company will not, and will not permit any Subsidiary to, enter into any agreement containing any provision which would be violated or breached by any borrowing by the Company hereunder or by the performance by the Company or any Subsidiary of their respective obligations hereunder or under any other Loan Document. The Company will not, and will not permit any of its Subsidiaries to, enter into any agreement (other than this Agreement and the other Loan Documents) prohibiting the creation or assumption of any Lien upon its properties, revenues or assets, whether now owned or hereafter acquired, or the ability of the Company and its Subsidiaries to amend or modify this Agreement or any other Loan Document.

8.21 Change in Business. The Company shall not, and shall not permit any Subsidiary to, engage in any business other than those lines of business carried on by the Company and its Subsidiaries on the date hereof, any business or activities that

are substantially similar, related or incidental thereto and reasonable extensions of product lines of the Company in existence on the date hereof.

8.22 Amendments to Certain Documents. The Company shall not make or agree to any amendment to or modification of, or waive any of its rights under, any of the terms of (a) the Recapitalization Agreement, (b) the Bridge Note Agreement, (c) the Rollover Indenture, (d) the Escrow Agreement, (e) the Management Agreement, (f) the Pyle Agreements, (g) the Employment Agreement or (h) any Qualified Indenture, unless any such amendment is not adverse in any respect to the Lenders.

8.23 Fiscal Year. The Company shall not, and shall not permit any Subsidiary to, change the fiscal year of the Company or of any Subsidiary; provided, that the foregoing shall not prohibit the Company from changing the end of its fiscal year from June 30 to September 30 in connection with the Recapitalization Transaction.

8.24 Limitation on Issuance of Guaranty Obligations. The Company will not permit any Subsidiary to create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to any Guaranty Obligation or such Subsidiary relating to any Indebtedness of the Company unless

(i) such Subsidiary, if it is not already a party to the Guaranty, simultaneously executes and delivers to the Administrative Agent a counterpart to the Guaranty, together with such supporting documentation as the Administrative Agent may reasonably request, notwithstanding Section 7.14,

(ii) if such Indebtedness is by its terms subordinated to the Obligations, any such assumption, guaranty or other liability of such Subsidiary with respect to such Indebtedness shall be subordinated, in form and substance satisfactory to the Administrative Agent, to such Subsidiary's Guaranty Obligation with respect to the Obligations to the same extent as such Indebtedness is subordinated to the Obligations (provided that such Subsidiary's Guaranty Obligation of such Indebtedness of the Company shall be subordinated to the full amount of such Subsidiary's Guaranty Obligation under the Guaranty without giving effect to any reduction thereto necessary to render the Guaranty Obligation of such Subsidiary thereunder not voidable under applicable law relating to fraudulent conveyance or fraudulent transfer), and

(iii) such Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any right of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such Subsidiary under such Guaranty Obligation.

8.25 Bridge Note Agreement. For so long as any Bridge Notes are outstanding, to the extent that the covenants contained in the Bridge Note Agreement are more restrictive than the covenants herein contained, all such covenants of the Bridge Note Agreement, as in effect on the Closing Date, are incorporated herein by reference.

ARTICLE IX

EVENTS OF DEFAULT

9.1 Event of Default. Any of the following shall constitute an "Event of Default":

(a) Non-Payment. The Company fails to pay, when and as required to be paid herein, any amount of principal of any Loan or of any L/C Obligation, or, within three Business Days after the same becomes due, any amount of interest or any fees or other amounts payable hereunder or under any other Loan Document.

(b) Representation or Warranty. Any representation or warranty by the Company or any Subsidiary made or deemed made herein or in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary or any Responsible Officer furnished at any time under this Agreement or any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made.

(c) Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 7.3 or Article VIII.

(d) Other Defaults. The Company or any Guarantor party thereto fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date upon which a Responsible Officer knew or reasonably should have known of such failure or (ii) the date upon which written notice thereof is given to the Company by the Administrative Agent or any Lender.

(e) Cross-Default. (i) The Company or any Guarantor (A) fails to make any payment in respect of any Indebtedness or Contingent Obligation (other than in respect of Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $1,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise but subject to any applicable grace period) or (B) fails to perform or observe any other condition or covenant, or any other event shall occur or condition shall exist, under any agreement or instrument relating to any such Indebtedness or Contingent Obligation, if the effect

of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, such Indebtedness to be declared to be due and payable prior to its stated maturity, or such Contingent Obligation to become payable, or cash collateral in respect thereof to be demanded or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) as to which the Company or any Subsidiary is an Affected Party (as so defined), and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than $1,000,000.

(f) Insolvency; Voluntary Proceedings. The Company or any Subsidiary (other than a Dormant Subsidiary): (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing.

(g) Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Subsidiary (other than a Dormant Subsidiary), or any writ, judgment, warrant of attachment, warrant of execution or similar process is issued or levied against a substantial part of the Company's or any Subsidiary's properties, and such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, warrant of execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Company or any Subsidiary (other than a Dormant Subsidiary) admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Company or any Subsidiary (other than a Dormant Subsidiary) acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor) or other similar Person for itself or a substantial portion of its property or business.

(h) ERISA. (i) One or more ERISA Events shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of $2,000,000; (ii) a contribution failure shall have occurred with respect to a Pension Plan sufficient to give rise to a Lien under Section 302(f) of ERISA; (iii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time

exceeds $2,000,000; or (iv) the Company or any ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, one or more installment payments with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan which results in an aggregate withdrawal liability in excess of $2,000,000.

(i) Monetary Judgments. One or more judgments, orders, decrees or arbitration awards is entered against the Company or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), as to any single or related series of transactions, incidents or conditions, of $3,000,000 or more, and the same shall remain undischarged, unvacated and unstayed pending appeal for a period of 30 days after the entry thereof, or the Company or any Subsidiary shall enter into any agreement to settle or compromise any pending or threatened litigation (to the extent not covered by independent third party insurance as to which the insurer does not dispute coverage), as to any single or related series of claims, involving payment by the Company or any Subsidiary of $3,000,000 or more.

(j) Non-Monetary Judgments. Any non-monetary judgment, order or decree is entered against the Company or any Subsidiary which has or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

(k) Change of Control. Any Change of Control occurs.

(l) Guarantor Defaults. The Guaranty shall cease to be in full force and effect with respect to any Guarantor (other than as expressly permitted hereunder), any Guarantor shall fail to comply with or to perform any applicable provision of the Guaranty, or any Guarantor (or any Person acting by, through or on behalf of such Guarantor) shall contest in any manner the validity, binding nature or enforceability of the Guaranty with respect to such Guarantor.

(m) Collateral Documents, etc. Any Collateral Document shall cease to be in full force and effect with respect to the Company or any Guarantor (other than as expressly permitted hereunder), the Company or any Guarantor shall fail to comply with or to perform any applicable provision of any Collateral Document, or the Company or any Guarantor (or any Person acting by, through or on behalf of the Company or any Guarantor) shall contest in any manner the validity, binding nature or enforceability of any Collateral Document.

9.2 Remedies. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders do any or all of the following:

(a) declare the commitment of each Lender to make Loans and any obligation of the Issuing Lender to Issue Letters of Credit to be terminated, whereupon such commitments and obligations shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing under any outstanding Letter of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letter of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided, however, that upon the occurrence of any Event of Default specified in subsection 9.1(f) or (g), the obligation of each Lender to make Loans and the obligation of the Issuing Lender to Issue Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent, the Issuing Lender or any other Lender.

9.3 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

ARTICLE X

THE AGENTS

10.1 Appointment and Authorization. (a) Each Lender hereby irrevocably (subject to Section 10.9) appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Each Lender hereby appoints DLJ as Documentation Agent for the Lenders and BofA and DLJ as Syndication Agents for the Lenders. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set

forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" in this Agreement and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligation arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit Issued by it and the documents associated therewith until such time and except for so long as the Administrative Agent may agree at the request of the Required Lenders to act for the Issuing Lender with respect thereto; provided, however, that the Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article X with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit Issued by it or proposed to be Issued by it and the applications and agreements for letters of credit pertaining to the Letters of Credit as fully as if the term "Administrative Agent", as used in this Article X, included the Issuing Lender with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to the Issuing Lender.

10.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.3 Liability of Administrative Agent. None of the Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct) or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or the existence, creation,

validity, attachment, perfection, enforceability, value or sufficiency of any collateral security for the Obligations or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

10.4 Reliance by Administrative Agent. (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Sections 5.1 and 5.2, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender.

10.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Event of Default or Unmatured Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative

Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as may be requested by the Required Lenders in accordance with Article IX; provided, however, that unless and until the Administrative Agent has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.6 Credit Decision. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

10.7 Indemnification of Agents. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agents and the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to any Agent or Agent-Related Person of any portion of the Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse each Agent upon demand for its ratable share of any costs or

out-of-pocket expenses (including Attorney Costs) incurred by the such Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that such Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of any Agent.

10.8 Administrative Agent in Individual Capacity. BofA and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though BofA were not the Administrative Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Affiliates) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA and any Affiliate thereof shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though BofA were not the Administrative Agent.

10.9 Successor Administrative Agent. The Administrative Agent may, and at the request of the Required Lenders shall, resign as Administrative Agent upon 30 days' notice to the Lenders and the Company. If the Administrative Agent resigns under this Agreement, the Required Lenders shall have the right, with the consent of the Company so long as no Event of Default or Unmatured Event of Default has occurred and is continuing (which consent shall not be unreasonably withheld or delayed), to appoint from among the Lenders a successor agent for the Lenders. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article X and Sections 11.4 and 11.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a

retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. Notwithstanding the foregoing, however, BofA may not be removed as the Administrative Agent at the request of the Required Lenders unless BofA and any Affiliate thereof acting as the Issuing Lender or Swingline Lender hereunder shall also simultaneously be replaced as the Issuing Lender and Swingline Lender pursuant to documentation in form and substance reasonably satisfactory to BofA (and, if applicable, such Affiliate).

10.10 Withholding Tax. (a) If any Lender is a "foreign corporation, partnership or trust" within the meaning of the Code and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Section 1441 or 1442 of the Code, such Lender shall deliver to the Administrative Agent and the Company:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Forms 1001 and W-8 before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form 4224 before the payment of any interest is due in the first taxable year of such Lender and in each succeeding taxable year of such Lender during which interest may be paid under this Agreement, and IRS Form W-9; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Each such Lender agrees to promptly notify the Administrative Agent and the Company of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Lender, such Lender agrees to notify the Administrative Agent and the Company of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Lender. To the extent of such

percentage amount, the Administrative Agent and the Company will treat such Lender's IRS Form 1001 as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form 4224 with the Administrative Agent and the Company sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Administrative Agent or the Company, as the case may be, may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not timely delivered to the Administrative Agent, or the Company, as the case may be, then the Administrative Agent or the Company, as the case may be, may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax without deduction.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent or the Company did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or was not properly executed, or because such Lender failed to notify the Administrative Agent or the Company of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Administrative Agent or the Company, as the case may be, fully for all amounts paid, directly or indirectly, by the Administrative Agent or the Company, as the case may be, as Tax or otherwise, including penalties and interest, and including any Taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent or the Company, as the case may be, under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

10.11 Collateral Matters.

(a) The Administrative Agent is authorized on behalf of all the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time to take any action with respect to any collateral or the Collateral Documents which may be necessary to perfect and maintain perfected the security interest in and Liens upon the collateral granted pursuant to the Collateral Documents.

(b) The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Lien granted to or held by the Administrative Agent upon any collateral: (i) upon termination of the Commitments and payment in full of all Loans and all other obligations known to the Administrative Agent and payable under this Agreement or any other Loan Document; (ii) constituting property sold or to be sold or disposed of as part of or in connection with any disposition permitted hereunder; (iii) constituting property in which the Company or any Subsidiary owned no interest at the time the Lien was granted or at any time thereafter; (iv) constituting property leased to the Company or any Subsidiary under a lease which has expired or been terminated in a transaction permitted under this Agreement or is about to expire and which has not been, and is not intended by the Company or such Subsidiary to be, renewed or extended; (v) consisting of an instrument evidencing Indebtedness or other debt instrument, if the indebtedness thereby has been paid in full; or (vi) if approved, authorized or ratified in writing by the Required Lenders or, if required by Section 11.1(g), all the Lenders. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release particular types or items of collateral pursuant to this subsection 10.11(b).

(c) Each Lender agrees with and in favor of each other (which agreement shall not be for the benefit of the Company or any Subsidiary) that any security interest in real property collateral received by a Lender in connection with the extension of any loan or financial commitment between such Lender and the Company or any of its Affiliates and not related to the transactions contemplated hereby shall not constitute collateral for the Company's obligations under this Agreement or any other Loan Document.

10.12 The Syndication Agents. The Syndication Agents shall have no rights or duties in such capacities under this Agreement and the other Loan Documents.

ARTICLE XI

MISCELLANEOUS

11.1 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders and the Company and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only if in writing and in the specific instance and for the specific purpose for which given; provided that:

(a) no such waiver, amendment or consent shall increase or extend any Commitment of any Lender (or

reinstate any Commitment terminated pursuant to Section 9.2) without the written consent of such Lender;

(b) no such waiver, amendment or consent shall postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal (including any mandatory prepayment pursuant to Section 2.8) or interest on any Loan without the written consent of the Lender holding such Loan;

(c) no such waiver, amendment or consent relating to the definition of "Mandatory Prepayment Event" or to any provision of this Agreement or any other Loan Document which would result in any increased or decreased mandatory prepayment of any Loan, or any increased or decreased mandatory reduction of any Commitment, shall be made without the written consent of the Required Revolving Lenders, Required Term A Lenders, Required Term B Lenders and Required Term C Lenders;

(d) no such waiver, amendment or consent shall reduce the principal of, or the rate of interest specified herein on, any Loan shall be made without the written consent of the Lender holding such Loan;

(e) no such waiver, amendment or consent shall (subject to clause (m) below) reduce any fees payable hereunder or under any other Loan Document, or postpone or delay any date fixed by this Agreement or any other Loan Document for the payment of fees or any other amounts due to any Lender hereunder or under any other Loan Document, without the written consent of the Lender to whom such fee or other amount is owing;

(f) no such waiver, amendment or consent shall (v) change the aggregate percentage of the Total Percentage which is required for the Lenders or any of them to take any action hereunder without the written consent of all Lenders, (w) amend the definition of "Required Revolving Lenders" without the written consent of all Revolving Lenders, (x) amend the definition of "Required Term A Lenders" without the written consent of all Term A Lenders, (y) amend the definition of "Required Term B Lenders" without the written consent of all Term B Lenders or (z) amend the definition of "Required Term C Lenders" without the written consent of all Term C Lenders;

(g) no such waiver, amendment or consent shall release the Guaranty or any Guarantor or release all or substantially all of the collateral securing the Obligations without the written consent of all Lenders;

(h) no such waiver, amendment or consent shall amend or waive any provision of this Section or Section 2.15, or any other provision herein providing for consent or

other action by all Lenders, without the written consent of all Lenders;

(i) after the making of the Term Loans, Section 2.3, 2.4 (as it relates to conversions and continuations of Revolving Loans), 2.6, 2.7 (as it relates to an optional prepayment of Revolving Loans), 2.8(b) or 2.9(d) or Article III may be amended, or the rights or privileges thereunder waived, with the written consent of the Required Revolving Lenders (or, in the case of Section 2.9(d), all of the Revolving Lenders), the Company and the acknowledgment of the Administrative Agent;

(j) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Required Lenders or all Lenders, as the case may be, affect the rights or duties of the Issuing Lender under this Agreement or any L/C-Related Document relating to any Letter of Credit Issued or to be Issued by it;

(k) no amendment, waiver or consent shall, unless in writing and signed by the Swingline Lender in addition to the Required Lenders or all Lenders, as the case may be, affect the rights and duties of the Swingline Lender under this Agreement;

(l) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Required Lenders or all Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and

(m) the Fee Letter may be amended, or rights or privileges thereunder waived, in writing executed by the parties thereto.

11.2 Notices. (a) All notices, requests and other communications hereunder shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Company by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 11.2, and (ii) shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered to the address or facsimile number specified for notices on Schedule 11.2; or, as directed to the Company or the Administrative Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Administrative Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third

Business Day after the date deposited into the U.S. mail; except that notices to the Administrative Agent pursuant to Article II, III or X shall not be effective until actually received by the Administrative Agent, and notices pursuant to Article III to the Issuing Lender shall not be effective until actually received by the Issuing Lender at the address specified for the "Issuing Lender" on Schedule 11.2.

(c) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and the Administrative Agent and the Lenders shall not have any liability to the Company or any other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans and L/C Obligations shall not be affected in any way or to any extent by any failure of the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in the telephonic or facsimile notice.

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

11.4 Costs and Expenses. The Company shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse the Agents and the Arrangers and their Affiliates (including BAI in its capacities as Swingline Lender and Issuing Lender) within five Business Days after demand (subject to subsection 5.1(e)) for all reasonable and documented costs and expenses incurred by the Agents and the Arrangers and their Affiliates in connection with the preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other document prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including Attorney Costs incurred by the Agents and the Arrangers with respect thereto; and

(b) pay or reimburse the Administrative Agent and each Lender within five Business Days after demand (subject to

subsection 5.1(e)) for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement or preservation of any right or remedy under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans and including in any Insolvency Proceeding or appellate proceeding).

11.5 Company Indemnification. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify and hold the Agent-Related Persons, each Agent and each Lender and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including, at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Administrative Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby or thereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding or any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the Release by the Company or any of its Subsidiaries of any Hazardous Material) related to or arising out of this Agreement or the Loans or Letters of Credit or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting solely from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations. Each Agent-Related Person and each Lender agrees that in the event that any investigation, litigation or proceeding is asserted or threatened in writing or instituted against it or any other Indemnified Party, or any remedial, removal or response action which is requested of it or any other Indemnified Party, for which any Agent-Related Person or Lender may desire indemnity or defense hereunder, such Agent-Related Person or such Lender shall notify the Company in writing of such event; provided that failure to so notify the Company shall not affect the right of any Agent-Related Person or Lender to seek indemnification under this Section.

11.6 Payments Set Aside. To the extent that the Company makes a payment to the Administrative Agent or the Lenders, or

the Administrative Agent or the Lenders exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee or receiver, or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

11.7 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

11.8 Assignments, Participations, etc. (a) Any Lender may, with the written consent of the Company at all times other than during the existence of an Event of Default and with the written consents of the Administrative Agent and the Issuing Lender and the Swingline Lender, which consent of the Company shall not be unreasonably withheld or delayed, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Company, the Administrative Agent, the Issuing Lender or the Swingline Lender shall be required in connection with any assignment and delegation by a Lender to a Person described in clause (iii) of the definition of Eligible Assignee) (each, an "Assignee") all, or any part, of the Loans, the Revolving Commitment, the L/C Obligations and the other rights and obligations of such Lender hereunder, in a minimum amount of $5,000,000 (or, if less, all of such Lender's remaining rights and obligations hereunder); provided, however, that (A) the Company, the Administrative Agent, the Issuing Lender and the Swingline Lender may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee shall have been given to the Company and the Administrative Agent by such Lender and the Assignee, (ii) such Lender and the Assignee shall have delivered to the Company and the Administrative Agent an Assignment and Acceptance in the form of Exhibit L (an "Assignment and Acceptance") together with any Note or Notes subject to such assignment and (iii) the assignor Lender or the Assignee has paid to the Administrative Agent a processing fee in the amount of $3,500 and (B) the Company shall not, as a result of any assignment by any Lender to any of such Lender's Affiliates, incur any increased liability for Taxes, Other Taxes or Further Taxes pursuant to Section 4.1.

(b) From and after the date that the Administrative Agent notifies the assignor Lender that it has provided its consent, and received the consents of the Swingline Lender, the Issuing Lender and (if applicable) the Company, with respect to an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Any Lender may at any time sell to one or more commercial banks or other Persons not Affiliates of the Company (a "Participant") participating interests in any Loan, the Revolving Commitment of such Lender and the other interests of such Lender (the "originating Lender") hereunder and under the other Loan Documents; provided, however, that (i) the originating Lender's obligations under this Agreement shall remain unchanged, (ii) the originating Lender shall remain solely responsible for the performance of such obligations, (iii) the Company, the Swingline Lender, the Issuing Lender and the Administrative Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents and (iv) no Lender shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Lenders or the consent of a particular Lender or the consent of the Required Revolving Lenders, Required Term A Lenders, Required Term B Lenders or Required Term C Lenders, in each case as described in clauses (a) through (h) of the proviso to Section 11.1. In the case of any such participation, the Participant shall be entitled to the benefit of Sections 4.1, 4.3 and 11.5 as though it were also a Lender hereunder (provided, with respect to Sections 4.1 and 4.3, the Company shall not be required to pay any amount which it would not have been required to pay if no participating interest had been sold), and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, the Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. Each Lender may furnish any information concerning the Company and its Subsidiaries in the possession of such Lender from time to time to participants and prospective participants and may furnish information in response to credit inquiries consistent with general banking practice.

(d) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR ss.203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

11.9 Confidentiality. Each Lender agrees to take, and to cause its Affiliates to take, normal and reasonable precautions and exercise due care to maintain the confidentiality of all non-public information provided to it by the Company or any Subsidiary, or by the Administrative Agent on the Company's or any Subsidiary's behalf, under this Agreement or any other Loan Document, and neither such Lender nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Company or any Subsidiary, except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by such Lender or (ii) was or becomes available on a non-confidential basis from a source other than the Company (provided that such source is not bound by a confidentiality agreement with the Company or any Subsidiary known to such Lender); provided, however, that any Lender may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which such Lender is subject or in connection with an examination of such Lender by any such authority, (B) pursuant to subpoena or other court process, (C) when required to do so in accordance with the provisions of any applicable Requirement of Law, (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent or any Lender or any of their respective Affiliates may be party, (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document, (F) to such Lender's independent auditors and other professional advisors, (G) to any Participant or Assignee, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Lenders hereunder, (H) as to any Lender or its Affiliate, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company or any Subsidiary is party or is deemed party with such Lender or such Affiliate and (I) to its Affiliates.

11.10 Set-off. In addition to any right or remedy of the Lenders provided by law, if an Event of Default exists, or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such

Lender to or for the credit or the account of the Company against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such set-off and application.

11.11 Automatic Debits of Fees. With respect to any commitment fee, arrangement fee, agency fee, letter of credit fee or other fee, or any other cost or expense (including Attorney Costs) due and payable to the Administrative Agent, the Swingline Lender or the Issuing Lender under the Loan Documents, the Company hereby irrevocably authorizes BofA (and, if requested by BofA, BAI) to debit any deposit account of the Company with BofA or BAI in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the fee or other cost or expense then due, such debits will be reversed (in whole or in part, in BofA's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

11.12 Notification of Addresses, Lending Offices, Etc. Each Lender shall notify the Administrative Agent in writing of any change in the address to which notices to such Lender should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

11.13 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of which taken together shall constitute but one and the same instrument.

11.14 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or such instrument or agreement.

11.15 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Lenders, the Administrative Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other Loan Document.

11.16 Governing Law and Jurisdiction. (a) THIS AGREEMENT AND ANY NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS. EACH OF THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY, THE ADMINISTRATIVE AGENT AND THE LENDERS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

11.17 Waiver of Jury Trial. THE COMPANY, THE LENDERS AND THE ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE COMPANY, THE LENDERS AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENT, RENEWAL, SUPPLEMENT OR MODIFICATION TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

11.18 Entire Agreement. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Lenders and the Agents, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

RAYOVAC CORPORATION

By: /s/ David A. Jones

Title: President/Chief Executive Officer

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent and
Syndication Agent

By: /s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as
Issuing Lender

By: /s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as
Swingline Lender

By: /s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as a Lender

By: /s/ Eric A. Schubert

Title: Managing Director

DLJ CAPITAL FUNDING, INC., as
Documentation Agent,
Syndication Agent and as
a Lender

By: /s/ Harold Philipps

Title: Managing Director

SCHEDULE 1.1

COMMITMENTS AND PERCENTAGES

Name of Lender	Total Percentage	Revolving Commitment	Revolving Percentage	Term A Loan	Term A Percentage	Term B Loan
Bank of America Illinois	50%	$32,500,000	50%	$27,500,000	50%	$12,500,000
DLJ Capital Funding, Inc.	50%	$32,500,000	50%	$27,500,000	50%	$12,500,000
TOTALS	100.00000000%	$65,000,000.00	100.00000000%	$55,000,000.00	100.00000000%	$25,000,000.00

Name of Lender	Term B Percentage	Term C Loan	Term C Percentage
Bank of America Illinois	50%	$12,500,000	50%
DLJ Capital Funding, Inc	50%	$12,500,000	50%
TOTALS	100.00000000%	$25,000,000	100.00000000%

SCHEDULE 5.1(j)

REAL PROPERTY TO BE MORTGAGED

1. Madison Plant
   2317 Winnebago Street
   Madison, Wisconsin
   (Dane County)

2. Appleton Plant
   2600 Ballard Road
   Appleton, Wisconsin
   (Outagamie County)

3. Kinston Plant (leasehold)
   4300 Rouse Road
   Kinston, North Carolina
   (Lenoir County)

4. Portage Facilities
   2851 Portage Road
   Portage, Wisconsin
   (Columbia County)

5. Fennimore Plant
   Highway 18 and Stitzer Road
   Fennimore, Wisconsin
   (Grant County)

6. Madison, Wisconsin Headquarters (leasehold)

7. 2115 Pinehurst Drive
   Middletown, Wisconsin (leasehold)

*

SCHEDULE 11.2

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

RAYOVAC CORPORATION
the Company
601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Treasurer
Telephone: (608) 275-4560
Facsimile: (608) 275-4577

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent

Bank of America National Trust
and Savings Association
Agency Management Services #5596
1455 Market Street, 12th Floor
San Francisco, California 94103
Attention: John Warren
Telephone: (415) 436-3489
Facsimile: (415) 436-2700

BANK OF AMERICA ILLINOIS,
as a Lender

Domestic and Offshore Lending Office:
231 South LaSalle Street
Chicago, Illinois 60697

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Eric Schubert
Telephone: (312) 828-6517
Facsimile: (312) 828-3555

Borrowing notices and Notices of Conversion/Continuation:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Darrylynn Adams
Telephone: (312) 828-4571
Facsimile: (312) 828-9626

DLJ CAPITAL FUNDING, INC.,
- - --------------------------
  as a Lender

277 Park Avenue
New York, New York 10172
Attention: Wendy LaMantia
Telephone: (212) 892-2407
Facsimile: (212) 892-5236

Domestic and Offshore Lending Office:

277 Park Avenue
New York, New York 10172

BANK OF AMERICA ILLINOIS,
- - -------------------------
  as Issuing Lender

Address for Notices:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Jess Aranas
Telephone: (312) 923-5924
Facsimile: (312) 987-6828

BANK OF AMERICA ILLINOIS,
- - -------------------------
  as Swingline Lender

Address for Notices:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Darrylynn Adams
Telephone: (312) 828-4571
Facsimile: (312) 974-9626

FIRST AMENDMENT

THIS FIRST AMENDMENT dated as of October 23, 1996 (this "Amendment") is to the Credit Agreement (the "Credit Agreement") dated as of September 12, 1996 among RAYOVAC CORPORATION, a Wisconsin corporation (the "Company"), various financial institutions (the "Lenders"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as administrative agent for the Lenders (the "Administrative Agent"), DLJ CAPITAL FUNDING, INC., as documentation agent for the Lenders (the "Documentation Agent" and, together with the Administrative Agent, the "Agents"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION and DLJ CAPITAL FUNDING, INC., as joint syndication agents for the Lenders. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as defined in the Credit Agreement.

WHEREAS, the Company, the Agents and DLJ Capital Funding Inc. ("DLJ") and Bank of America Illinois ("BAI" and, together with DLJ, the "Existing Lenders") have entered into the Credit Agreement; and

WHEREAS, the parties hereto desire to amend the Credit Agreement to add The First National Bank of Boston, Bank of Montreal, Chicago Branch, Bank of Tokyo-Mitsubishi Trust Company, Bankers Trust Company, Fleet National Bank, Banque Nationale de Paris, Firstar Bank Milwaukee, N.A., Heller Financial, Inc., The Long-Term Credit Bank of Japan, Ltd., Chicago Branch, Allstate Life Insurance Company, Senior Debt Portfolio, Merrill Lynch Senior Floating Rate Fund, Inc., Protective Life Insurance Company, Van Kampen American Capital Prime Rate Income Trust, Massachusetts Mutual Life Insurance Company and ING Capital Advisors, Inc. (collectively the "New Lenders") as "Lenders" thereunder;

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

SECTION 1 AMENDMENT. Effective on (and subject to the occurrence of) the Effective Date (as defined below), the Credit Agreement shall be amended in accordance with Sections 1.1 and 1.2 below:

1.1 Schedule 1.1. Schedule 1.1 is amended in its entirety by substituting therefor Schedule 1.1 attached hereto.

1.2 Section 1.1. Section 1.1 is amended by (i) amending clause (iii) of the definition of "Eligible Assignee" in its entirety to read as follows

> (iii) (x) a Lender, (y) an Affiliate of a Lender that is a Person of the type specified in clause (i), (ii) or (iv) of this definition or (z) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Lender, (B) a Subsidiary of a Person of which a Lender is a Subsidiary or (C) a Person of which a Lender is a Subsidiary;

and (ii) adding the following definition in its proper alphabetical position

> Swingline Lender means BAI in its capacity as lender of Swingline Loans together with any replacement lender of Swingline Loans arising under Section 10.9.

1.3 Schedule 5.1(j). Schedule 5.1(j) is amended in its entirety by substituting therefor Schedule 5.1(j) attached hereto.

1.4 Section 10.10. Section 10.10 is amended by (i) deleting the word "and" at the end of clause (ii) of subsection 10.10(a), (ii) changing the designation at the beginning of clause (iii) of subsection 10.10(a) from "(iii)" to "(iv)", (iii) adding the following clause (iii) to subsection 10.10(a)

> (iii) if such Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot deliver either Internal Revenue Service Form 1001 or 4224, such Lender shall deliver (A) a certificate substantially in the form of Exhibit M and (B) two properly completed and signed copies of Internal Revenue Service Form W-8 certifying that such Lender is entitled to an exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and any Note; and

and (iv) adding the following subsection 10.10(f)

> (f) If any Lender claims exemption from, or reduction of, withholding tax under the Code by providing IRS Form W-8 and a certificate in the form of Exhibit M and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Lender, such Lender agrees to notify the Administrative Agent and the Company of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Lender. To the extent of such percentage amount, the Administrative Agent and the Company will treat such Lender's IRS Form W-8 and certificate in the form of Exhibit M as no longer valid.

1.5 Schedule 11.2. Schedule 11.2 is amended in its entirety by substituting therefor Schedule 11.2 attached hereto.

1.6 Subsection 11.8(a). Subsection 11.8(a) of the Credit Agreement is amended by (i) deleting the words "which consent of the Company" where they appear in such subsection and inserting in lieu thereof the words "which consents", (ii) inserting after the phrase "$5,000,000 (or, if less, all of such Lender's remaining rights and obligations hereunder)" the parenthetical phrase "(provided that each of Bank of America Illinois and DLJ Capital Funding, Inc. may assign and delegate all of its Term B Loan and Term C Loan to one or more Eligible Assignees without regard to the foregoing limitation)" and (iii) inserting the following after the last sentence thereof

> The Company designates the Administrative Agent as its agent for maintaining a book entry record of ownership identifying the Lenders and the amount of the respective Loans and Notes which they own. The foregoing provisions are intended to comply with the registration requirements in Treasury Regulation Section 5f.103-1 so that the Loans and Notes are considered to be in "registered form" pursuant to such regulation.

1.7 Subsection 11.8(c). Subsection 11.8(c) of the Credit Agreement is amended by inserting the following immediately prior to the last sentence thereof

> Each Lender which sells a participation will maintain a book entry record of ownership identifying the Participant(s) and the amount of such participation(s) owned by such Participant(s). Such book entry record of ownership shall be maintained by the Lender as agent for the Company and the Administrative Agent. This provision is intended to comply with the registration requirements in Treasury Regulation Section 5f.103-1 so that the Loans and Notes are considered to be in "registered form" pursuant to such regulation.

1.8 Exhibit M. Exhibit M hereto is added to the Credit Agreement as Exhibit M thereto.

SECTION 2 REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Agents and the Lenders that (a) the representations and warranties made in Article VI of the Credit Agreement are true and correct on and as of the Effective Date with the same effect as if made on and as of the Effective Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date); (b) no Event of Default or Unmatured Event of Default exists or will result from the execution of this Amendment; (c) no event or circumstance has occurred since the Closing Date that has resulted, or would reasonably be expected to result, in a Material Adverse Effect; (d) the execution and delivery by the Company of this Amendment and the New Notes (as defined below) and the performance by the

Company of its obligations under the Credit Agreement as amended hereby (as so amended, the "Amended Credit Agreement") and the New Notes (i) are within the corporate powers of the Company, (ii) have been duly authorized by all necessary corporate action, (iii) have received all necessary approval from any Governmental Authority and (iv) do not and will not contravene or conflict with any Requirement of Law or of any provision of any Organization Document of the Company or of any Contractual Obligation or any order, injunction, writ or decree of any Governmental Authority which is binding upon the Company; and (e) each of the Amended Credit Agreement and each New Note is the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

SECTION 3 EFFECTIVENESS. The amendments set forth in Section 1 above shall become effective on such date (the "Effective Date") when the Agents shall have received (a) a counterpart of this Amendment executed by each of the parties hereto (or, in the case of any party other than the Company from which the Agents have not received a counterpart hereof, facsimile confirmation of the execution of a counterpart hereof by such party) and (b) each of the following documents, each in form and substance satisfactory to the Agents:

3.1 Notes. New Notes, substantially in the form of Exhibit D to the Credit Agreement, payable to the order of each of the New Lenders (collectively, the "New Notes").

3.2 Confirmation. A confirmation from ROV Holding, substantially in the form of Exhibit A hereto.

3.3 Opinions. (i) An opinion of Skadden, Arps, Slate, Meagher & Flom, substantially in the form of Exhibit B-1 hereto and (ii) an opinion of Foley & Lardner, substantially in the form of Exhibit B-2 hereto.

3.4 Other Documents. Such other documents as any Agent or any Lender may reasonably request in connection with the Company's authorization, execution and delivery of this Amendment and the New Notes.

SECTION 4 ADDITION OF LENDERS. On the Effective Date, each New Lender shall become a "Lender" under and for all purposes of the Credit Agreement, shall be bound by the Credit Agreement, and shall be entitled to the benefits of the Credit Agreement and each other Loan Document, and each Lender (including each Existing Lender) shall have a Total Percentage, a Revolving Commitment, a Revolving Percentage, a Term A Loan, a Term A

Percentage, a Term B Loan, a Term B Percentage, a Term C Loan and a Term C Percentage in the respective amounts and percentages set forth on Schedule 1.1 hereto. To facilitate the foregoing, each New Lender agrees that on the Effective Date it will remit to the Administrative Agent funds in an amount equal to its Revolving Percentage of all outstanding Revolving Loans plus its Term A Percentage of all outstanding Term A Loans plus its Term B Percentage of all outstanding Term B Loans plus its Term C Percentage of all outstanding Term C Loans, and the Administrative Agent agrees to immediately remit all of such funds received from each New Lender to each Existing Lender ratably in accordance with its proportionate share of such funds. Each New Lender agrees that all interest and fees accrued under the Credit Agreement prior to the Effective Date are the property of the Existing Lenders. By their signatures below, each Existing Lender confirms that it has not sold or otherwise encumbered its rights under the Credit Agreement or its interest in any Loans prior to the syndication thereof pursuant to this Amendment.

SECTION 5 MISCELLANEOUS.

5.1 Continuing Effectiveness, etc. As herein amended, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects. After the Effective Date, all references in the Credit Agreement, the Notes, each other Loan Document and any similar document to the "Credit Agreement" or similar terms shall refer to the Amended Credit Agreement.

5.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment.

5.3 Expenses. The Company agrees to pay the reasonable costs and expenses of the Agents (including Attorney Costs) in connection with the preparation, execution and delivery of this Amendment.

5.4 Governing Law. This Amendment shall be a contract made under and governed by the internal law of the State of New York.

5.5 Successors and Assigns. This Amendment shall be binding upon the Company, the Lenders and the Agents and their respective successors and assigns, and shall inure to the benefit of the Company, the Lenders and the Agents and the successors and assigns of the Lenders and the Agents.

5.6 Qualified Indenture. The Company, the Agents and the undersigned Lenders acknowledge that, for purposes of the Credit

Agreement, the Indenture, dated as of October 22, 1996, among the Company, as Issuer, ROV Holding, as Guarantor, and Marine Midland Bank, as Trustee, relating to the Company's $100,000,000 10 1/4% Senior Subordinated Notes due 2006, is a Qualified Indenture.

[signature pages follow]

Delivered as of the day and year first above written.

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey

Title:Executive Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent and
Syndication Agent

By:/s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as
Issuing Lender

By:/s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as
Swingline Lender

By:/s/ Eric A. Schubert

Title: Managing Director

BANK OF AMERICA ILLINOIS, as a
Lender

By:/s/ Eric A. Schubert

Title: Managing Director

DLJ CAPITAL FUNDING, INC., as
Documentation Agent,
Syndication Agent and as a
Lender

By:/s/ Harold Philipps

Title: Managing Director

ALLSTATE LIFE INSURANCE
COMPANY

By:/s/ S.M. Laude

Title: Vice President

SENIOR DEBT PORTFOLIO

By: Boston Management and
Research, its investment
adviser

By:/s/ Payson Swaffield

Title: Vice President

MERRILL LYNCH SENIOR FLOATING
RATE FUND, INC.

By:/s/ Gilles Marchand

Title: CFA

PROTECTIVE LIFE INSURANCE
COMPANY

By:/s/ Mark K. Okada

Title:Executive Vice President

VAN KAMPEN AMERICAN CAPITAL
PRIME RATE INCOME TRUST

By:/s/ Jeffrey W. Maillet

Title:Senior Vice President

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By:/s/ John B. Joyce

Title: Managing Director

ING CAPITAL ADVISORS, INC., as
Agent for Bank Syndication
Account

By:/s/ Michael D. Hatley

Title: Vice President

BANKERS TRUST COMPANY

By:/s/ Chris Kinslow

Title: Vice President

THE FIRST NATIONAL BANK OF
BOSTON

By:/s/ Peter R. White

Title: Managing Director

BANQUE NATIONALE DE PARIS

By:/s/ Mark Whitson

Title: Vice President

By:/s/ Serge Desrayaud

Title: Vice President

BANK OF MONTREAL, CHICAGO
BRANCH

By:/s/ Peter Konigsmann

Title: Director

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY

By:/s/ Paul P. Malecki

Title: Vice President

FIRSTAR BANK MILWAUKEE, N.A.

By:/s/ Randy Olver

Title: Vice President

FLEET NATIONAL BANK

By:/s/ James C. Silva

Title:Executive Vice President

HELLER FINANCIAL, INC.

By:/s/ Christina M. Rashid

Title: Vice President

THE LONG-TERM CREDIT BANK OF
JAPAN, LTD., CHICAGO BRANCH

By:/s/ John Carley

Title: Vice President

SCHEDULE 5.1(j)

REAL PROPERTY TO BE MORTGAGED

1. Madison Plant
   2317 Winnebago Street
   Madison, Wisconsin
   (Dane County)

2. Appleton Plant
   2500 Ballard Road
   Appleton, Wisconsin
   (Outagamie County)

3. Appleton Plant
   2600 Ballard Road
   Appleton, Wisconsin
   (Outagamie County)

4. Kinston Plant
   4300 Rouse Road
   Kinston, North Carolina
   (Lenoir County)

5. Portage Plant
   2851 Portage Road
   Portage, Wisconsin
   (Columbia County)

6. Fennimore Plant
   Highway 18 and Stitzer Road
   Fennimore, Wisconsin
   (Grant County)

7. Corporate Headquarters (leasehold)
   601 Rayovac Drive
   Madison, Wisconsin
   (Dane County)

8. Middleton Distribution Center (leasehold)
   2115 Pinehurst Drive
   Middletown, Wisconsin
   (Dane County)

SCHEDULE 11.2

OFFSHORE AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

RAYOVAC CORPORATION
the Company
601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Treasurer
Telephone: (608) 275-4560
Facsimile: (608) 275-4577

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Administrative Agent

Bank of America National Trust
and Savings Association
Agency Management Services #5596
1455 Market Street, 12th Floor
San Francisco, California 94103
Attention: John Warren
Telephone: (415) 436-3489
Facsimile: (415) 436-2700

BANK OF AMERICA ILLINOIS,
as a Lender

Domestic and Offshore Lending Office:
231 South LaSalle Street
Chicago, Illinois 60697

Notices (other than Borrowing notices and Notices of Conversion/Continuation):

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Eric Schubert
Telephone: (312) 828-6517
Facsimile: (312) 828-3555

Borrowing notices and Notices of Conversion/Continuation:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Darrylynn Adams
Telephone: (312) 828-4571
Facsimile: (312) 828-9626

DLJ CAPITAL FUNDING, INC.,
- - -------------------------
  as a Lender

277 Park Avenue
New York, New York 10172
Attention: Wendy LaMantia
Telephone: (212) 892-2407
Facsimile: (212) 892-5236

Domestic and Offshore Lending Office:

277 Park Avenue
New York, New York 10172

BANK OF AMERICA ILLINOIS,
- - ------------------------
  as Issuing Lender

Address for Notices:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Jess Aranas
Telephone: (312) 923-5924
Facsimile: (312) 987-6828

BANK OF AMERICA ILLINOIS,
- - ------------------------
  as Swingline Lender

Address for Notices:

231 South LaSalle Street
Chicago, Illinois 60697
Attention: Darrylynn Adams
Telephone: (312) 828-4571
Facsimile: (312) 974-9626

ALLSTATE LIFE INSURANCE COMPANY
- - ------------------------------

Address for Notices:

3075 Sanders Road, Suite G3A
Northbrook, IL 60062-7127
Attention: Jerry Zinkula
Telephone: (847) 402-8383
Facsimile: (847) 402-3092

RESTRUCTURED OBLIGATIONS BACKED BY SENIOR ASSETS B.V.
- - ----------

Address for Notices:

1166 Avenue of the Americas
New York, NY 10036
Attention: Chris Jansen
Telephone: (212) 278-9669
Facsimile: (212) 278-9619

SENIOR DEBT PORTFOLIO
- - ----------

Address for Notices:

24 Federal Street
Boston, MA 02110
Attention: Payson Swaffield
Telephone: (617) 654-8484
Facsimile: (617) 695-9594

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.
- - ----------

Address for Notices:

800 Scudders Mill Road, Area 2C
Plainsboro, NJ 08536
Attention: Douglas Henderson
Telephone: (609) 282-2059
Facsimile: (609) 282-2756

PROTECTIVE LIFE INSURANCE COMPANY
- - ----------

Address for Notices:

1150 Two Galleria Tower
13455 Noel Road, LB45
Dallas, TX 75240
Attention: Mark Okada
Telephone: (214) 233-4300
Facsimile: (214) 233-4343

VAN KAMPEN AMERICAN CAPITAL PRIME RATE INCOME TRUST
- - ----------

Address for Notices:

One Parkview Plaza
Oakbrook Terrace, IL 60181
Attention: Jeffrey Maillet
Telephone: (630) 684-6438
Facsimile: (630) 684-6740

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
- - --

Address for Notices:

1295 State Street
Springfield, MA 01111
Attention: John Joyce
Telephone: (413) 744-6075
Facsimile: (413) 744-6127

ING CAPITAL ADVISORS, INC.
- - -------------------------

Address for Notices:

333 South Grand Avenue, Suite 400
Los Angeles, CA 90071
Attention: Michael Hatley
Telephone: (213) 621-9062
Facsimile: (213) 626-6552

BANKERS TRUST COMPANY
- - --------------------

Address for Notices:

130 Liberty Street, Mail Stop 2303
New York, NY 10006
Attention: Chris Kinslow
Telephone: (212) 250-3233
Facsimile: (212) 250-7200

THE FIRST NATIONAL BANK OF BOSTON
- - ---------------------------------

Address for Notices:

100 Federal Street, Mail Stop 01-08-05
Boston, MA 02110
Attention: Clifford A. Gaysumas
Telephone: (617) 434-3051
Facsimile: (617) 434-4929

BANQUE NATIONALE DE PARIS
- - -------------------------

Address for Notices:

499 Park Avenue
New York, NY 10022
Attention: Mark Whitson
Telephone: (212) 415-9884
Facsimile: (212) 415-9629

BANK OF MONTREAL, CHICAGO BRANCH
- - --------------------------------

Address for Notices:

115 South LaSalle Street, 11th Floor
Chicago, IL 60603
Attention: Peter Konigsmann
Telephone: (312) 750-8704
Facsimile: (312) 750-3834

BANK OF TOKYO-MITSUBISHI TRUST COMPANY
- - -------------------------------------

Address for Notices:

1251 Avenue of the Americas, 12th Floor
New York, NY 10020-1104
Attention: Paul Malecki
Telephone: (212) 782-4343
Facsimile: (212) 782-4981

FIRSTAR BANK MILWAUKEE, N.A.
- - ----------------------------

Address for Notices:

777 East Wisconsin Avenue
Milwaukee, WI 53202
Attention: Randy Olver
Telephone: (414) 765-5324
Facsimile: (414) 765-4632

FLEET NATIONAL BANK
- - ------------------

Address for Notices:

One Federal Street, MA0FD03C
Boston, MA 02211
Attention: Jim Silva
Telephone: (617) 346-1655
Facsimile: (617) 346-1569

HELLER FINANCIAL, INC.
- - ----------------------

Address for Notices:

500 West Monroe Street
Chicago, IL 60661
Attention: Christina Rashid
Telephone: (312) 441-7571
Facsimile: (312) 441-7357

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
- - --
CHICAGO BRANCH
- - --------------

Address for Notices:

190 South LaSalle Street, Suite 800
Chicago, IL 60603
Attention: John Carley
Telephone: (312) 853-9516
Facsimile: (312) 704-8505

EXHIBIT A

CONFIRMATION

Dated as of October 23, 1996

To: Bank of America National Trust and Savings Association, as Administrative Agent, and the other financial institutions party to the Credit Agreement referred to below

Please refer to (a) the Credit Agreement dated as of September 12, 1996 among Rayovac Corporation, various financial institutions (the "Lenders") and Bank of America National Trust and Savings Association, as Administrative Agent (the "Administrative Agent"); (b) the First Amendment dated as of October 23, 1996 to the Credit Agreement (the "First Amendment"); and (c) the Guaranty (the "Guaranty") dated as of September 12, 1996, executed by ROV Holding Inc. in favor of the Administrative Agent and the Lenders.

The undersigned hereby confirms to the Administrative Agent and the Lenders that, after giving effect to the First Amendment and the transactions contemplated thereby, the Guaranty and each other Loan Document (as defined in the Credit Agreement) to which the undersigned is a party continues in full force and effect and is the legal, valid and binding obligation of the undersigned, enforceable against the undersigned in accordance with its terms.

ROV HOLDING INC.

By:_____

Title:_____

EXHIBIT M

CERTIFICATE

Reference is made to the Credit Agreement, dated as of September 12, 1996, among Rayovac Corporation, the lenders parties thereto, Bank of America National Trust and Savings Association, as administrative agent, and DLJ Capital Funding, Inc., as documentation agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Pursuant to the provisions of subsection 10.10(a)(iii) of the Credit Agreement, the undersigned hereby certifies that it is not a "bank" as such term is defined in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended.

[NAME OF LENDER]

By:

Its:

SCHEDULE 1.1

COMMITMENTS AND PERCENTAGES

Name of Lender	Total Percentage	Revolving Commitment	Revolving Percentage	Term A Loan	Term A Percentage
Bank of America Illinois	10.45751635%	$8,124,999.99	12.49999998%	$6,875,000.03	12.50000005%
DLJ Capital Funding, Inc.	10.45751633%	$8,124,999.98	12.49999997%	$6,875,000.00	12.50000000%
The First National Bank of Boston	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Bank of Montreal, Chicago Branch	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Bank of Tokyo-Mitsubishi Trust Company	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Bankers Trust Company	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.3333333%
Banque Nationale de Paris	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Firstar Bank Milwaukee, N.A.	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Fleet National Bank	5.8823594%	$5,416,666.67	8.33333334%	$4,583,333.33	8.33333333%
Restructured Obligations Backed By Senior Assets B.V.	3.26797386%	0	0%	0	0%
Senior Debt Portfolio	3.26797386%	0	0%	0	0%
ING Capital Advisors, Inc.	3.26797385%	0	0%	0	0%
Massachusetts Mutual Life Insurance Company	3.26797386%	0	0%	0	0%
Protective Life Insurance Company	3.26797385%	0	0%	0	0%
Van Kampen American Capital Prime Rate Inc. Trust	3.26797385%	0	0%	0	0%
TOTALS	100.00000000%	$65,000,000.00	100.00000000%	$55,000,000.00	100.00000000%

Name of Lender	Term B Loan	Term B Percentage	Term C Loan	Term C Percentage
Bank of America Illinois	$1,388,888,89	5.55555556%	$1,388,888.89	5.55555556%
DLJ Capital Funding, Inc.	$1,388,888.89	5.55555556%	$1,388,888.89	5.55555556%
The First National Bank of Boston	0	0%	0	0%
Bank of Montreal, Chicago Branch	0	0%	0	0%
Bank of Tokyo-Mitsubishi Trust Company	0	0%	0	0%
Bankers Trust Company	0	0%	0	0%
Banque Nationale de Paris	0	0%	0	0%
Firstar Bank Milwaukee, N.A.	0	0%	0	0%
Fleet National Bank	0	385%	0	$11.11111108%
Restructured Obligations Backed By Senior Assets B.V.	$2,777,777.78	11.11111112%	$2,777,777.78	11.11111112%
Senior Debt Portfolio	$2,777,777.78	11.11111112%	$2,777,777.78	11.11111112%
ING Capital Advisors, Inc.	$2,777,777.78	11.11111112%	$2,777,777.77	11.11111108%
Massachusetts Mutual Life Insurance Company	$2,777,777.78	11.11111	3.26797386%	$11.11111112%
Protective Life Insurance Company	$2,777,777.77	11.11111108%	$2,777,777.78	11.11111112%
Van Kampen American Capital Prime Rate Inc. Trust	$2,777,777.77	11.11111108%	$2,777,777.78	11.11111112%
TOTALS	$25,000,000.00	100.00000000%	$25,000,000	100.0000000%

EXHIBIT 4.6

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Agreement"), dated as of September 12, 1996, is among RAYOVAC CORPORATION, a Wisconsin corporation (the "Company"); ROV HOLDING, INC., a Delaware corporation ("Holding"); such other persons or entities which from time to time become parties hereto (collectively, including the Company and Holding, and excluding the Administrative Agent, the "Debtors" and individually each a "Debtor"); and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, in its capacity as administrative agent for the Lender Parties referred to below (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Company has entered into a Credit Agreement, dated as of September 12, 1996 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), with the several financial institutions from time to time party to the Credit Agreement, the Administrative Agent and DLJ Capital Funding, Inc., as documentation agent, pursuant to which such financial institutions have agreed to make available to the Company term loans and a revolving credit facility with a letter of credit subfacility;

WHEREAS, each of the Debtors, other than the Company, has executed and delivered a guaranty (as amended, supplemented or otherwise modified from time to time, the "Guaranty") of the obligations of the Company under the Credit Agreement; and

WHEREAS, the obligations of the Company under the Credit Agreement and the obligations of each other Debtor under the Guaranty are to be secured pursuant to this Agreement;

NOW, THEREFORE, for and in consideration of any loan, advance or other financial accommodation heretofore or hereafter made to the Company under or in connection with the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. When used herein, (a) the terms Account, Certificated Security, Chattel Paper, Deposit Account, Document, Equipment, Fixture, General Intangible, Goods, Inventory, Instrument, Money, Security and Uncertificated Security have the respective meanings assigned to such terms in the Uniform Commercial Code (as defined below), (b) the terms Commodity Account, Commodity Contract, Investment Property, Security Entitlement and Securities Account have the respective meanings assigned thereto in the 1994

Amendments to Articles 8 and 9 of the Uniform Commercial Code promulgated by the American Law Institute and the National Conference of Commissioners for Uniform State Laws and (c) the following terms have the following meanings (such definitions to be applicable to both the singular and plural forms of such terms):

Account Debtor means the party who is obligated on or under any Non-Tangible Collateral.

Assignee Deposit Account - see Section 4.

Benefits - see Section 6.

Cash Instruments means all cash, checks, drafts and other instruments or writings for the payment of money.

Collateral means, with respect to any Debtor, all property and rights of such Debtor in which a security interest is granted hereunder.

Computer Hardware and Software means, with respect to any Debtor, all of such Debtor's rights (including without limitation rights as licensee and lessee) with respect to: (i) all computer and other electronic data processing hardware, including without limitation all integrated computer systems, central processing units, memory units, display terminals, printers, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories, peripheral devices and other related computer hardware; (ii) all operating system software, utilities and application programs in whatsoever form (source code and object code in magnetic tape, disk or hard copy format or any other listings whatsoever) designed for use on the computers and electronic data processing hardware described in clause (i) above; (iii) all firmware associated with any of the foregoing; and (iv) any documentation for hardware, software and firmware described in clauses (i), (ii) and (iii) above, including without limitation flow charts, logic diagrams, manuals, specifications, training materials, charts and pseudo codes.

Concentration Account - see Section 7(a).

Concentration Bank means The First National Bank of Chicago, in its capacity as bank at which the Concentration Account is maintained, or any successor thereto appointed pursuant to Section 7.

Contract Right means, with respect to any Debtor, any right of such Debtor to payment under a contract for the sale or lease of goods or the rendering of services, which right is at the time not yet earned by performance.

Default means the occurrence of: (a) any Unmatured Event of Default under subsection 9.1(f) or (g) of the Credit Agreement; or (b) any Event of Default.

Disbursement Account - see Section 7(a).

Disbursement Bank means any of the banks or other financial institutions listed as a "Disbursement Bank" on Schedule V hereto, as amended from time to time in accordance with Section 7(c).

Intellectual Property means, with respect to any Debtor, all of such Debtor's rights now or hereafter acquired (including without limitation rights as licensor, licensee, lessor or lessee) in all: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia and other source and/or business identifiers, and the goodwill of the business relating thereto and all registrations or applications for registrations which have heretofore been or may hereafter be issued or filed thereon and all renewals thereof throughout the world; copyrights (including without limitation copyrights for computer programs) and copyright registrations or applications for registrations which have heretofore been or may hereafter be issued or filed, including all renewals thereof, throughout the world and all tangible property embodying the copyrights; unpatented inventions (whether or not patentable); patent applications and patents; and all reissues, divisions, continuations, extensions, renewals and continuations-in-part of any of the foregoing; industrial designs, industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing.

Lender Party means each Lender under and as defined in the Credit Agreement and any Affiliate of such a Lender which is a party to a Swap Contract with the Company.

Liabilities means, as to each Debtor, all obligations (monetary or otherwise) of such Debtor under the Credit Agreement, any Note, the Guaranty, any other Loan Document or any other document or instrument (including without limitation any Swap Contract entered into with any Lender Party) executed in connection therewith, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

Lockbox Account - see Section 7(a).

Lockbox - see Section 7(a).

Non-Tangible Collateral means, with respect to any Debtor, collectively, such Debtor's Accounts, Contract Rights and General Intangibles.

Receiving Account - see Section 7(a).

Receiving Bank means any of the banks or other financial institutions listed as a "Receiving Bank" on Schedule V hereto, as amended from time to time in accordance with Section 7(c).

Uniform Commercial Code means the Uniform Commercial Code as in effect in the State of New York on the date of this Agreement; provided, however, as used in Section 8 hereof and in the definitions of "Commodity Account", "Commodity Contract", "Investment Property", "Security Entitlement" and "Securities Account", "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect from time to time in the applicable jurisdiction.

Terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

2. Grant of Security Interest. As security for the payment of all Liabilities, each Debtor hereby assigns to the Administrative Agent for the benefit of the Lender Parties, and grants to the Administrative Agent for the benefit of the Lender Parties a continuing security interest in, the following, whether now or hereafter existing or acquired:

All of such Debtor's:

(i) Accounts;

(ii) Certificated Securities;

(iii) Chattel Paper;

(iv) Computer Hardware and Software and all rights with respect thereto, including without limitation all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and all substitutions, replacements, additions or model conversions of any of the foregoing;

(v) Contract Rights;

(vi) Deposit Accounts;

(vii) Documents;

(viii) General Intangibles;

(ix) Goods (including without limitation all of its Equipment, Fixtures and Inventory), and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor;

(x) Instruments;

(xi) Intellectual Property;

(xii) Money;

(xiii) Commodity Accounts, Commodity Contracts, Investment Property, Security Entitlements and Securities Accounts;

(xiv) Uncertificated Securities; and

(xv) to the extent not included in the foregoing, other personal property of any kind or description;

together with all books, records, writings, data bases, information and other property relating to, used or useful in connection with, or evidencing, embodying, incorporating or referring to any of the foregoing, and all proceeds, products, offspring, rents, issues, profits and returns of and from any of the foregoing.

3. Warranties. Each Debtor warrants that: (i) no financing statement (other than any which may have been filed on behalf of the Administrative Agent or in connection with Permitted Liens) covering any of the Collateral is on file in any public office; (ii) such Debtor is and will be the lawful owner of all of its Collateral, free of all liens and claims whatsoever, other than the security interest hereunder and Permitted Liens, with full power and authority to execute this Agreement and perform such Debtor's obligations hereunder, and to subject the Collateral to the security interest hereunder; (iii) all information with respect to Collateral and Account Debtors set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by such Debtor to the Administrative Agent or any Lender Party is and will be true and correct in all material respects as of the date furnished; (iv) such Debtor's chief executive office and principal place of business are as set forth on Schedule I hereto (and such Debtor has not maintained its chief executive office and principal place of business at any other location at any time after January 1, 1996); (v) each other location where such Debtor maintains a place of business (or where Goods of such Debtor are located) is set forth on Schedule II hereto and no Goods of any Debtor have been kept at any other place during the four months preceding the date of this Agreement; (vi) except as set forth on Schedule III hereto, such Debtor is not now known and during the five years preceding the date hereof has not previously been known by any trade name; (vii) except as set forth on Schedule III hereto, during the five years preceding the date hereof such Debtor has not been known by any legal name different from the one set forth on the signature pages of this Agreement nor has such Debtor been the subject of any merger or other corporate reorganization; (viii) Schedule IV hereto contains a complete listing of all of such Debtor's Intellectual Property which is the subject of a pending or issued registration statute (including without limitation registrations and applications

therefor), and such Debtor is the exclusive owner of the entire and unencumbered right, title and interest in and to such Intellectual Property but subject to any license rights granted by each Debtor therein; the material rights are as set forth in Schedule IV; (ix) such Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation; (x) the execution and delivery of this Agreement and the performance by such Debtor of its obligations hereunder are within such Debtor's corporate powers, have been duly authorized by all necessary corporate action, have received all necessary governmental approval (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the charter or by-laws of such Debtor or of any material agreement, indenture, instrument or other document, or any material judgment, order or decree, which is binding upon such Debtor; (xi) this Agreement is a legal, valid and binding obligation of such Debtor, enforceable in accordance with its terms, except that the enforceability of this Agreement may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by equitable principles relating to enforceability; (xii) such Debtor is in compliance with the requirements of all applicable laws (including without limitation the provisions of the Fair Labor Standards Act), rules, regulations and orders of every governmental authority, the non-compliance with which would reasonably be expected to result in a Material Adverse Effect; and (xiii) if the Collateral includes Inventory located in the State of California, such Debtor is not a "retail merchant" within the meaning of Section 9102 of the Uniform Commercial Code - Secured Transactions of the State of California.

4. Collections, etc. Until such time after the occurrence and during the continuance of a Default as the Administrative Agent shall notify such Debtor of the revocation of such power and authority, each Debtor (a) may, in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the Inventory normally held by such Debtor for such purpose, use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by such Debtor for such purpose, and use, in the ordinary course of its business (but subject to the terms of the Credit Agreement and Section 7 of this Agreement), the cash proceeds of Collateral and other money which constitutes Collateral, (b) will, at its own expense, endeavor to collect, as and when due, all amounts due under any of the Non-Tangible Collateral, including the taking of such commercially reasonable action with respect to such collection as the Administrative Agent may reasonably request or, in the absence of such request, as such Debtor may deem advisable, and (c) may grant, in the ordinary course of business, to any party obligated on any of the Non-Tangible Collateral, any rebate, refund or allowance to which such party may be lawfully entitled, and may accept, in connection therewith, the return of Goods, the sale or lease of which shall have given rise to such Non-Tangible Collateral and may grant extensions of time to pay amounts due and such other modifications of payment terms as shall be commercially reasonable in the circumstances. The Administrative Agent, however, may, after the occurrence and during the continuance of a Default, whether before or after any revocation of such power and authority or the maturity of any of the Liabilities, notify any parties obligated on any of the Non-Tangible Collateral to make payment to the Administrative Agent of any amounts due or to become due

thereunder and enforce collection of any of the Non-Tangible Collateral by suit or otherwise and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Administrative Agent after the occurrence and during the continuance of a Default, each Debtor will, at its own expense, notify any or all parties obligated on any of the Non-Tangible Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder.

Upon request by the Administrative Agent after the occurrence and during the continuance of a Default, each Debtor will forthwith, upon receipt, transmit and deliver to the Administrative Agent, in the form received, all Cash Instruments (properly endorsed, where required, so that such items may be collected by the Administrative Agent) which may be received by such Debtor at any time in full or partial payment or otherwise as proceeds of any of the Collateral. Except as the Administrative Agent may otherwise consent in writing, any such Cash Instruments which may be so received by any Debtor will not be commingled with any other of its funds or property, but will be held separate and apart from its own funds or property and upon express trust for the Administrative Agent until delivery is made to the Administrative Agent. Each Debtor will comply with the terms and conditions of any consent given by the Administrative Agent pursuant to the foregoing sentence.

After the occurrence and during the continuance of a Default, all items or amounts which are delivered by any Debtor, any Receiving Bank, the Concentration Bank or any bank or other financial institution maintaining a Lockbox or a Lockbox Account to the Administrative Agent on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (each, an "Assignee Deposit Account") of such Debtor with the Administrative Agent, as security for payment of the Liabilities. No Debtor shall have any right to withdraw any funds deposited in any Assignee Deposit Account. The Administrative Agent may, from time to time, in its discretion, and shall upon request of the applicable Debtor made not more than once in any week, apply all or any of the then balance, representing collected funds, in the Assignee Deposit Account toward payment of the Liabilities, whether or not then due, in such order of application as the Administrative Agent may determine, and the Administrative Agent may, from time to time, in its discretion, release all or any of such balance to the applicable Debtor.

The Administrative Agent is authorized to endorse, in the name of the applicable Debtor, any item, howsoever received by the Administrative Agent, representing any payment on or other proceeds of any of the Collateral.

5. Certificates, Schedules and Reports. Each Debtor will from time to time, as the Administrative Agent may reasonably request, deliver to the Administrative Agent such schedules, certificates and reports respecting all or any of the Collateral subject to the security interest hereunder, and the items or amounts received by such Debtor in full or partial payment of any of the Collateral, as the Administrative Agent may reasonably

request. Any such schedule, certificate or report shall be executed by a duly authorized officer of such Debtor and shall be in such form and detail as the Administrative Agent may reasonably specify. Each Debtor shall immediately notify the Administrative Agent of the occurrence of any event causing any loss or depreciation in the value of its Inventory or other Goods which is material to the Company and its Subsidiaries taken as a whole, and such notice shall specify the amount of such loss or depreciation.

6. Agreements of the Debtors. Each Debtor: (a) will, upon request of the Administrative Agent, execute such financing statements and other documents (and pay the cost of filing or recording the same in all public offices deemed appropriate by the Administrative Agent) and do such other acts and things (including, without limitation, delivery to the Administrative Agent of any Instruments or Certificated Securities which constitute Collateral), all as the Administrative Agent may from time to time reasonably request, to establish and maintain a valid security interest in the Collateral (free of all other liens, claims and rights of third parties whatsoever, other than Permitted Liens) to secure the payment of the Liabilities; (b) will keep all its Inventory at, and will not maintain any place of business at any location other than, its address(es) shown on Schedules I and II hereto or at such other addresses of which such Debtor shall have given the Administrative Agent not less than 30 days' prior written notice; (c) will keep its records concerning the Non-Tangible Collateral in such a manner as will enable the Administrative Agent or its designees to determine at any time the status of the Non-Tangible Collateral; (d) will furnish the Administrative Agent such information concerning such Debtor, the Collateral and the Account Debtors as the Administrative Agent may from time to time reasonably request; (e) will permit the Administrative Agent and its designees, from time to time, on reasonable notice and at reasonable times and intervals during normal business hours (or at any time without notice after the occurrence and during the continuance of a Default) to inspect such Debtor's Inventory and other Goods, and to inspect, audit and make copies of and extracts from all records and other papers in the possession of such Debtor pertaining to the Collateral and the Account Debtors, and will, upon request of the Administrative Agent after the occurrence and during the continuance of a Default, deliver to the Administrative Agent all of such records and papers; (f) will, upon the reasonable request of the Administrative Agent, stamp on its records concerning the Collateral, and add on all Chattel Paper constituting a portion of the Collateral, a notation, in form satisfactory to the Administrative Agent, of the security interest of the Administrative Agent hereunder; (g) except as permitted by Section 8.2 of the Credit Agreement, will not sell, lease, assign or create or, except as permitted by Section 8.1 of the Credit Agreement, permit to exist any Lien on any Collateral other than Permitted Liens; (h) without limiting the provisions of Section 7.6 of the Credit Agreement, will at all times keep all of its Inventory and other Goods insured under policies maintained with reputable, financially sound insurance companies against loss, damage, theft and other risks to such extent as is customarily maintained by companies similarly situated, and cause all such policies to provide that loss thereunder shall be payable to the Administrative Agent as its interest may appear in an amount equal to 100% of such insurance proceeds (or other similar recoveries) net of any collection expenses and such policies or certificates thereof shall, if the Administrative Agent so requests, be deposited

with or furnished to the Administrative Agent; (i) will amend and maintain each liability insurance policy insuring such Debtor, its Inventory or other goods so that each such insurance policy names the Administrative Agent as an additional insured; (j) will take such actions as are reasonably necessary to keep its Inventory in good repair and condition; (k) will take such actions as are reasonably necessary to keep its Equipment (other than obsolete, worn out or surplus equipment) in good repair and condition and in good working order, ordinary wear and tear excepted; (l) will promptly pay when due all license fees, registration fees, taxes, assessments and other charges which may be levied upon or assessed against the ownership, operation, possession, maintenance or use of its Equipment and other Goods (as applicable) other than any such items being contested by appropriate proceedings if such Debtor maintains adequate reserves therefor; (m) will, upon request of the Administrative Agent, (i) cause to be noted on the applicable certificate, in the event any of its Equipment is covered by a certificate of title, the security interest of the Administrative Agent in the Equipment covered thereby, and (ii) deliver all such certificates to the Administrative Agent or its designees; (n) will take all steps reasonably necessary to protect, preserve and maintain all of its rights in the Collateral, including, without limitation, delivery of all Chattel Paper and Instruments to the Administrative Agent upon request by the Administrative Agent therefor; and (o) will reimburse the Administrative Agent for all reasonable expenses, including without limitation Attorney Costs, incurred by the Administrative Agent in seeking to collect or enforce any rights in respect of such Debtor's Collateral.

Without limiting clause (a) of the immediately preceding paragraph, each Debtor shall, contemporaneously herewith, execute and deliver to the Administrative Agent a Patent Security Agreement, a Trademark Security Agreement and a Copyright Security Agreement in the forms of Exhibits A, B and C hereto.

Any loss benefits ("Benefits") under any insurance policy maintained by a Debtor shall be held as additional Collateral hereunder and: (A) so long as no Default shall have occurred and be continuing and any Loan is outstanding, the Administrative Agent, upon the Company's instruction, shall (i) release to the Company the amount of such Benefits to the extent that (x) such Benefits are less than $500,000 in any fiscal year of the Company or (y) the Company has submitted a written request to use such Benefits for the financing of the replacement, substitution or restoration of the assets sustaining the casualty loss giving rise to such Benefits and (ii) apply in all other circumstances any Benefits not released toward payment of the Liabilities as provided in Section 2.8 of the Credit Agreement and/or toward reduction of the Commitments as provided in Section 2.6 of the Credit Agreement; (B) so long as no Default shall have occurred and be continuing, and no Loan is outstanding, the Administrative Agent shall release such Benefits to the Company; and (C) whenever a Default shall have occurred and be continuing, the Administrative Agent shall apply the Benefits toward payment of the Liabilities, whether or not due, in such order of application as the Administrative Agent may determine.

Any reasonable expenses incurred in protecting, preserving or maintaining any Collateral shall be borne by the applicable Debtor. Whenever a Default shall have occurred and be continuing, the Administrative Agent shall have the right to bring suit to enforce any or all of the Intellectual Property or licenses thereunder, in which event the applicable Debtor shall at the request of the Administrative Agent do any and all lawful acts and execute any and all proper documents reasonably required by the Administrative Agent in aid of such enforcement and such Debtor shall promptly, upon demand, reimburse and indemnify the Administrative Agent for all reasonable costs and expenses incurred by the Administrative Agent in the exercise of its rights under this Section 6. Notwithstanding the foregoing, the Administrative Agent shall have no obligation or liability regarding the Collateral or any part thereof by reason of, or arising out of, this Agreement.

7. Procedures With Respect To Cash.

(a) Subject to the last two sentences of the first paragraph of Section 4 of this Agreement, each Debtor shall instruct each Account Debtor obligated to make payments under any item of Non-Tangible Collateral to make such payments to lockboxes identified on Schedule V, Item A or a zip code maintained for the exclusive use of such Debtor by a financial institution (the "Lockboxes"). Each Debtor shall, with respect to all Cash Instruments it holds or receives, transmit, and shall instruct any financial institution which receives for the account of such Debtor any Cash Instruments, other than a Disbursement Bank, to transmit, in the form received, before the close of business on the Business Day following receipt, all Cash Instruments to a Receiving Bank for deposit into a deposit account identified on Schedule V, Item B (a "Receiving Account") or to the Concentration Bank for deposit into the Concentration Account. The Company and the Administrative Agent shall instruct each Receiving Bank maintaining a Lockbox pursuant to this Section to deposit all Cash Instruments paid into such Lockbox forthwith in the deposit account associated with such Lockbox (the "Lockbox Account"), maintained by such Receiving Bank (except that the Company may otherwise instruct such Receiving Bank with respect to items which are postdated or irregular and provided that Cash Instruments sent to a post office located in a city other than in which the related Lockbox Account is located may first be deposited into an account maintained by the Receiving Bank with a correspondent bank and may then be deposited in a clearing account maintained by the Receiving Bank before being deposited in such Lockbox Account) and shall further instruct each Receiving Bank to transfer all items deposited into such Lockbox Accounts and Receiving Accounts to the concentration account identified on Schedule V, Item D (the "Concentration Account") maintained at the Concentration Bank upon the clearing of such items in accordance with such Receiving Bank's customary clearing schedule (but not later than ten (10) days after receipt); provided that whenever a Default has occurred and is continuing the Administrative Agent may notify the Receiving Banks to transfer all such items to an Assignee Deposit Account.

Unless a Default has occurred and is continuing, the Company shall be entitled to instruct the Concentration Bank to transfer amounts held in the Concentration Account to one or more disbursement accounts identified on Schedule V, Item C (each individually, a

"Disbursement Account"). The Company may transfer to each Disbursement Bank an aggregate amount equal to all unpaid checks presented to such Disbursement Bank and not returned as of the preceding Business Day. It is understood that each Disbursement Account will be a "zero-balance account". Any balance remaining in such Disbursement Account after all disbursements have been made with respect to such Disbursement Account on a given day shall be returned to the Concentration Account by wire transfer of funds.

After receiving notice from the Administrative Agent that a Default has occurred and is continuing, the Concentration Bank shall immediately and from time to time thereafter (unless it receives notice from the Administrative Agent to the contrary) transfer all funds held in its Concentration Account to the Administrative Agent for deposit in an Assignee Deposit Account and shall notify the Administrative Agent by facsimile transmission as to the details of each such transfer.

The Company will use all reasonable efforts to cause each Account Debtor, Receiving Bank, Disbursement Bank and the Concentration Bank to comply with the foregoing procedures and instructions.

(b) The Administrative Agent shall be the owner of, or if acceptable to the Administrative Agent with respect to a particular account, the holder of a security interest in, the Lockboxes (other than Lockboxes that are zip codes maintained for the exclusive use of a Debtor by a financial institution), the Lockbox Accounts, the Receiving Accounts, the Concentration Account and the Disbursement Accounts, and the Receiving Banks, Concentration Bank and the Disbursement Banks shall be notified that the items and funds deposited therein are property of the Debtors subject to the security interest of the Administrative Agent.

(c) Not later than 30 days after the Closing Date, as to all Lockboxes (other than Lockboxes that are zip codes maintained for the exclusive use of a Debtor by a financial institution), Lockbox Accounts, Receiving Accounts and Disbursement Accounts identified on Schedule V, and prior to establishing any such lockboxes or accounts with any bank or other financial institution after the Closing Date, the Company will cause such bank or other financial institution to deliver a writing to the Administrative Agent consenting and acknowledging the security interest of the Administrative Agent in such lockboxes or accounts and all Cash Instruments therein and confirming that the bank or other financial institution in question has received and agreed to follow the instructions and established the relevant accounts and procedures referred to in this Section. The Company may, from time to time after the Closing Date, designate a bank or other financial institution to act as a Receiving Bank or a Disbursement Bank and such bank or other financial institution shall become a Receiving Bank or a Disbursement Bank for purposes of this Agreement; provided that (i) such bank is located in the United States, (ii) such bank or other financial institution has delivered a writing to the Administrative Agent confirming the matters set forth in the first sentence of this clause (c), and (iii) the Company has delivered to the Administrative

Agent an amended Schedule V, setting forth the then-current list of Receiving Banks and Disbursement Banks.

(d) The Company may, from time to time after the Closing Date, designate another bank to act as a Concentration Bank, and such bank (if not the Administrative Agent) shall become the Concentration Bank for purposes of this Agreement, provided that (i) such bank is located in the United States, (ii) such bank has delivered a writing to the Administrative Agent confirming the matters set forth in the first sentence of clause (c) above and (iii) the Company has given notice to the Administrative Agent of the appointment of the new Concentration Bank.

(e) The Company agrees that it and its Subsidiaries (other than Foreign Subsidiaries) will not maintain any deposit or similar accounts with any other financial institution other than the accounts specifically described in clauses (a) through (d) above or listed on Item E of Schedule V; provided that, with respect to the accounts listed on Item E of Schedule V, in all cases (x) unless the prior consent of the Administrative Agent shall have been obtained, the aggregate amount of funds on deposit in each such account which is not a payroll account shall not exceed the amount indicated in respect of such account on Item E of Schedule V and in each such payroll account shall not at any time exceed the sum of all accrued payroll and payroll taxes then payable by the Company on account of payroll obligations payable from such account, (y) at the request of the Administrative Agent, the Company shall cause the relevant financial institution to provide the Administrative Agent with information concerning such accounts and (z) at any time when a Default has occurred and is continuing, the Company shall, at the request of the Administrative Agent, cause each such financial institution to provide the Administrative Agent with daily reports of the balance in each such account.

8. Default. Whenever a Default shall have occurred and be continuing, the Administrative Agent may exercise from time to time any right or remedy available to it under applicable law. Each Debtor agrees, in case of the occurrence and during the continuance of a Default, (i) to assemble, at its expense, all its Inventory and other Goods (other than Fixtures) at a convenient place or places reasonably acceptable to the Administrative Agent, and (ii) at the Administrative Agent's request, to execute all such documents and do all such other things which may be necessary or desirable in order to enable the Administrative Agent or its nominee to be registered as owner of the Intellectual Property with any and all competent registration authority. Any notification of intended disposition of any of the Collateral required by law shall be deemed reasonably and properly given if given at least ten days before such disposition. Any proceeds of any disposition by the Administrative Agent of any of the Collateral may be applied by the Administrative Agent to payment of expenses in connection with the Collateral, including without limitation Attorney Costs, and any balance of such proceeds may be applied by the Administrative Agent toward the payment of such of the Liabilities, and in such order of application, as the Administrative Agent may from time to time elect.

9. General. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as any applicable Debtor requests in writing, but failure of the Administrative Agent to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and no failure of the Administrative Agent to preserve or protect any right with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by any Debtor, shall be deemed of itself a failure to exercise reasonable care in the custody or preservation of such Collateral.

Any notice from the Administrative Agent to any Debtor, if mailed, shall be deemed given on the third Business Day after the date mailed, postage prepaid, addressed to such Debtor either at such Debtor's address shown on Schedule I hereto or at such other address as such Debtor shall have specified in writing to the Administrative Agent as its address for notices hereunder.

Each of the Debtors agrees to pay all reasonable expenses (including without limitation Attorney Costs) paid or incurred by the Administrative Agent or any Lender Party in endeavoring to collect the Liabilities of such Debtor, or any part thereof, and in enforcing this Agreement against such Debtor, and such obligations will themselves be Liabilities.

No delay on the part of the Administrative Agent in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Administrative Agent of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

This Agreement shall remain in full force and effect until all Liabilities (other than Liabilities in the nature of continuing indemnification obligations) have been paid in full and all Commitments have terminated. If at any time all or any part of any payment theretofore applied by the Administrative Agent or any Lender Party to any of the Liabilities is or must be rescinded or returned by the Administrative Agent or such Lender Party for any reason whatsoever (including without limitation the insolvency, bankruptcy or reorganization of any Debtor), such Liabilities shall, for the purposes of this Agreement, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Administrative Agent or such Lender Party, and this Agreement shall continue to be effective or be reinstated, as the case may be, as to such Liabilities, all as though such application by the Administrative Agent or such Lender Party had not been made.

This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York, subject, however, to the applicability of the Uniform Commercial Code of any jurisdiction in which any Goods of any Debtor may be located at any given time. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this

Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

The rights and privileges of the Administrative Agent hereunder shall inure to the benefit of its successors and assigns.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement. At any time after the date of this Agreement, one or more additional Persons may become parties hereto by executing and delivering to the Administrative Agent a counterpart of this Agreement. Immediately upon such execution and delivery (and without any further action), each such additional Person will become a party to, and will be bound by all the terms of, this Agreement.

ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE UNDERSIGNED, AND BY ACCEPTING THE BENEFITS HEREOF, THE ADMINISTRATIVE AGENT AND EACH LENDER PARTY, CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH OF THE DEBTORS, THE ADMINISTRATIVE AGENT AND EACH LENDER PARTY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE DEBTORS, THE ADMINISTRATIVE AGENT AND EACH LENDER PARTY EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NEW YORK LAW.

EACH OF THE UNDERSIGNED, AND (BY ACCEPTING THE BENEFITS HEREOF) EACH OF THE ADMINISTRATIVE AGENT AND EACH LENDER PARTY, EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE

TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE DEBTORS, THE ADMINISTRATIVE AGENT AND THE LENDER PARTIES EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENT, RENEWAL, SUPPLEMENT OR MODIFICATION TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

10. Limit on Collateral. Notwithstanding the foregoing, "Collateral" shall not include (i) any General Intangibles or other rights arising under contracts as to which the grant of a security interest would constitute a violation of a valid and enforceable restriction on such grant, unless and until any required consents shall have been obtained, but shall include all proceeds of any such contracts (each Debtor agrees to use its best efforts to obtain any such required consent) or (ii) any of the assets listed on Schedule VI (the property described in this clause (ii) being the "Excluded Assets").

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year first above written.

RAYOVAC CORPORATION

By:/s/ David A. Jones

Title: President and Chief Executive Officer

ROV HOLDING, INC.

By:/s/ David A. Jones

Title: President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as
Administrative Agent for the Lender Parties

By:/s/ Eric A. Schubert

Title: Managing Director

The undersigned is executing a counterpart
hereof for purposes of becoming a party hereto:

By:

Title:

COMPANY PLEDGE AGREEMENT

This COMPANY PLEDGE AGREEMENT (this "Agreement"), dated as of September 12, 1996, is between RAYOVAC CORPORATION, a Wisconsin corporation (the "Pledgor"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, in its capacity as administrative agent for the Lenders referred to below (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement dated as of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among the Pledgor, various financial institutions (such financial institutions, together with their respective successors and assigns, collectively the "Lenders" and individually each a "Lender"), the Administrative Agent and DLJ Capital Funding, Inc., as documentation agent, the Lenders have agreed to make available to the Pledgor term loans and a revolving credit facility with a letter of credit subfacility;

WHEREAS, the obligations of the Pledgor are to be secured pursuant to this Agreement;

WHEREAS, it is a condition precedent to the making of loans and the issuance of letters of credit under the Credit Agreement that the Pledgor execute and deliver this Agreement;

NOW, THEREFORE, for and in consideration of any loan, advance or other financial accommodation heretofore or hereafter made to the Pledgor under or in connection with the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. When used herein, the following terms have the following meanings (such meanings to be applicable to both the singular and plural forms of such terms):

Collateral - see Section 2.

Default means the occurrence of: (a) any Unmatured Event of Default under subsections 9.1(f) or (g) of the Credit Agreement; or (b) any Event of Default.

Issuer means the issuer of any of the shares of stock or other securities representing all or any of the Collateral.

Lender Party means each Lender under and as defined in the Credit Agreement and any Affiliate of such Lender which is a party to a Swap Contract with the Pledgor.

Liabilities means all obligations (monetary or otherwise) of the Pledgor under the Credit Agreement, any Note, any other Loan Document to which it is a party or any other document or instrument signed by the Company (including any Swap Contract entered into with any Lender Party) executed in connection therewith, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due.

Terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

2. Pledge. As security for the payment of all Liabilities, the Pledgor hereby pledges to the Administrative Agent for the benefit of the Lender Parties, and grants to the Administrative Agent for the benefit of the Lender Parties a continuing security interest in, all of the following:

A. All of the shares of stock, notes and other securities described in Schedule I hereto, all of the certificates and/or instruments representing such shares of stock, notes and other securities, and all cash, interest, securities, dividends, distributions, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or other securities;

B. All additional shares of stock of any of the Issuers listed in Schedule I hereto at any time and

from time to time acquired by the Pledgor in any manner, all of the certificates representing such additional shares, and all cash, interest, securities, dividends, distributions, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares;

C. All other property hereafter delivered to the Administrative Agent in substitution for or in addition to any of the foregoing, all certificates and instruments representing or evidencing such property, and all cash, interest, securities, dividends, distributions, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all thereof; and

D. All proceeds of any of the foregoing.

All of the foregoing are herein collectively called the "Collateral". Notwithstanding the foregoing, as to each Issuer that is a Foreign Subsidiary or ROV Holding, not more than 65% of the issued and outstanding shares of capital stock of such Issuer shall be "Collateral".

The Pledgor agrees to deliver to the Administrative Agent, promptly upon receipt and in due form for transfer (i.e., duly endorsed in blank or accompanied by stock or bond powers duly executed in blank), all Collateral (other than payments which the Pledgor is entitled to receive and retain pursuant to Section 5 hereof) which may at any time or from time to time be in or come into the possession or control of the Pledgor; and prior to the delivery thereof to the Administrative Agent, such Collateral shall be held by the Pledgor separate and apart from its other property and in express trust for the Administrative Agent.

3. Warranties; Further Assurances. The Pledgor warrants to the Administrative Agent and each Lender that: (a) the Pledgor is (or at the time of any future delivery, pledge, assignment or transfer thereof will be) the legal, beneficial and equitable owner of the Collateral free and clear of all Liens of every description whatsoever other than the security interest created

hereunder; (b) the pledge and delivery of the Collateral pursuant to this Agreement will create a valid, perfected, first priority security interest in the Collateral in favor of the Administrative Agent, free of any adverse claims; (c) all shares of stock referred to in Schedule I hereto are duly authorized, validly issued, fully paid and non-assessable; (d) as to each Issuer whose name appears in Schedule I hereto, the Collateral represents on the date hereof all of the total shares of capital stock issued and outstanding of such Issuer (or, as to any Issuer that is a Foreign Subsidiary or ROV Holding, 65% of the total shares of capital stock issued and outstanding of such Issuer); (e) each note pledged hereunder has been duly authorized, executed, endorsed, issued and delivered, is the legal, valid and binding obligation of the issuer thereof, and is not in default; and (f) the information contained in Schedule I hereto is true and accurate in all respects.

So long as any of the Liabilities shall be outstanding or any Commitment shall exist on the part of the Administrative Agent or any Lender Party with respect to the making of any Loans, the issuance of any Letters of Credit or the creation of any other Liabilities, the Pledgor: (i) shall not, without the express prior written consent of the Administrative Agent, sell, assign, exchange, pledge or otherwise transfer, encumber, or grant any option, warrant or other right to purchase, or otherwise diminish or impair any of its rights in, to or under any of the Collateral; (ii) shall execute such Uniform Commercial Code financing statements and other documents (and pay the costs of filing and recording or re-filing and re-recording the same in all public offices deemed necessary or appropriate by the Administrative Agent) and do such other acts and things, all as the Administrative Agent may from time to time reasonably request, to establish and maintain a valid, perfected, first priority security interest in the Collateral (free of all other Liens, claims and rights of third parties whatsoever) to secure the performance and payment of the Liabilities; (iii) shall execute and deliver to the Administrative Agent such documents and instruments relating to the Collateral, satisfactory in form and substance to the Administrative Agent, as the Administrative Agent may reasonably request; (iv) shall continue to own and keep pledged to the Administrative Agent, 100% of the issued and outstanding shares of capital stock of each Issuer

(or, as to each Issuer that is a Foreign Subsidiary or ROV Holding, 65% of the issued and outstanding shares of capital stock of such Issuer); and (v) shall furnish the Administrative Agent or any Lender Party such information concerning the Collateral as the Administrative Agent or such Lender Party may from time to time reasonably request, and will permit the Administrative Agent or any Lender Party or any designee of the Administrative Agent or any Lender Party, from time to time at reasonable times and on reasonable notice (or at any time without notice during the existence of a Default), to inspect, audit and make copies of and extracts from all records and all other papers in the possession of the Pledgor which pertain to the Collateral, and will, upon request of the Administrative Agent at any time when a Default has occurred and is continuing, deliver to the Administrative Agent all of such records and papers.

Pledgor additionally represents and warrants to the Administrative Agent and each Lender Party that (i) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) the execution and delivery by it of this Agreement and the performance by it of its obligations hereunder are within the corporate powers of the Pledgor, have been duly authorized by all necessary corporate action (including any necessary shareholder action), and do not and will not contravene the terms of any of the Organization Documents of the Pledgor, conflict with or result in a breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Pledgor is a party or any order, injunction, writ or decree of any Governmental Authority to which the Pledgor or any of its properties are subject, or violate any Requirement of Law; (iii) no approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Pledgor of this Agreement; and (iv) this Agreement constitutes the legal, valid and binding obligation of the Pledgor, enforceable against the Pledgor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

4. Holding in Name of Administrative Agent, etc. The Administrative Agent may from time to time after the occurrence and during the continuance of a Default, without notice to the Pledgor, take all or any of the following actions (a) transfer all or any part of the Collateral into the name of the Administrative Agent or any nominee or sub-agent for the Administrative Agent, with or without disclosing that such Collateral is subject to the Lien and security interest hereunder, (b) appoint one or more sub-agents or nominees for the purpose of retaining physical possession of the Collateral, (c) notify the parties obligated on any of the Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder, (d) endorse any checks, drafts or other writings in the name of the Pledgor to allow collection of the Collateral, (e) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof, or compromise or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto and (f) take control of any proceeds of the Collateral.

5. Voting Rights, Dividends, etc. (a) Notwithstanding certain provisions of Section 4 hereof, so long as the Administrative Agent has not given the notice referred to in paragraph (b) below:

A. The Pledgor shall be entitled to exercise any and all voting or consensual rights and powers and stock purchase or subscription rights (but any such exercise by the Pledgor of stock purchase or subscription rights may be made only from funds of the Pledgor not constituting part of the Collateral and only to the extent permitted by the Credit Agreement) relating or pertaining to the Collateral or any part thereof for any purpose; provided, however, that the Pledgor agrees that it will not exercise any such right or power in any manner which would materially adversely impair the value of the Collateral or any part thereof or violate any provision of the Credit Agreement or any other Loan Document.

B. The Pledgor shall be entitled to receive and retain any and all dividends, interest and other

cash payments payable in respect of the Collateral which are paid in cash by any Issuer if such dividends, interest and other cash payments are permitted by the Credit Agreement, but all dividends and distributions in respect of the Collateral or any part thereof made in shares of stock or other property or representing any return of capital, whether resulting from a subdivision, combination or reclassification of Collateral or any part thereof or received in exchange for Collateral or any part thereof or as a result of any merger, consolidation, acquisition or other exchange of assets to which any Issuer may be a party or otherwise or as a result of any exercise of any stock purchase or subscription right, shall be and become part of the Collateral hereunder and, if received by the Pledgor, shall be forthwith delivered to the Administrative Agent in due form for transfer (i.e., endorsed in blank or accompanied by stock or bond powers executed in blank) to be held for the purposes of this Agreement.

C. The Administrative Agent shall execute and deliver, or cause to be executed and delivered, to the Pledgor, all such proxies, powers of attorney, dividend orders and other instruments as the Pledgor may request for the purpose of enabling the Pledgor to exercise the rights and powers which it is entitled to exercise pursuant to clause (A) above and to receive the dividends, interest and payments which it is authorized to retain pursuant to clause (B) above.

(b) Upon notice from the Administrative Agent after the occurrence and during the continuance of a Default, and so long as the same shall be continuing, all rights and powers which the Pledgor is entitled to exercise pursuant to Section 5(a)(A) hereof, and all rights of the Pledgor to receive and retain dividends, interest and payments pursuant to Section 5(a)(B) hereof, shall forthwith cease, and all such rights and powers shall thereupon become vested in the Administrative Agent which shall have, during the continuance of such Default, the sole and exclusive authority to exercise such rights and powers and to receive such dividends, interest and payments. Any and all money and other property paid over to or received by the Administrative Agent pursuant to this

paragraph (b) shall be retained by the Administrative Agent as additional Collateral hereunder and applied in accordance with the provisions hereof.

6. Remedies. Whenever a Default shall exist, the Administrative Agent may exercise from time to time any rights and remedies available to it under the Uniform Commercial Code as in effect in New York or otherwise available to it, as well as any other rights and remedies provided for herein or otherwise available to it. Without limiting the foregoing, whenever a Default shall have occurred and be continuing the Administrative Agent (a) may, to the fullest extent permitted by applicable law, without notice, advertisement, hearing or process of law of any kind, (i) sell any or all of the Collateral, free of all rights and claims of the Pledgor therein and thereto, at any public or private sale or brokers' board and (ii) bid for and purchase any or all of the Collateral at any such public sale and (b) shall have the right, for and in the name, place and stead of the Pledgor, to execute endorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral. The Pledgor hereby expressly waives, to the fullest extent permitted by applicable law, any and all notices, advertisements, hearings or process of law in connection with the exercise by the Administrative Agent of any of its rights and remedies during the continuance of a Default. Any notification of intended disposition of any of the Collateral shall be deemed reasonably and properly given if given at least ten (10) days before such disposition. Any proceeds of any of the Collateral may be applied by the Administrative Agent to the payment of expenses in connection with the Collateral, including, without limitation, Attorney Costs, and any balance of such proceeds may be applied by the Administrative Agent toward the payment of such of the Liabilities, and in such order of application, as the Administrative Agent may from time to time elect (and, after payment in full of all Liabilities, any surplus shall be delivered to the Pledgor or as a court of competent jurisdiction shall direct).

The Administrative Agent is hereby authorized to comply with any limitation or restriction in connection with any sale of Collateral as it may be advised by counsel is necessary in order to (a) avoid any violation of applicable law (including, without limitation, compli-

ance with such procedures as may restrict the number of prospective bidders and purchasers, require that prospective bidders and purchasers have certain qualifications and/or further restrict such prospective bidders or purchasers to persons or entities who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral) or (b) obtain any required approval of the sale or of the purchase by any Governmental Authority and the Pledgor agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner and that the Administrative Agent shall not be liable or accountable to the Pledgor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

7. General. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equivalent to that which the Administrative Agent, in its individual capacity, accords its own property and no failure of the Administrative Agent to preserve or protect any rights with respect to the Collateral against prior parties shall be deemed of itself a failure to exercise reasonable care in the custody or preservation of any Collateral.

No delay on the part of the Administrative Agent in exercising any right, power or remedy shall operate as a waiver thereof, and no single or partial exercise of any such right, power or remedy shall preclude any other or further exercise thereof, or the exercise of any other right, power or remedy. No amendment, modification or waiver of, or consent with respect to, any provision of this Agreement shall be effective unless the same shall be in writing and signed and delivered by the Administrative Agent, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

All obligations of the Pledgor and all rights, powers and remedies of the Administrative Agent and the Lender Parties expressed herein are in addition to all other rights, powers and remedies possessed by them, including, without limitation, those provided by applica-

ble law or in any other written instrument or agreement relating to any of the Liabilities or any security therefor.

This Agreement shall be construed in accordance with and governed by the internal laws of the State of New York, except to the extent that the validity or perfection of the security interest hereunder, or any remedy hereunder, in respect of any particular Collateral is governed by the laws of a jurisdiction other than the State of New York. Wherever possible each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

This Agreement shall be binding upon the Pledgor and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of the Pledgor, each Lender Party, the Administrative Agent and the successors and assigns of the Administrative Agent.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, and each such counterpart shall be deemed an original but all such counterparts shall together constitute but one and the same Agreement.

All notices, requests and other communications hereunder shall be given in the manners and to the addresses set forth in Section 11.2 of the Credit Agreement, and shall be effective as set forth therein if given in any such manner.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered as of the day and year first written above.

RAYOVAC CORPORATION

By:/s/ David A. Jones

Title: President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as Administrative Agent

By:/s/ Eric A. Schubert

Title: Managing Director

[WHYTE HIRSCHBOECK DUDEK S.C. letterhead]

December 12, 1996

Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711-2497

Ladies and Gentlemen:

It is our understanding that you, the Rayovac Corporation, a Wisconsin corporation (the "Company") intend to file a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to which your will offer to exchange (the "Exchange Offer") your issued and outstanding 10-1/4% Senior Subordinated Notes due 2006 for 10-1/4% Series B Senior Subordinated Notes due 2006 (the "Notes"). You have engaged us to act as Wisconsin legal counsel to you, for the sole purpose of furnishing the opinions set forth herein in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act.

In connection with this opinion, we have examined copies of (ii) the Indenture dated as of October 22, 1996 by and between the Company, ROV Holding, Inc. and Marine Midland Bank (the "Indenture"), (iii) the Registration Rights Agreement dated as of October 17, 1996 by and among the Company, Donaldson, Lufkin & Jenrette Securities Corporation and BA Securities, Inc. (the "Registration Rights Agreement"), (iv) the Company's Restated Articles of Incorporation, (v) the Company's Restated Bylaws, (vi) certain resolutions of the Company's board of directors, and (vii) a draft of the Company's Form S-1 Registration Statement dated December 10, 1996 (the "Registration Statement").

In our examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. We have also assumed that the draft Form S-1 Registration Statement examined by us is, in all respects material to this opinion, in final form.

We are admitted to the Bar of the State of Wisconsin, and we do not express any opinion as to the laws of any jurisdiction other than the laws of the State of Wisconsin and the federal laws of the United States of America to the extent specifically referred to herein. We assume no

responsibility as to the applicability of the laws of any other jurisdiction to the subject transactions or the effect of such laws thereon.

Based on the foregoing and subject to the qualifications set forth herein, we are of the opinion that the Notes (a) have been duly authorized by requisite corporate action on the part of the Company, (b) when issued, executed, authenticated and delivered in the manner provided for in the Indenture in accordance with the Registration Rights Agreement pursuant to the Exchange Offer will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, and (c) are subject to the terms of Indenture, except to the extent enforcement may be subject to or limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect relating to creditors' rights and remedies generally and (ii) such general principles of equity (regardless of whether such enforcement may be sought in a proceeding in equity or at law).

This opinion is furnished to you solely for your benefit in connection with the Registration Statement and, except as set forth below, is not to be used, circulated, quoted or otherwise referred to for any other purpose or relied upon by any person without our express written permission. We hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. We also consent to the reference to our name under the caption "Legal Matters" in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Act or the rules or regulations thereunder.

Very truly yours,

WHYTE HIRSCHBOECK DUDEK S.C.

By: /s/ Andrew J. Guzikowski

Andrew J. Guzikowski

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RAYOVAC CORPORATION

$100,000,000
10 1/4% SENIOR SUBORDINATED NOTES DUE 2006

PURCHASE AGREEMENT

DATED OCTOBER 17, 1996

Donaldson, Lufkin & Jenrette
Securities Corporation

BA Securities, Inc.

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DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BA SECURITIES, INC.
As Initial Purchasers
277 Park Avenue
New York, New York 10172

Ladies and Gentlemen:

Rayovac Corporation, a Wisconsin corporation (the "Company"), proposes to issue and sell an aggregate of $100,000,000 in principal amount of 10 1/4% Senior Subordinated Notes due 2006 (the "Notes") to Donaldson, Lufkin & Jenrette Securities Corporation and BA Securities, Inc. (each an "Initial Purchaser" and, collectively, the "Initial Purchasers"). ROV Holding, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("ROV Holding"), proposes to issue and sell to the Initial Purchasers a senior subordinated guarantee of the Notes (the "Guarantee"). The Notes and the Guarantee will be issued pursuant to an Indenture dated as of the Closing Date (as defined herein) among the Company, ROV Holding and Marine Midland Bank, as trustee (the "Indenture"). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Indenture.

1. Issuance of Securities. The Notes will be offered and sold to you pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended (the "Act"). The Company has prepared a preliminary offering memorandum, dated September 30, 1996 (the "Preliminary Offering Memorandum") and a final offering memorandum, dated October 17, 1996 (the "Offering Memorandum" and together with the Preliminary Offering Memorandum, the "Offering Documents"), relating to the Company and the Notes. Reference in this Agreement to the Offering Documents includes documents incorporated into the Offering Documents by reference.

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Act, the Notes (and all securities issued in exchange therefor, in substitution thereof or upon conversion thereof) shall bear the following legend:

> THE NOTE (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE NOTE EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE NOTE EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE

SELLER MAY BE RELYING ON THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT. THE HOLDER OF THE NOTE EVIDENCED HEREBY AGREES FOR THE BENEFIT OF RAYOVAC CORPORATION ("THE COMPANY") THAT (A) SUCH NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE NOTE EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN A(1) ABOVE.

In addition to the above legend, if a global form Note is issued, it shall bear the legend set forth in Section 2.06(g) of the Indenture.

2. Agreements to Sell and Purchase. On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to issue and sell the Notes to the Initial Purchasers, and each Initial Purchaser agrees, severally and not jointly, to purchase from the Company the principal amount of Notes set forth opposite the name of such Initial Purchaser on Schedule I hereto, at 97.0% of the principal amount thereof (the "Purchase Price").

3. Terms of Offering. The Initial Purchasers have advised the Company that they will make offers (the "Exempt Resales") of the Notes purchased hereunder on the terms set forth in the Offering Memorandum, as amended or supplemented, solely to (i) persons (each, a "144A Purchaser") whom they reasonably believe to be "qualified institutional buyers" as defined in Rule 144A under the Act ("QIBs") and (ii) a limited number of other institutional "accredited investors," as defined in Rule 501(a) (1), (2), (3) and (7) under the Act, that make certain representations to and agreements with the Company (each, an "Accredited Institution") (such persons specified in clauses (i) and (ii) being referred to herein as the "Eligible Purchasers"). The Initial Purchasers will offer the Notes to Eligible Purchasers initially at a price equal to 100% of the principal amount thereof.
Such price may be changed at any time without notice.

Holders (including subsequent transferees) of the Notes will have the registration rights set forth in the registration rights agreement (the "Registration Rights Agreement"), to be dated as of the Closing Date, in substantially the form of Exhibit A hereto, for so long as such Notes constitute "Transfer Restricted Securities" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Company will agree to file with the Securities and Exchange Commission (the

"Commission") under the circumstances set forth therein, (i) a registration statement under the Act (the "Exchange Offer Registration Statement") relating to the Company's 10 1/4% Senior Subordinated Notes due 2006 (the "New Notes") to be offered in exchange for the Notes (such offer to exchange being referred to as the "Exchange Offer"), and (ii) a shelf registration statement pursuant to Rule 415 under the Act (the "Shelf Registration Statement") relating to the resale of the Notes by certain holders thereof, and to use its best efforts to cause such registration statements to be declared effective. This Agreement, the Indenture, the Registration Rights Agreement and the Notes (including the Guarantee) are hereinafter referred to collectively as the "Operative Documents."

4. Delivery and Payment. Delivery to the Initial Purchasers of and payment for the Notes shall be made at 9:00 A.M., Eastern Time, on October 22, 1996 (the "Closing Date") at the offices of Skadden, Arps, Slate, Meagher & Flom, One Beacon Street, Boston, Massachusetts 02108 or such other time or place as you and the Company shall designate.

One or more Notes in definitive form, registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), or in such other name or names as the Initial Purchasers may request upon at least two business days' notice to the Company, having an aggregate principal amount corresponding to the aggregate principal amount of Notes sold pursuant to Exempt Resales to Eligible Purchasers, shall be delivered by the Company to you against payment by you of the purchase price thereof by wire transfer of immediately available funds to the order of the Company. The Notes in definitive form shall be made available to the Initial Purchasers for inspection not later than 9:30 a.m. Eastern Time on the business day immediately preceding the Closing Date.

5. Agreements of the Company. The Company agrees with you:

(a) To advise you promptly and, if requested by you, to confirm such advice in writing, (i) of receipt of any notification with respect to the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of any of the Notes for offering or sale in any jurisdiction designated by the Initial Purchasers pursuant to Section 5(e), or the initiation of any proceeding for such purpose by any state securities commission or other regulatory authority, and (ii) for a period ending on the earlier of (x) the completion of Exempt Resales of the Notes by the Initial Purchasers and (y) 90 days after the Closing Date, if any event shall occur as a result of which the Offering Memorandum would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) To furnish to you, without charge, during the period set forth in paragraph (c) below, as many copies of the Offering Documents, and any amendments or supplements thereto, as you may reasonably request. The Company consents to the use of the Offering Documents, and any amendments or supplements thereto, by the Initial Purchasers in connection with Exempt Resales.

(c) If, after the date hereof and prior to the earlier of the completion of Exempt Resales of the Notes by the Initial Purchasers and the date that is 90 days after the Closing Date, any event shall occur as a result of which in the reasonable judgment of the Company or your counsel it becomes necessary to amend or supplement the Offering Memorandum to comply with any law or as a result of which the Offering Memorandum would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, to promptly (i) prepare an appropriate amendment or supplement to the Offering Memorandum so that the statements in the Offering Memorandum, as so amended or supplemented, will comply with all applicable laws and will not, in the light of the circumstances under which they were made, be misleading, and (ii) furnish each Initial Purchaser with such number of copies of the Offering Memorandum, as amended or supplemented, as such Initial Purchaser may reasonably request.

(d) To make no further amendment or any supplement to the Offering Memorandum without first having furnished to you a copy of the proposed form thereof and giving you a reasonable opportunity to review the same.

(e) To (i) cooperate with the Initial Purchasers and counsel for the Initial Purchasers in connection with the qualification of the Notes and the Guarantee for offer and sale by the Initial Purchasers under the state securities or Blue Sky laws of such jurisdictions as the Initial Purchasers may request, (ii) continue such qualification in effect so long as required for Exempt Resales of the Notes and (iii) file such consents to service of process or other documents as may be necessary in order to effect such qualification; provided, however, that the Company shall not be required in connection therewith to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or taxation, other than as to matters and transactions relating to the Exempt Resales, in any jurisdiction where it is not now so subject.

(f) During the period of two years following the date of this Agreement, to deliver to the Initial Purchasers, promptly upon their becoming available, (i) copies of all annual reports, quarterly reports and current reports filed with the Commission on Forms 10-K, 10-Q and 8-K, or such other similar forms as may be designated by the Commission, and (ii) such other documents, reports and information as shall be furnished by the Company or by ROV Holding to its stockholders generally.

(g) To use the net proceeds from the sale of the Notes in the manner specified in the Offering Memorandum (and any amendments or supplements thereto) under the caption "Use of Proceeds."

(h) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with: (i) the preparation,

printing, filing and distribution of the Offering Documents (including, without limitation, financial statements and exhibits) and all amendments and supplements thereto (but not, however, legal fees and expenses of your counsel incurred in connection therewith), (ii) the preparation, printing (including, without limitation, word processing and duplication costs) and delivery of the Operative Documents and all Blue Sky Memoranda and all other agreements, memoranda, correspondence and other documents printed and delivered in connection herewith and with the Exempt Resales (but not, however, legal fees and expenses of your counsel incurred in connection with any of the foregoing other than fees of such counsel plus reasonable disbursements incurred in connection with the preparation, printing and delivery of such Blue Sky Memoranda), (iii) the issuance and delivery by the Company of the Notes, (iv) the qualification of the Notes and the Guarantee for offer and sale under the securities or Blue Sky laws of the several states (including, without limitation, the reasonable fees and disbursements of your counsel relating to such registration or qualification), (v) furnishing such copies of the Offering Documents (including all documents incorporated by reference therein), and all amendments and supplements thereto, as may be reasonably requested for use in connection with the Exempt Resales, (vi) the preparation of certificates for the Notes (including, without limitation, printing and engraving thereof), (vii) the fees, disbursements and expenses of the Company's counsel and accountants, (viii) all expenses and listing fees in connection with the application for quotation of the Notes in the Private Offerings, Resales and Trading through Automatic Linkages ("PORTAL") market of the National Association of Securities Dealers, Inc., (ix) all fees and expenses (including fees and expenses of counsel) of the Company in connection with approval of the Notes by DTC for "book-entry" transfer and (x) the performance by the Company of its other obligations under this Agreement.

(i) Prior to the Closing Date, to furnish to you as soon as they have been prepared by the Company, a copy of any consolidated financial statements of the Company for any period subsequent to the period covered by the financial statements appearing in the Offering Memorandum.

(j) Not to distribute prior to the Closing Date any offering material in connection with the offering and sale of the Notes other than the Offering Documents or other materials, if any, that the Initial Purchasers shall have approved for such distribution.

(k) Not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Act) that would be integrated with the sale of the Notes in a manner that would require the registration under the Act of the sale to the Initial Purchasers or the Eligible Purchasers of Notes or the Guarantee.

(l) For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Act and during any period in which the Company is not subject to Section 13 or 15(d) of the

Exchange Act, to make available to any Eligible Purchaser or beneficial owner of Notes in connection with any sale thereof and any prospective purchaser of such Notes from such Eligible Purchaser or beneficial owner, the information required by Rule 144A(d)(4) under the Act.

(m) To comply with all agreements set forth in the letters of representation from the Company to DTC relating to the approval of the Notes by DTC for "book-entry" transfer.

(n) To use its reasonable best efforts to effect the inclusion of the Notes in PORTAL.

6. Representations and Warranties of the Company and ROV Holding. The Company and ROV Holding represent and warrant to each Initial Purchaser that:

(a) Each of the Company and ROV Holding is a duly organized and validly existing corporation in good standing under the laws of its respective jurisdiction of incorporation, has the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Offering Memorandum, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction where the ownership, leasing or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified could not, in the aggregate, reasonably be expected to have a material adverse effect on the properties, business, results of operations or condition (financial or otherwise) of the Company, ROV Holding and their respective subsidiaries taken as a whole (a "Material Adverse Effect"). Rayovac Canada, Inc. ("Rayovac Canada") is a duly organized and validly existing corporation under the laws of Canada with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted. Rayovac UK Limited ("Rayovac UK Ltd.") is a duly organized and validly existing corporation under the laws of the United Kingdom with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted. Rayovac Europe Limited ("Rayovac Europe Ltd.") is a duly organized and validly existing corporation under the laws of the United Kingdom with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted. Rayovac Far East Limited ("Rayovac Far East Ltd.") is a duly organized and validly existing corporation under the laws of Hong Kong with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted. Rayovac Europe B.V. ("Rayovac Europe B.V.," and together with ROV Holding, Rayovac Canada, Rayovac UK Ltd., Rayovac Europe Ltd. and Rayovac Far East, each, a "Subsidiary" and, collectively, the "Subsidiaries") is a duly organized and validly existing corporation under the laws of the

Netherlands with the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as currently conducted.

(b) Each of the Company and ROV Holding has all necessary corporate power and authority to execute and deliver this Agreement, the Notes, the Guarantee, the Indenture or the Registration Rights Agreement, as applicable, and to perform its respective obligations hereunder or thereunder, as applicable, and to authorize, issue, sell and deliver the Notes and the Guarantee, as applicable, in each case as contemplated by this Agreement, and to perform its obligations thereunder, as applicable.

(c) This Agreement has been duly authorized and validly executed and delivered by the Company and (assuming the due execution and delivery hereof by the Initial Purchasers) constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and, as to rights of indemnification, federal and state securities laws and principles of public policy.

(d) The Indenture has been duly authorized by the Company and ROV Holding and, on the Closing Date, will have been duly executed by the Company and ROV Holding and will conform in all material respects to the description thereof in the Offering Memorandum. When the Indenture has been duly executed and delivered (assuming the due execution and delivery thereof by the Trustee), the Indenture will be a valid and legally binding agreement of the Company and ROV Holding, enforceable against the Company and ROV Holding in accordance with its terms, subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(e) The Notes have been duly authorized by the Company and, on the Closing Date, will have been duly executed by the Company and will conform in all material respects to the description thereof in the Offering Memorandum. When the Notes are issued, authenticated and delivered in accordance with the Indenture and paid for in accordance with the terms of this Agreement, the Notes will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture, subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to

general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(f) The New Notes have been duly authorized by all necessary corporate action for issuance and sale pursuant to this Agreement and the Registration Rights Agreement (or will have been so authorized prior to the issuance of such New Notes) and, when executed, authenticated, issued and delivered in the manner provided for in the Indenture in accordance with the Registration Rights Agreement pursuant to the Exchange Offer, the New Notes will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(g) The Guarantee has been duly authorized by ROV Holding and, on the Closing Date, will have been duly executed by ROV Holding and will conform in all material respects to the description thereof in the Offering Memorandum. When the Guarantee is issued, authenticated and delivered in accordance with the Indenture and paid for in accordance with the terms of this Agreement, the Guarantee will constitute a valid and legally binding obligation of ROV Holding, enforceable against ROV Holding in accordance with its terms and entitled to the benefits of the Indenture, subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(h) The Registration Rights Agreement has been duly and validly authorized by the Company and conforms in all material respects with the description thereof in the Offering Memorandum. The Registration Rights Agreement (assuming the due execution and delivery thereof by you) constitutes the valid and legally binding agreement of the Company enforceable against the Company in accordance with its terms, subject to: applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity) and, as to rights of indemnification, federal and state securities laws and principles of public policy and, as to rights of indemnification, federal and state securities laws and principles of public policy.

(i) All of the issued and outstanding shares of capital stock of, or other ownership interests in, each Subsidiary have been duly and validly authorized and issued, and all of the shares of capital stock of, or other

ownership interests in, each Subsidiary are owned, directly or through other Subsidiaries, by the Company. All such shares of capital stock are fully paid and nonassessable (to the extent such status is contemplated by applicable law) and owned free and clear of any security interest, mortgage, pledge, claim, lien or encumbrance (each, a "Lien"). There are no outstanding subscriptions, rights, warrants, options, calls, convertible securities, commitments of sale or Liens related to or entitling any person to purchase or otherwise to acquire any shares of the capital stock of, or other ownership interest in, any Subsidiary.

(j) Neither the Company nor any of the Subsidiaries is (i) in violation of its respective charter or bylaws (or corresponding organizational documents) or (ii) in default in the performance of any bond, debenture, note or any other evidence of indebtedness or any indenture, mortgage, deed of trust or other contract, lease or other instrument to which the Company or any of the Subsidiaries is a party or by which any of them is bound, or to which any of the property or assets of the Company or any of the Subsidiaries is subject, except, with respect to clause (ii) of this paragraph, where there could not reasonably be expected to have a Material Adverse Effect.

(k) The execution and delivery of this Agreement, the Indenture, and the Registration Rights Agreement by the Company, the issuance and sale of the Notes and the Guarantee, the performance of this Agreement, the Indenture, and the Registration Rights Agreement and the consummation of the transactions contemplated by this Agreement, the Indenture and the Registration Rights Agreement will not (i) conflict with or result in a breach or violation of any of the respective charters or bylaws (or corresponding organizational documents) of the Company or any of the Subsidiaries or any of the terms or provisions of, or (ii) constitute a default or cause an acceleration of any obligation under, or result in the imposition or creation of (or the obligation to create or impose) a Lien with respect to, any bond, note, debenture or other evidence of indebtedness or any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which it or any of them is bound, or to which any properties of the Company or any of the Subsidiaries is or may be subject, or contravene any order of any court or governmental agency or body having jurisdiction over the Company or any of the Subsidiaries or any of their properties, or violate or conflict with any statute, rule or regulation or administrative or court decree applicable to the Company, any of the Subsidiaries or any of their respective properties, except, with respect to clause (ii) of this paragraph, where there could not reasonably be expected to have a Material Adverse Effect.

(l) There is no action, suit, proceeding or, to the knowledge of the Company or any of the Subsidiaries, investigation before any court or before or by any public, regulatory or governmental agency or body pending or, to the knowledge of the Company or any of the Subsidiaries, threatened against,

or involving the properties or business of the Company or any of the Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

(m) No action has been taken and no statute, rule or regulation or order has been enacted, adopted or issued by any governmental agency or body which prevents the issuance of the Notes or the Guarantee; no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction has been issued with respect to the Company or any of the Subsidiaries which would prevent or suspend the issuance or sale of the Notes; no action, suit or proceeding is pending against or, to the best of the knowledge of the Company, threatened against or affecting the Company or any of the Subsidiaries before any court or arbitrator or any governmental body, agency or official, domestic or foreign, which, if adversely determined, could reasonably be expected to materially interfere with or adversely affect the issuance of the Notes or the Guarantee or in any manner draw into question the validity of this Agreement, the Indenture, the Notes, the Guarantee, the Registration Rights Agreement, or the transactions contemplated hereby or thereby.

(n) Except as set forth in the Offering Documents, neither the Company nor any of the Subsidiaries has violated any environmental safety or similar law or regulation applicable to (i) its business relating to the protection of human health and safety, (ii) the environment or (iii) hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), lacks any permits, licenses or other approvals required of them under applicable Environmental Laws to own, lease and operate their respective properties and to conduct their business in the manner described in the Offering Memorandum, is violating any terms and conditions of any such permit, license or approval or has permitted to occur any event that allows, or after notice or lapse of time would allow, revocation, termination of any such permit, license or approval or results in any other impairment of their rights thereunder, which in each case could reasonably be expected to result, in the aggregate, in a Material Adverse Effect. Neither the Company nor any of the Subsidiaries has violated any federal, state or local law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable wage or hour laws, nor any provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules and regulations promulgated thereunder, nor has the Company or any of the Subsidiaries engaged in any unfair labor practice, which in each case could reasonably be expected to result, in the aggregate, in a Material Adverse Effect. There is (i) no significant unfair labor practice complaint pending against the Company or any of the Subsidiaries or, to the best knowledge of the Company, threatened against any of them before the National Labor Relations Board or any state or local labor relations board, and no significant grievance or significant arbitration proceeding arising out of or under any

collective bargaining agreement is so pending against the Company or any of the Subsidiaries or, to the best knowledge of the Company, threatened against any of them, (ii) no significant strike, labor dispute, slowdown or stoppage pending against the Company or any of the Subsidiaries or, to the best knowledge of the Company, threatened against the Company or any of the Subsidiaries and (iii) to the best knowledge of the Company, no union representation question existing with respect to the employees of the Company or any of the Subsidiaries and, to the best knowledge of the Company, no union organizing activities are taking place, except (with respect to any matter specified in clause (i), (ii) or (iii) above, singly or in the aggregate) such as could not reasonably be expected to have a Material Adverse Effect.

(o) Except as could not reasonably be expected to result, in the aggregate, in a Material Adverse Effect, the Company and each of the Subsidiaries has good title, free and clear of all Liens (except Liens for taxes not yet due and payable), to all property and assets reflected as owned by it in the combined consolidated financial statements of the Company at and for the fiscal year ended June 30, 1996.

(p) The accountants that have certified or shall certify the applicable consolidated financial statements and supporting schedules of the Company included in the Offering Memorandum, are, to the knowledge of the Company, independent accountants. The consolidated historical and unaudited pro forma condensed consolidated financial statements, together with related schedules and notes, fairly present the consolidated financial position of the Company and the Subsidiaries at the respective dates indicated and the results of their operations and their cash flows for the respective periods indicated, in accordance with generally accepted accounting principles consistently applied throughout such periods. Such pro forma financial statements have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis and present fairly the historical and proposed transactions contemplated by this Agreement, the Offering Memorandum, the Indenture and the Registration Rights Agreement. The other financial and statistical information and data included in the Offering Memorandum, historical and pro forma, are, in all material respects, accurately presented and prepared on a basis consistent with such financial statements and the books and records of the Company and the Subsidiaries.

(q) Subsequent to the respective dates as of which information is given in the Offering Memorandum and up to the Closing Date, neither the Company nor any of the Subsidiaries has incurred any liabilities or obligations, direct or contingent, which are material to the Company and the Subsidiaries taken as a whole, nor entered into any material transaction not in the ordinary course of business and there has not been, in the aggregate, any material adverse change, or any development which may reasonably be expected to

involve a material adverse change, in the properties, business, results of operations or condition (financial or otherwise) of the Company and the Subsidiaries taken as a whole (a "Material Adverse Change").

(r) All tax returns required to be filed by the Company or any of the Subsidiaries in any jurisdiction have been filed, other than those filings being contested in good faith, and all material taxes, including withholding taxes, penalties and interest, assessments, fees and other charges due or claimed to be due from such entities have been paid, other than those being contested in good faith and for which adequate reserves have been provided or those currently payable without penalty or interest.

(s) No authorization, approval, consent or license of any government, governmental instrumentality or court, domestic or foreign (other than the securities or blue sky laws of the various states and foreign jurisdictions, an effectiveness order of the Commission with respect to the Exchange Offer Registration Statement and Shelf Registration Statement and qualification of the Indenture under the Trust Indenture Act of 1939, as amended, is required for the valid issuance, sale and delivery of the Notes and the Guarantee, or for the execution, delivery or performance of this Agreement, the Indenture or the Registration Rights Agreement by the Company, except as disclosed in the Offering Memorandum and except as such as may have been (or will on the Closing Date be) obtained and are (or will on the Closing Date be) in full force and effect and except where the failure to obtain such authorization, approval, consent or license could not reasonably, individually or in the aggregate, be expected to have a Material Adverse Effect.

(t) (i) The Company and each of the Subsidiaries has all certificates, consents, exemptions, orders, permits, licenses, authorizations, or other approvals (each, an "Authorization") of and from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals, necessary or required to own, lease, license and use its properties and assets and to conduct its business in the manner described in the Offering Memorandum, except to the extent that the failure to obtain or file would not, singly or in the aggregate, have a Material Adverse Effect, (ii) all such Authorizations are valid and in full force and effect and (iii) the Company and the Subsidiaries are in compliance in all material respects with the terms and conditions of all such Authorizations and with the rules and regulations of the regulatory authorities and governing bodies having jurisdiction with respect thereto.

(u) Except as set forth or referred to in the Offering Memorandum and except as would not have a Material Adverse Effect, the Company and the Subsidiaries possess all patents, patent rights, licenses, inventions, copyrights,

know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (collectively, "Intellectual Property") presently employed by them in connection with the businesses now operated by them, and neither the Company nor any of the Subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to the foregoing. Except as set forth in the Offering Memorandum, the use of such Intellectual Property in connection with the business and operations of the Company as currently conducted and the Subsidiaries does not, to the knowledge of the Company, infringe the rights of any person.

(v) The Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(w) The Company and each Subsidiary maintains insurance covering its properties, operations, personnel and businesses. Such insurance insures against such losses and risks as are adequate in accordance with customary industry practice to protect the Company and the Subsidiaries and their businesses. Neither the Company nor any Subsidiary has received notice from any insurer or agent of such insurer that substantial capital improvements or other expenditures will have to be made in order to continue such insurance. All such insurance is outstanding and duly in force on the date hereof and will be outstanding and duly in force on the Closing Date.

(x) Neither the Company nor any Subsidiary (i) is "insolvent" as that term is defined in Section 101(32) of the United States Bankruptcy Code (the "Bankruptcy Code") (11 U.S.C. ss. 101 (32)), Section 2 of the Uniform Fraudulent Transfer Act ("UFTA") or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (ii) has "unreasonably small capital" as that term is used in Section 548(a)(2)(ii) of the Bankruptcy Code or Section 5 of the UFCA, (iii) is engaged or about to engage in a business or transaction for which its remaining assets are "unreasonably small" in relation to the business or transaction as that term is used in Section 4 of the UFTA or (iv) intends or believes that it will be unable to pay its debts as they mature or become due, within the meaning of Section 548(a)(2)(B)(iii) of the Bankruptcy Code, Section 4 of the UFTA and Section 6 of the UFCA. Neither the Company nor any Subsidiary shall be rendered insolvent (as defined above) by the execution

and delivery of this Agreement or by consummation of the transactions contemplated hereunder.

(y) The Offering Documents have been prepared in connection with the Exempt Resales. The Preliminary Offering Memorandum as of its date did not, and the Offering Memorandum as of its date does not and as of the Closing Date will not, and any amendment or supplement thereto will not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading, except that the representations and warranties contained in this paragraph 6(y) shall not apply to statements or omissions in the Offering Documents (or any amendment or supplement thereto) based upon information furnished to the Company in writing by the Initial Purchasers expressly for use therein. No stop order preventing the use of the any of the Offering Documents, or any amendment or supplement thereto, or any order asserting that any of the transactions contemplated by this Agreement are subject to the registration requirements of the Act, have been issued.

(z) None of the Subsidiaries of the Company is a "significant subsidiary" as defined in Rule 1-02(w)(3) of Regulation S-X promulgated under the Act.

(aa) The Company had, as of the date indicated, debt including current maturities and shareholders' equity as set forth in the Offering Memorandum under the caption "Capitalization."

(ab) Neither the Company nor any of the Subsidiaries has distributed and, prior to the Closing Date, will distribute any offering material in connection with the offering and sale of the Notes other than any of the Offering Documents or other materials, if any, that the Initial Purchasers have approved for such distribution; provided, however, that it is understood that the Company makes no representation or warranty herein with respect to any distribution of materials by the Initial Purchasers.

(ac) The Company is not now, and after sale of the Notes to be sold by it hereunder and application of the net proceeds from such sale as described in the Offering Documents under the caption "Use of Proceeds" will not be, or will not be "controlled" by, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(ad) Neither the Company nor any of the Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" or a "holding company", as such terms are defined in the Public Utilities Holding Company Act of 1935, as amended, or is a "public utility", as such term is defined in the Federal Power Act, as amended.

(ae) Assuming (i) that each of the Eligible Purchasers is a QIB or an Accredited Institution, (ii) the accuracy of the representations, warranties and covenants of the Initial Purchasers in Section 7 hereof, (iii) the accuracy of the

representations made by each Accredited Institution who purchases the Notes and the Guarantee pursuant to an Exempt Resale (as set forth in the letters of representation executed by such Accredited Institutions in the form of Annex A to the Offering Memorandum), (iv) the compliance by the Initial Purchasers with the offering and transfer procedures and restrictions described in the Offering Memorandum and any other requirements of law applicable to the Initial Purchasers that are necessary for exemption of the offering and sale of the Notes and the Guarantee from the registration requirements of the Act and (v) that Eligible Purchasers to whom the Initial Purchasers initially resell the Notes and the Guarantee receive a copy of the Offering Memorandum prior to such sale, no registration of the Notes or the Guarantee under the Act and no qualification of the Indenture under the Trust Indenture Act of 1939, as amended, is required for the sale of the Notes or the Guarantee to the Initial Purchasers as contemplated by this agreement or for the Exempt Resales. No form of general solicitation or general advertising was used by the Company or any of its representatives (other than the Initial Purchasers, as to whom the Company makes no representation) in connection with the offer and sale of the Notes, including, but not limited to, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. No securities of the same class as the Notes have been issued and sold by the Company within the six-month period immediately prior to the date hereof.

(af) The execution and delivery of the Operative Documents and the sale of the Notes to be purchased by the Eligible Purchasers will not involve any non-exempt prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended. The representation made by the Company in the preceding sentence is made in reliance upon and subject to the accuracy of, and compliance with, the representations and covenants made or deemed made by the Eligible Purchasers as set forth in the Offering Memorandum under the Section entitled "Notice to Investors."

(ag) No securities of the Company or any of its Subsidiaries are of the same class (within the meaning of Rule 144A under the Act) as the Notes and listed on a national securities exchange registered under Section 6 of the Exchange Act, or quoted in a U.S. automated inter-dealer quotation system.

Any certificate signed by any officer of the Company pursuant to this Agreement and delivered to the Initial Purchasers or to counsel for the Initial Purchasers shall be deemed a representation and warranty by the Company to the Initial Purchasers as to the matters covered thereby.

7. Representations, Warranties and Certain Agreements of the Initial Purchasers.

(a) Each Initial Purchaser, severally and not jointly, represents, warrants to and agrees with the Company as follows:

(1) Each Initial Purchaser represents and warrants with respect to itself that such Initial Purchaser is either a QIB or an Accredited Institution, in either case with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Notes.

(2) Except as set forth in the Offering Memorandum, such Initial Purchaser (i) is not acquiring the Notes with a view to any distribution thereof or with any present intention of offering or selling any of the Notes in a transaction that would violate the Act or the securities laws of any State of the United States or any other applicable jurisdiction, (ii) will be reoffering and reselling the Notes only (A) to QIBs in reliance on the exemption from the registration requirements of the Act provided by Rule 144A and (B) to a limited number of Accredited Institutions that execute and deliver a letter containing certain representations and agreements in the form attached as Annex A to the Offering Memorandum and (iii) has not solicited and will not solicit any offer to buy or offer to sell the Notes by means of any form of general solicitation or general advertising (as such terms are defined in Regulation D under the Act) or in any manner involving a public offering within the meaning of the Act.

(3) Each Initial Purchaser also understands that the Company and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Sections 9(e) and (f) hereof, counsel to the Company and counsel to the Initial Purchasers will rely upon the accuracy and truth of the foregoing representations and agreements and the Initial Purchasers hereby consent to such reliance.

(b) Each Initial Purchaser agrees that it will solicit offers to buy the Notes only from, and will offer to sell the Notes only to, Eligible Purchasers. Each Initial Purchaser further agrees that it will offer to sell the Notes only to, and will solicit offers to buy the Notes only from, persons who in purchasing such Notes will be deemed to have represented and agreed (1) if such Eligible Purchaser is a QIB, that they are purchasing the Notes for their own account or an account with respect to which they exercise sole investment discretion and that they or such accounts are QIBs, (2) that such Notes will not have been registered under the Act and may be offered, resold, pledged or otherwise transferred only (A)(i) inside the United States to a person who the seller reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Act in a transaction meeting the requirements of Rule 144A, (ii) in a transaction meeting the requirements of Rule 144 under the Act, (iii) outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 under the Act or (iv) in accordance with another exemption from the registration requirements of the Act (and based upon an

opinion of counsel if the Company so requests), (B) to the Company or (C) pursuant to an effective registration statement under the Act, in each case, in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction, and (3) that the holder will, and each subsequent holder is required to, notify any purchaser from it of the security evidenced thereby of the resale restrictions set forth in (2) above.

(c) Prior to any sale of Notes to an Eligible Purchaser, the Initial Purchasers shall have provided such Eligible Purchaser with a copy of the Offering Memorandum.

(d) On the Closing Date, the Initial Purchasers will provide the Company with a certificate stating that they solicited offers from and offered and sold the Notes only to persons they reasonably believed to be Eligible Purchasers.

(e) The Initial Purchasers will give prompt notice in writing by telecopy to the Company and its counsel when the Exempt Resales are completed.

8. Indemnification.

(a) The Company agrees to indemnify and hold harmless (i) each Initial Purchaser, (ii) each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) any Initial Purchaser (any of the persons referred to in this clause (ii) being hereinafter referred to as a "controlling person"), and (iii) the officers, directors, partners, employees, representatives and agents of each Initial Purchaser or any controlling person (any person referred to in clause (i), (ii) or (iii) may hereinafter be referred to as an "Indemnified Person") to the fullest extent lawful, from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including without limitation and as incurred (following the submission of an itemized invoice therefor), reimbursement of all reasonable costs of investigating, preparing, pursuing or defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable documented fees and expenses of counsel to any Indemnified Person directly or indirectly caused by, related to, based upon, arising out of or in connection with any untrue statement or alleged untrue statement of a material fact contained in the Offering Memorandum (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (collectively, "Damages") , except (A) insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information relating to any Initial Purchaser furnished in writing to the Company by any Initial Purchaser expressly for use in the Offering Documents (or any amendment or supplement thereto) and (B) insofar as such losses, claims, damages, liabilities or expenses are caused by an untrue statement

or omission or alleged untrue statement or omission that was contained or made in the Preliminary Offering Memorandum and corrected in the Offering Memorandum and (1) any such losses, claims, damages, liabilities or expenses suffered or incurred by any Indemnified Person resulted from an action, claim, or suit by any person who purchased the Notes from any Initial Purchaser in an Exempt Resale, (2) the Initial Purchasers failed to deliver or provide a copy of the Preliminary Offering Memorandum or Offering Memorandum to such person at or prior to the confirmation of the sale of the Notes and (3) the Preliminary Offering Memorandum or the Offering Memorandum, as the case may be, (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages, liabilities or expenses. The Company shall notify you promptly of the institution, threat or assertion of any claim, proceeding (including any governmental investigation) or litigation in connection with the matters addressed by this Agreement which involves the Company or an Indemnified Person.

(b) In case any action or proceeding (including any governmental investigation) shall be brought or asserted against any of the Indemnified Persons with respect to which indemnity may be sought against the Company, such Initial Purchaser (or the Initial Purchaser controlled by such controlling person) shall promptly notify the Company in writing (provided, that the failure to give such notice shall not relieve the Company of its obligations pursuant to this Agreement) and the Company shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Person and payment of all fees and expenses. Any Indemnified Person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the employment of such counsel shall have been specifically authorized in writing by the Company, (ii) the Company shall have failed to assume the defense and employ counsel or (iii) such Indemnified Person reasonably concludes based on the advice of counsel that (A) there may be one or more legal defenses available to it which are different from or additional to those available to the Company, the assertion of which would be adverse to the interests of the Company or any other Indemnified Person, or (B) a conflict of interest exists between the Indemnified Person and the Company (in either such case the Company shall not have the right to assume or to continue the defense of such action on behalf of such Indemnified Person), it being understood, however, that the Company shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all such Indemnified Persons, which firm shall be designated in writing by the Initial Purchasers. The Company shall be liable for any settlement of any such action or proceeding effected with its prior written consent, which consent will not be unreasonably withheld, and the Company agrees to indemnify and hold harmless any Indemnified Person from and

against any loss, claim, damage, liability or expense by reason of any settlement of any action effected with the written consent of the Company. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested the Company to reimburse the Indemnified Person for fees and expenses of counsel as contemplated by the second sentence of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 business days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of each Indemnified Person, settle or compromise or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, claim, litigation or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not any Indemnified Person is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Person from all liability arising out of such action, claim, litigation or proceeding.

(c) Each Initial Purchaser agrees, jointly but not severally, to indemnify and hold harmless the Company, any person controlling (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company and the officers, directors, partners, employees, representatives and agents of the Company or any such person, to the same extent and subject to the same procedures as the foregoing indemnity from the Company to each of the Indemnified Persons, but only with respect to Damages based on information relating to such Initial Purchaser furnished in writing by such Initial Purchaser expressly for use in the Offering Documents.

(d) If the indemnification provided for in this Section 8 is unavailable to an Indemnified Person under Section 8(a) or (c) in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other hand from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying parties and the indemnified party, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Initial Purchasers, on the other hand, shall be deemed to be in the same proportion as the total proceeds from the offering (net of discounts and commissions but before deducting expenses) received by the Company bear to the total discounts and commissions received by such

Initial Purchaser, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault of the Company and the Initial Purchasers shall be determined by reference to, among other things whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The indemnity and contribution obligations of the Company set forth herein shall be in addition to any liability or obligation the Company may otherwise have to any Indemnified Person.

The Company and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened including the reasonably documented fees and expenses of counsel to such party. Notwithstanding the provisions of this Section 8, the Initial Purchasers (and their related Indemnified Persons) shall not be required to contribute, in the aggregate, any amount in excess of the amount by which the total discount applicable to the Notes purchased by such Initial Purchasers exceeds the amount of any damages which such Initial Purchasers have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

9. Conditions of Initial Purchasers' Obligations. The several obligations of the Initial Purchasers to purchase the Notes under this Agreement are subject to the satisfaction of each of the following conditions:

(a) All the representations and warranties of the Company contained in this Agreement shall be true and correct on the Closing Date with the same force and effect as if made on and as of the Closing Date.

(b) (i) The Offering Memorandum shall have been printed and copies distributed to the Initial Purchasers not later than 10:30 a.m. Eastern time, on October 21, 1996, or at such later date and time as the Initial Purchasers may approve;

(ii) no injunction, restraining order or order of any nature by a federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Notes or the Guarantee; and

(iii) at the Closing Date, no stop order preventing the use of the Offering Documents, or any amendment or supplement thereto, or suspending the qualification or exemption from qualification of the Notes for sale in any jurisdiction designated by the Initial Purchasers pursuant to Section 5(e) hereof shall have been issued and no proceedings for that purpose shall have been commenced or shall be pending or, to the knowledge of the Company, be contemplated.

(c) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have been any downgrading, nor shall any notice have been given to the Company of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's securities by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Act.

(d) (i) Since the date of the latest balance sheet included in the Offering Documents, there shall not have been any material adverse change, in the condition, financial or otherwise, or in the earnings, whether or not arising in the ordinary course of business, of the Company and the Subsidiaries, taken as a whole, from that set forth in the Offering Documents, (ii) since the date of the latest balance sheet included in the Offering Documents, there shall not have been any material adverse change in the capital stock or in the long-term debt of the Company from that set forth in the Offering Documents, (iii) the Company and the Subsidiaries shall have no liability or obligation, direct or contingent, which is material to the Company and the Subsidiaries, taken as a whole, other than those reflected in the Offering Documents or incurred in the ordinary course of business and (iv) on the Closing Date you shall have received a certificate from each of the Company and ROV Holding dated the Closing Date, signed by a senior officer of the Company or ROV Holding, as applicable, in his or her capacity as such senior officer, confirming the matters set forth in paragraphs (a), (b)(ii), (b)(iii), (c) and (d) of this Section 9.

(e) You shall have received on the Closing Date opinions (satisfactory to you and counsel for the Initial Purchasers), dated the Closing Date, (A) of James A. Broderick, Vice President and General Counsel of the Company, substantially in the form of Exhibit A attached hereto, (B) of Skadden, Arps, Slate, Meagher & Flom, Boston, Massachusetts, special counsel for the Company, substantially in the form of Exhibit B attached hereto and (C) of Whyte, Hirshboeck & Dudek S.C., special counsel for the Company, substantially in the form of Exhibit C attached hereto.

In rendering such opinion, such counsel may rely (i) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, if at all, upon an opinion or opinions (in form and substance reasonably satisfactory to the Initial Purchasers' counsel) of other counsel reasonably acceptable to the Initial Purchasers' counsel, familiar with the applicable laws; (ii) as to matters of fact, to the extent such counsel deems proper, on certificates of responsible officers of the Company, certificates of public officials and certificates or other written statements of officers of departments of various jurisdictions having custody of documents respecting the existence or good standing of the Company and the Subsidiaries, provided that copies of any such written statements or certificates shall be delivered to the Initial Purchasers' counsel.

The opinion of Skadden, Arps, Slate, Meagher & Flom described in paragraph (e)(B) above shall be rendered to the Initial Purchasers at the request of the Company and shall so state therein and may state that such opinion is limited to matters of federal and New York law and the General Corporation Law of the State of Delaware.

(f) You shall have received on the Closing Date an opinion, dated the Closing Date, of Latham & Watkins, counsel for the Initial Purchasers, as to matters set forth in paragraphs 2 through 6, that part of paragraph 10 relating to the description of the Indenture contained under the caption "Description of the Notes" in the Offering Memorandum, paragraph 13 and the paragraph immediately following paragraph 13 of Exhibit B attached hereto. In giving such opinion, such counsel may state that their opinion and belief are based upon their participation in the preparation of the Offering Documents and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification except as specified.

(g) You shall have received a letter on and as of the Closing Date, in form and substance satisfactory to you, from Coopers & Lybrand L.L.P., independent public accountants for the Company, with respect to the financial statements and certain financial information contained in the Offering Memorandum and substantially in the form and substance of the letter delivered to you by Coopers & Lybrand L.L.P. on the date of this Agreement, provided that the letter delivered on the Closing Date shall state that Coopers & Lybrand L.L.P. has read the unaudited combined consolidated balance sheet of the Company and the related combined consolidated statement of income for the month and three months ended September 30, 1996 and 1995.

(h) The Company shall not have failed at or prior to the Closing Date to perform or comply with any of the agreements herein contained and required to be performed or complied with by the Company at or prior to the Closing Date.

(i) You shall have received on the Closing Date a certificate, dated the Closing Date, signed by a senior officer of the Company, in his or her capacity as such senior officer, in form and substance reasonably satisfactory to you and your counsel, with respect to the solvency of the Company.

10. Effective Date of Agreement and Termination. This Agreement shall become effective at the time that the Company and the Initial Purchasers execute this Agreement.

This Agreement may be terminated at any time prior to the Closing Date by you by written notice to the Company if any of the following has occurred: (i) since the respective dates as of which information is given in the Offering Memorandum, any material adverse change or development involving a prospective material adverse change in the condition, financial or otherwise, of the Company and the Subsidiaries or the earnings of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business, which would, in your judgment, make it impracticable to market the Notes on the terms and in the manner contemplated in the Offering Memorandum, (ii) any outbreak or escalation of hostilities or other national or international calamity or crisis or change in economic conditions or in the financial markets of the United States or elsewhere that, in your judgment, is material and adverse and would, in your judgment, make it impracticable to market the Notes on the terms and in the manner contemplated in the Offering Memorandum, (iii) the suspension or material limitation of trading in securities on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market or limitation on prices for securities on any such exchange, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects, or will materially and adversely affect, the business or operations of the Company and the Subsidiaries taken as a whole, (v) the declaration of a banking moratorium by either federal or New York State authorities or (vi) the taking of any action by any federal or state government or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the financial markets in the United States.

If on the Closing Date any one or more of the Initial Purchasers shall fail or refuse to purchase the Notes which it has or they have agreed to purchase hereunder on such date and the aggregate principal amount of Notes which such defaulting Initial Purchaser or Initial Purchasers, as the case may be, agreed but failed or refused to purchase is not more than one-tenth of the aggregate principal amount of Notes to be purchased on such date by all the Initial Purchasers, each non-defaulting Initial Purchaser shall be obligated severally, in the proportion which the aggregate principal amount of Notes set forth opposite its name in Schedule I bears to the aggregate principal amount of Notes which all the non-defaulting Initial Purchasers, as the case may be, have agreed to purchase, or in such other proportion as you may specify, to purchase the Notes which such defaulting Initial Purchaser or Initial Purchasers, as the case may be, agreed but failed or refused to purchase on such date; provided that in no event shall the amount of Notes which any Initial Purchaser has agreed to purchase pursuant to Section 2 hereof be increased pursuant to this Section 10 by an amount in excess of one-ninth of such amount of Notes without the written consent of such Initial

Purchaser. If on the Closing Date any Initial Purchaser shall fail or refuse to purchase Notes and the aggregate principal amount of Notes with respect to which such default occurs is more than one-tenth of the aggregate principal amount of Notes to be purchased on such date by the Initial Purchasers and arrangements satisfactory to you and the Company for purchase of such Notes are not made within 48 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Initial Purchaser and the Company. In any such case which does not result in termination of this Agreement, either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Offering Memorandum or any other documents or arrangements may be effected. Any action taken under this paragraph shall not relieve any non-defaulting Initial Purchaser from liability in respect of any default of any such Initial Purchaser under this Agreement.

11. Miscellaneous. Notices given pursuant to any provision of this Agreement shall be addressed as follows: (a) if to the Company, to Rayovac Corporation, 601 Rayovac Drive, Madison, Wisconsin 53711-2497, Attention: James A. Broderick, with a copy to Skadden, Arps, Slate, Meagher & Flom, One Beacon Street, 31st Floor, Boston, Massachusetts 02108, Attention: Louis A. Goodman, and (b) if to any Initial Purchaser or to you, to you c/o Donaldson, Lufkin & Jenrette Securities Corporation, 277 Park Avenue, New York, New York 10172, Attention: Syndicate Department, with a copy to Latham & Watkins, Sears Tower, Suite 5800, 233 South Wacker Drive, Chicago, Illinois 60606, Attention: Mark A. Stegemoeller, or in any case to such other address as the person to be notified may have requested in writing.

The respective indemnities, contribution agreements, representations, warranties and other statements of the Company, its officers and directors and of the several Initial Purchasers set forth in or made pursuant to this Agreement shall remain operative and in full force and effect, and will survive delivery of and payment for the Notes, regardless of (i) any investigation, or statement as to the results thereof, made by or on behalf of any Initial Purchaser or by or on behalf of the Company, the officers or directors of the Company or any controlling person of the Company, (ii) acceptance of the Notes and payment for them hereunder and (iii) termination of this Agreement.

If this Agreement shall be terminated by the Initial Purchasers because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, the Company agrees to reimburse the several Initial Purchasers for all out-of-pocket expenses (including the reasonable fees and disbursements of counsel) reasonably incurred by them.

Except as otherwise provided, this Agreement has been and is made solely for the benefit of and shall be binding upon the Company, the Initial Purchasers, any controlling persons referred to herein and their respective successors and assigns, all as and to the extent provided in this Agreement, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include a purchaser of any of the Notes from any of the several Initial Purchasers merely because of such purchase.

This Agreement shall be governed and construed in accordance with the laws of the State of New York.

This Agreement may be signed in various counterparts which together shall constitute one and the same instrument.

Please confirm that the foregoing correctly sets forth the agreement between the Company, ROV Holding and the several Initial Purchasers.

Very truly yours,

RAYOVAC CORPORATION

By /s/ James A. Broderick

Name: James A. Broderick
Title: Vice President

ROV HOLDING, INC.

By /s/ Roger F. Warren

Name: Roger F. Warren
Title: President

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BA SECURITIES, INC.

By DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

By /s/ Glenn Tongue

Name: Glenn Tongue
Title Managing Director

SCHEDULE I

Initial Purchasers	Amount
Donaldson, Lufkin & Jenrette Securities Corporation	$75,000,000
BA Securities, Inc.	$25,000,000
Total	$100,000,000

EXHIBIT 10.2

MANAGEMENT AGREEMENT

WITH

THOMAS H. LEE COMPANY

AGREEMENT entered into as of September [ ], 1996, by and between Thomas H. Lee Company, a Massachusetts sole proprietorship with a principal place of business at 75 State Street, Boston, Massachusetts 02109 (the "Consultant"), and Rayovac Corporation, a Wisconsin corporation ("Rayovac").

WHEREAS, the Consultant has and its affiliates have staff specially skilled in corporate finance, strategic corporate planning and other management skills and services; and

WHEREAS, as of the date hereof, Rayovac has completed its recapitalization pursuant to the Stock Purchase and Redemption Agreement dated this date by and among Rayovac, certain affiliates of the Consultant and all of the shareholders of Rayovac, together with the consummation of senior credit facilities and bridge mezzanine debt financing (collectively, the "Recapitalization"); and

WHEREAS, Rayovac will require the Consultant's special skills and management advisory services in connection with its general business operations; and

WHEREAS, the Consultant is willing to provide such skills and services to Rayovac.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Engagement. Rayovac hereby engages the Consultant for the Term (as hereinafter defined) and upon the terms and conditions herein set forth to provide consulting and management advisory services to Rayovac, as requested by Rayovac. These services will be in connection with financial and strategic corporate planning and such other management services as the Consultant and Rayovac shall mutually agree. In consideration of the remuneration herein specified, the Consultant accepts such engagement and agrees to perform the services specified herein.

2. Term. The engagement hereunder shall be for a term commencing on the date hereof and expiring on the fifth (5th) anniversary hereof (the "Term"). Upon expiration of the Term, this Agreement shall automatically extend for successive periods of one (1) year, unless the Consultant or Rayovac shall give notice to the other at least ninety (90) days prior to the end of the Term (or any annual extension thereof) indicating that it does not intend to renew the Agreement. Upon final expiration of the Term (or any annual extension thereof) all obligations as between the parties shall be without recourse to one another under this Agreement.

3. Services to be Performed. The Consultant shall devote reasonable time and efforts to the performance of the consulting and management advisory services contemplated by this Agreement. However, no precise number of hours is to be devoted by the Consultant on a weekly or monthly basis. The Consultant may perform services under this Agreement directly, through its employees or agents, or with such outside consultants as the Consultant may engage for such purpose.

4. Compensation; Expense Reimbursement.

4.1 (a) In connection with the closing of the Recapitalization, Rayovac shall pay or cause to be paid to the Consultant (and/or to such of the Consultant's affiliates as the Consultant may direct) an aggregate closing fee of $3,250,000, on the date hereof.

(b) In consideration of the management advisory services hereunder, the Consultant shall be paid an annual fee (hereinafter, the "Management Fee") equal to $360,000, which Management Fee shall be paid to the Consultant by Rayovac in equal monthly installments each year, to be paid monthly in arrears.

4.2 Rayovac shall reimburse the Consultant for all reasonable out-of-pocket expenses incurred in connection with management advisory services to be provided by the Consultant hereunder, including, without limitation, reasonable travel, lodging and similar out-of-pocket

costs reasonably incurred by it in connection with or on account of its performance of services for Rayovac hereunder. Reimbursement shall be made only upon presentation to Rayovac by the Consultant of reasonably itemized documentation therefor.

5. Indemnification. In addition to its agreements and obligations under this Agreement, Rayovac agrees to indemnify and hold harmless the Consultant, and its affiliates (including its officers, directors, stockholders, partners, members, employees and agents) from and against any and all claims, liabilities, losses and damages (or actions in respect thereof), in any way related to or arising out of the performance by the Consultant of services under Sections 1 and 3 of this Agreement (other than for expenses incurred described in Section 4 hereof or for compensation for services rendered), and to reimburse the Consultant and any other such indemnified person for reasonable out-of-pocket legal and other expenses incurred by it in connection with or relating to investigating, preparing to defend, or defending any actions, claims or other proceedings (including any investigation or inquiry) arising in any manner out of or in connection with the Consultant's performance under this Agreement (whether or not such indemnified person is a named party in such proceeding); provided, however, that Rayovac shall not be responsible under this Section 5 for any claims, liabilities, losses, damages or expenses to the extent that they are finally judicially determined to result from actions taken by the Consultant (or such other indemnified person) due primarily to the Consultant's (or such other indemnified person's) gross negligence or willful misconduct.

6. Notice. All notices hereunder, to be effective, shall be in writing and shall be mailed by certified mail, postage prepaid as follows:

(i) If to the Consultant:

Thomas H. Lee Company
75 State Street
Boston, Massachusetts 02109
Attention: Warren C. Smith, Jr.

(ii) If to Rayovac:

601 Rayovac Drive
Madison, WI 53711-2497
Attention: President

7. Modifications. This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof, superseding all prior understandings and agreements whether written or oral. This Agreement may not be amended or revised except by a writing signed by the parties.

8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns but may not be assigned by either party without the prior written consent of the other. Notwithstanding the foregoing, the Consultant may elect to have its obligations hereunder performed in whole or in part by a partnership or other entity affiliated with the Consultant, and the Consultant may direct that any compensation (including all or a portion of the Management Fee) and reimbursement of expenses be paid to the affiliate performing the services hereunder with respect thereto.

9. Captions. Captions have been inserted solely for the convenience of reference and in no way define, limit or describe the scope or substance of any provision and shall not affect the validity of any other provision.

10. Governing Law. This Agreement shall be construed under and governed by the laws of the Commonwealth of Massachusetts, without reference to its conflicts of law principles.

11. Counterparts. This Agreement may be signed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as a sealed instrument as of the date first above written.

THOMAS H. LEE COMPANY

By /s/ Scott A. Schoen

Name: Scott A. Schoen
Title: Managing Director

RAYOVAC CORPORATION

By /s/ David A. Jones

Name: David A. Jones
Title: Director

EXHIBIT 10.3

CONSULTING AGREEMENT

AGREEMENT entered into as of September 12, 1996, by and between Rayovac Corporation, a Wisconsin corporation ("Rayovac"), and Thomas F. Pyle, Jr. (the "Consultant").

WHEREAS, as of the date hereof, Rayovac has completed its recapitalization pursuant to the Stock Purchase and Redemption Agreement dated this date by and among Rayovac, certain affiliates of Thomas H. Lee Company ("THL") and all of the shareholders of Rayovac, together with the consummation of senior credit facilities and bridge mezzanine debt financing; and

WHEREAS, immediately prior to the Recapitalization, the Consultant resigned as Chairman of the Board of Directors, Chief Executive Officer and President of Rayovac; and

WHEREAS, Rayovac may require the Consultant's special skills and services in connection with its business operations; and

WHEREAS, the Consultant is willing to provide such skills and services to Rayovac.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Engagement. Rayovac hereby engages the Consultant for the Term (as defined below) and upon the terms and conditions herein set forth to provide consulting services to Rayovac, as reasonably requested by Rayovac. In consideration of the remuneration herein specified, the Consultant accepts such engagement and agrees to perform the services specified herein.

2. Term. The engagement hereunder shall be for a term commencing on the date hereof and expiring at such time as the Consultant is no longer entitled to a Consulting Fee (as defined below) pursuant to Section 4.1 (the "Term"). Upon expiration of the Term, all obligations as b the parties (except for outstanding reimbursements under Section 4.2) shall be without recourse to one another under this Agreement.

3. Services to be Performed. So long as Rayovac provides the Consultant with reasonable notice, the Consultant shall make himself available for brief consultations or brief assignments by telephone or in Madison, Wisconsin or in the general area where he is at that time locate However, no precise number of hours is to be devoted by the Consultant on a monthly basis for such services.

4. Compensation; Expense Reimbursement.

4.1 In consideration of the consulting services hereunder, Rayovac shall pay the Consultant an annual fee (hereinafter, the "Consulting Fee") equal to $200,000, which Consulting Fee shall be paid in equal monthly installments each year, to be paid monthly in arrears; provided, however, that Rayovac's obligation to pay the Consulting Fee pursuant to this Section 4.1 shall exist only so long as (i) THL or an affiliate of THL is also receiving a Consulting Fee from Rayovac (the "THL Consulting Fee") and (ii) the Consultant (a) is subject to the non-competition provisions set forth in the Confidentiality, Non-Competition, No-Solicitation and No-Hire Agreement between the parties dated this date or (b) retains at least 5% of the outstanding capital stock of Rayovac (on a fully diluted basis); and provided further, that if the THL Consulting Fee is reduced and such reduction is not otherwise provided to THL through other means or increased, the Consulting Fee shall be reduced or increased on a pro-rata basis.

4.2 Rayovac shall reimburse the Consultant for all reasonable out-of-pocket expenses incurred in connection with services to be provided by the Consultant hereunder, including, without limitation, reasonable travel, lodging and similar out-of-pocket costs reasonably incurred by him connection with or on account of his performance of services for Rayovac hereunder. Reimbursement shall be made only upon presentation to Rayovac by the Consultant of reasonably itemized documentation therefor. Rayovac shall pay the Consultant $1,000 per hour for any services which require travel other than within the general area where Consultant is at that time located or to Madison, Wisconsin. Notwithstanding the

foregoing, the Consultant shall not be required to return to Madison to perform any such services.

5. Indemnification. In addition to its agreements and obligations under this Agreement, Rayovac agrees to indemnify and hold harmless the Consultant from and against any and all claims, liabilities, losses and damages (or actions in respect thereof), in any way related to or a out of the performance by the Consultant of services hereunder, and to reimburse the Consultant and any other such indemnified person for reasonable out-of-pocket legal and other expenses incurred by it in connection with or relating to investigating, preparing to defend, or defending any actions, claims or other proceedings (including any investigation or inquiry) arising in any manner out of or in connection with the Consultant's performance under this Agreement (whether or not such indemnified person is a named party in such proceeding); provided, however, that Rayovac shall not be responsible under this Section 5 for any claims, liabilities, losses, damages or expenses to the extent that they are finally judicially determined to result from actions taken by the Consultant (or such other indemnified person) due primarily to the Consultant's (or such other indemnified person's) gross negligence or willful misconduct.

6. Notice. All notices hereunder, to be effective, shall be in writing and shall be mailed by certified mail, postage prepaid as follows:

(i) If to Rayovac:

601 Rayovac Drive
Madison, WI 53711-2497
Attention: President

(ii) If to the Consultant:

415 Farwell Drive
Madison, WI 53704

7. Modifications. This Agreement constitutes the entire agreement between the parties hereto with regard to the subject matter hereof, superseding all prior understandings and agreements whether written or oral. This Agreement may not be amended or revised except by a writing by the parties.

8. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns but may not be assigned by either party without the prior written consent of the other.

9. Captions. Captions have been inserted solely for the convenience of reference and in no way define, limit or describe the scope or substance of any provision and shall not affect the validity of any other provision.

10. Governing Law. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles.

11. Counterparts. This Agreement may be signed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ Warren C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Director

CONSULTANT:

/s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr.

EXHIBIT 10.4

CONFIDENTIALITY, NON-COMPETITION,
NO-SOLICITATION AND NO-HIRE AGREEMENT

AGREEMENT entered into as of September 12, 1996, by and between Rayovac Corporation, a Wisconsin corporation ("Rayovac"), and Thomas F. Pyle, Jr. ("Pyle").

WHEREAS, Rayovac is entering into a Stock Purchase and Redemption Agreement dated this date with affiliates of Thomas H. Lee Company (collectively, "THL") and all of the shareholders of Rayovac, providing for a recapitalization of Rayovac (the "Recapitalization"); and

WHEREAS, pursuant to the Recapitalization, shares of common stock of Rayovac owned by Pyle, members of his family or trusts of which he is the grantor, constituting 89.66% of Rayovac's outstanding capital stock, are being redeemed by Rayovac or sold to THL; and

WHEREAS, Pyle was prior to the Recapitalization, the Chairman of the Board of Directors, Chief Executive Officer and President of Rayovac; and

WHEREAS, Pyle is entering into this Agreement as an inducement to effect the Recapitalization;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, do hereby agree as follows:

1. Pyle will hold in strict confidence and, except as Rayovac may authorize or direct, not disclose to any person or use (except in the performance of any services under the Consulting Agreement between the parties dated this date) any confidential information or materials received by Pyle from Rayovac and any confidential information or materials of other parties. For purposes of this Section 1, confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and

business ideas or practices. The restriction on Pyle's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of Pyle or any agent of Pyle. Pyle also agrees to return to Rayovac promptly upon its request any Rayovac information or materials in Pyle's possession or under Pyle's control, except that Pyle may retain such information or documents provided to Pyle under the Shareholders Agreement dated this date being entered into in connection with the Recapitalization.

2. During the Non-Competition Period (as defined below), Pyle will not, directly, or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (the "Products"). Notwithstanding the foregoing, the restrictions set forth in this Section 2 shall not apply to (i) the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market, (ii) any business involved in the marketing or sale of batteries at the distribution level in which the Products are not a principal product distributed by the business or (iii) any business involved in the marketing or sale of Products at the retail level. The "Non-Competition Period" is the period commencing on the date hereof and ending five (5) years from the date hereof.

3. Without limiting the generality of Section 2, Pyle further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of Rayovac's customers or prospects, as shown by Rayovac's records, that were such customers or prospects at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that Rayovac had available for sale to its customers or prospects on or prior to the date hereof, excepting only contacts for businesses excepted in Section 2 above.

4. During the Non-Solicitation Period (as defined below), Pyle shall not solicit the employment or services of any director level employee of Rayovac or any employee of Rayovac at the level of Vice President or above who is or was an employee of Rayovac at any time during the Non-Solicitation Period. The "Non-Solicitation Period" is the period commencing on the date hereof and ending three (3) years (with respect to employees at the level of Vice President or above) or one (1) year (with respect to director level employees) from the date hereof.

5. During the Non-Solicitation Period, Pyle shall not hire any employee of Rayovac at the level of Vice President or above or any director level employee of Rayovac; provided, however, that the foregoing hire restrictions do not apply to (i) Glynn Rossa, (ii) Marvin Siegert, (iii) any of Pyle's relatives or (iv) any such person terminated without cause by Rayovac after the date hereof.

6. If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law and consistent with this Agreement.

7. For purposes of this Agreement, "Rayovac" refers to Rayovac and any incorporated or unincorporated affiliates of Rayovac.

8. Pyle expressly agrees that breach of any provision of this Agreement would result in irreparable injuries to Rayovac, that the remedy at law for any such breach will be inadequate and that upon breach of this Agreement, Rayovac, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to Rayovac.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ Warren C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Director

/s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of the 12th day of September, 1996, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and David A. Jones (the "Executive").

WHEREAS, the Company desires the benefit of the experience, supervision and services of the Executive and desires to employ the Executive upon the terms and conditions set forth herein; and

WHEREAS, the Executive is willing and able to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Employment Duties and Acceptance. The Company hereby employs the Executive, and the Executive agrees to serve and accept employment, as the Chairman of the Board of Directors, President and Chief Executive Officer of the Company, reporting directly to the Board of Directors of the Company (the "Board"). In connection therewith, as Chairman of the Board, President and Chief Executive Officer, the Executive shall oversee and direct the operations of the Company and perform such other duties consistent with the responsibilities of Chairman of the Board, President and Chief Executive Officer, all subject to the direction and control of the Board. During the Term (as defined below), the Executive shall devote all of his working time to such employment and appointment, shall devote his best efforts to advance the interests of the Company and shall not engage in any other business activities, as an employee, director, consultant or in any other capacity, whether or not he receives any compensation therefor, without the prior written consent of the Board; provided, however, that the Executive may continue his present participation on the Board of Directors of Health O Meter, Inc. so long as none of such companies nor any of its affiliates is a competitor of the Company. Any additional business activities for other companies will require the consent of the Board.

2. Term of Employment. Subject to Section 4 hereof, the Executive's employment and appointment hereunder shall be for a term commencing on the date hereof and expiring on September 30, 1999 (the "Term"). Upon expiration of the Term, this Agreement shall automatically extend for successive periods of one (1) year, unless the Executive or the Company shall give notice to the other at least ninety (90) days prior to the end of the Term (or any annual extension thereof) indicating that it does not intend to renew the Agreement.

3. Compensation. In consideration of the performance by the Executive of his duties hereunder, the Company shall pay or provide to the Executive the following compensation which the Executive agrees to accept in full satisfaction for his services, it being understood that necessary withholding taxes, FICA contributions and the like shall be deducted from such compensation:

   (a) Base Salary. The Executive shall receive a base salary equal to Four Hundred Thousand Dollars ($400,000) per annum during the Term ("Base Salary"), which Base Salary shall be paid in equal monthly installments each year, to be paid monthly in arrears. The Board will review from time to time the Base Salary payable to the Executive hereunder and may, in its discretion, increase the Executive's Base Salary. Any such increased Base Salary shall be and become the "Base Salary" for purposes of this Agreement.

   (b) Bonus. The Executive shall receive a bonus for each fiscal year ending during the Term, payable annually in arrears, which shall be based, as set forth on Schedule A hereto, on the Company achieving certain annual performance goals established by the Board from time to time (the "Bonus"). The Board may, in its discretion, increase the annual Bonus. Any such increased annual Bonus shall be and become the "Bonus"

for such fiscal year for purposes of this Agreement.

(c) Additional Salary. The Executive shall receive $161,000, payable at the time the first monthly installment of Base Salary is payable hereunder. In addition, (i) so long as the promissory note (the "Note") of the Executive attached hereto as Exhibit A is not due and payable in full, the Executive shall receive additional compensation at an initial rate of Thirty-five Thousand Dollars ($35,000) per annum during the Term, payable (A) at the time the Bonus is payable hereunder, (B) if no Bonus is payable hereunder, at the time the Board determines that no Bonus is payable hereunder or (C) if payment of principal of and interest on the Note is accelerated, at the time of the Executive's payment in full of the Note; provided, however, that to the extent the Note is prepaid, the rate set forth above shall be decreased by the amount by which interest on the Note has been reduced as a result of such prepayment, and (ii) the Executive shall also receive an additional $18,500 per annum during the Term, payable at the time the first monthly installment of Base Salary is payable hereunder and on each anniversary thereafter (all such payments set forth in clauses (i) and (ii) above are referred to herein as the "Additional Salary").

(d) Insurance Coverages and Pension Plans. The Executive shall be entitled to such insurance, pension and all other benefits as are generally made available by the Company to its executive officers from time to time.

(e) Stock Options. Pursuant to the Company's 1996 Stock Option Plan substantially in the form attached hereto as Exhibit B, the Company shall grant to the Executive the following options to purchase shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), as follows:

(i) Time Vesting. An option (the "Time Option") to purchase 455,788 shares of Common Stock at an exercise price of $4.39 per share, which option shall vest 20% on September 30, 1997 and annually thereafter through September 30, 2001. The Time Option shall be evidenced by a Stock Option Agreement substantially in the form attached hereto as Exhibit C. All options granted to the Executive reflect the 5 for 1 stock split of the Company's Common Stock effected on the date hereof.

(ii) Performance Vesting. An option (the "Performance Option") to purchase 455,789 shares of Common Stock at an exercise price of $4.39 per share, which option shall vest based on the Company's ability to achieve certain financial objectives to be set by the Board. In any event, the Performance Option shall be 100% vested if the Executive remains employed by the Company after September 30, 2007. The Performance Option shall be evidenced by a Stock Option Agreement substantially in the form attached hereto as Exhibit D

(f) Vacation. The Executive shall be entitled to four (4) weeks vacation each year.

(g) Housing and other Expenses. The Executive shall be entitled to reimbursement of all reasonable and documented expenses actually incurred or paid by the Executive in the performance of the Executive's duties under this Agreement, upon presentation of expense statements, vouchers or other supporting information in accordance with Company policy. In addition, the Company will reimburse the Executive for expenses associated with moving to the Madison area, reasonable travel to and from Atlanta and reasonable rent or fees associated with an apartment or condominium in the Madison area. All expense reimbursements and other perquisites of the Executive are reviewable periodically by the Compensation Committee of the Board, if there be one, or the Board.

(h) Automobile. The Company shall provide the Executive with the use of a leased automobile suitable for a chief executive officer of a company similar to the Company.

(i) D&O Insurance. The Executive shall be entitled to indemnification from the Company to the maximum extent provided by law, but not for any action, suit, arbitration or other proceeding (or portion thereof) initiated by the Executive, unless authorized or ratified by the Board. Such indemnification shall be covered by the terms of the Company's policy of insurance for directors and officers in effect from time to time (the "D&O Insurance"). Copies of the Company's charter, by-laws and D&O Insurance will be made available to the Executive upon request.

(j) Legal Fees. The Company shall pay the Executive's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.

4. Termination.

(a) Termination by the Company with Cause. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the occurrence of any of the following (any such termination being referred to as a termination for "Cause"):

(i) the commission by the Executive of any deliberate and premeditated act taken by the Executive in bad faith against the interests of the Company;

(ii) the Executive has been convicted of, or pleads nolo contendere with respect to, any felony, or of any lesser crime or offense having as its predicate element fraud, dishonesty or misappropriation of the property of the Company;

(iii) the habitual drug addiction or intoxication of the Executive which negatively

impacts his job performance or the Executive's failure of the drug test described at Section 9.6 hereof;

(iv) the willful failure or refusal of the Executive to perform his duties as set forth herein or the willful failure or refusal to follow the direction of the Board, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from the Board of such failure or refusal, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such failure or refusal is not remedied within such thirty (30) day period; or

(v) the Executive breaches any of the terms of this Agreement or any other agreement between the Executive and the Company which breach is not cured within thirty (30) days subsequent to notice from the Company to the Executive of such breach, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such breach is not cured within such thirty (30) day period.

If the definition of termination for "Cause" set forth above conflicts with such definition in the Stock Option Agreements attached hereto as Exhibits C and D or any agreements referred to therein, the definition set forth herein shall control.

(b) Termination by Company for Death or Disability. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the Executive's inability to perform his duties hereunder by reason of any mental, physical or other disability for a period of at least six (6) consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's

disability policy). The Company's obligations hereunder shall, subject to the provisions of Section 5(b), also terminate upon the death of the Executive.

(c) Termination by Company without Cause. The Company shall have the right at any time to terminate the Executive's employment for any other reason without Cause upon sixty (60) days prior written notice to the Executive.

(d) Voluntary Termination by Executive. The Executive shall be entitled to terminate his employment and appointment hereunder upon sixty (60) days prior written notice to the Company. Any such termination shall be treated as a termination by the Company for "Cause" under Section 5, unless notice of such termination was given within sixty (60) days after a Sale (as such term is defined in the Stock Option Agreements attached hereto as Exhibits C and D), in which case such termination shall be treated in accordance with Section 5(d) hereof.

(e) Constructive Termination by the Executive. At any time on or after the initial registration of an equity security of the Company under the Securities Act of 1933, as amended, the Executive shall be entitled to terminate his employment and appointment hereunder, without prior notice, upon the occurrence of a Constructive Termination. Any such termination shall be treated as a termination by the Company without Cause. For this purpose, a "Constructive Termination" shall mean:

(i) a reduction in Base Salary or Additional Salary (other than as permitted hereby);

(ii) a reduction in annual Bonus opportunity;

(iii) a change in location of office of more than seventy-five (75) miles from Madison, Wisconsin;

(iv) unless with the express written consent of the Executive, (a) the assignment to

the Executive of any duties inconsistent in any substantial respect with the Executive's position, authority or responsibilities as contemplated by Section 1 of this Agreement or (b) any other substantial change in such position, including titles, authority or responsibilities from those contemplated by Section 1 of the Agreement; or

(v) any material reduction in any of the benefits described in Section 3(f), (g), (h) or (i) hereof.

For purposes of the Stock Option Agreements attached hereto as Exhibits C and D, Constructive Termination shall be treated as a termination of employment by the Company without "Cause."

(f) Notice of Termination. Any termination by the Company for Cause or by the Executive for Constructive Termination shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" means a written notice given prior to the termination which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than fifteen (15) days after the giving of such notice). The failure by any party to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause or Constructive Termination shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing its rights hereunder.

5. Effect of Termination of Employment.

(a) With Cause. If the Executive's employment is terminated with Cause, the Executive's salary and other benefits specified in Section 3 shall cease at the time of such termination, and the Executive shall not be entitled to any compensation specified in Section 3 which was not required to be paid prior to such termination; provided, however, that the Executive shall be entitled to continue to participate in the Company's medical benefit plans to the extent required by law.

(b) Death or Disability. If the Executive's employment is terminated by the death or disability of the Executive (pursuant to Section 4(b)), the Executive's compensation provided in Section 3 shall be paid to the Executive or, in the event of the death of the Executive, the Executive's estate, as follows:

(i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive or the Executive's estate breaches the provisions of Sections 6 or 7 of this Agreement;

(ii) a pro rata portion (based on days worked and percentage of achievement of annual performance goals) of the annual Bonus payable to the Executive, if any, specified in Section 3(b) shall be paid, unless the Board determines to pay a greater amount in its sole discretion;

(iii) the Executive's Additional Salary (or, for any partial year, the pro rata portion thereof) specified in Section 3(c) shall continue to be paid until the first to occur of (i) the remaining period of the Term or (ii) such time as the Executive or the Executive's estate

breaches the provisions of Sections 6 or 7 of this Agreement;

(iv) If the Executive's employment is terminated as a result of disability, the Executive's additional benefits specified in Section 3(d) shall continue to be available to the Executive until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement; and

(v) the Executive's accrued vacation (determined in accordance with Company policy) at the time of termination shall be paid as soon as reasonably practicable.

(c) Without Cause. If the Executive's employment is terminated by the Company without Cause (pursuant to Section 4(c) or 4(e)), the Executive's compensation provided in Section 3 shall be paid as follows:

(i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement;

(ii) the Executive's annual Bonus shall continue to be paid in accordance with this Section 5(c) at the times set forth in Section 3(b) until the first to occur of (i) the remaining period of the Term or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement. The annual Bonus payable pursuant to this Section 5(c) shall equal the amount of the annual Bonus (if any) previously paid or required to be

paid pursuant to this Agreement for the full fiscal year immediately prior to the Executive's termination of employment. For purposes of this calculation, if termination occurs at any time during the fiscal year ending September 30, 1997, the annual Bonus shall be $200,000;

(iii) the Executive's Additional Salary (or, for any partial year, the pro rata portion thereof) specified in Section 3(c) shall continue to be paid until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if longer) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement; and

(iv) the Executive's additional benefits specified in Section 3(d) shall continue to be available to the Executive until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement.

(d) Following Sale. If the Executive elects to terminate his employment within sixty (60) days following a Sale in accordance with Section 4(d), such termination by the Executive shall be treated as a termination by the Company without Cause, and the Executive shall be entitled to the compensation provided in Section 5(c), except that in no event shall Executive receive less than twelve (12) months Base Salary and annual Bonus following the expiration of the Post-Term Period (as defined below). Notwithstanding the foregoing, the Company may require that the Executive continue to remain in the employ of the Company for up to a maximum of six (6) months following the Sale (the "Post-Term Period"). The Company shall place the maximum cash payments payable pursuant to Section 5(c) in escrow with a commercial bank

or trust company mutually acceptable to the Company and the Executive as soon as practicable following the Sale. For the Post-Term Period, the Company shall make the cash payments that would otherwise be required pursuant to Section 3 (all such cash payments to be deducted from the amount placed in escrow). At the expiration of the Post-Term Period, the Executive shall receive all cash amounts due the Executive from the remaining amount held in escrow ratably monthly over the Non-Competition Period (as defined below), with the balance (if any) returned to the Company. If the Company does not require that the Executive remain in the employ of the Company, the Company shall pay the Executive all cash amounts payable pursuant to Section 5(c) ratably monthly over the Non-Competition Period (all such cash payments to be deducted from the amount placed in escrow) with the balance (if any) returned to the Company.

Notwithstanding the foregoing, although the Executive shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, if the Executive does obtain other employment, the amount of each dollar ($1.00) of compensation received from such other employment source during the period that the Company is required to make payments hereunder shall reduce by fifty cents ($.50) the amount otherwise payable by the Company under Section 5(c)(i) and (ii).

6. Agreement Not to Compete.

(a) The Executive agrees that during the Non-Competition Period (as defined below), he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than

5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market). The "Non-Competition Period" is (a) the longer of the Executive's employment hereunder or time period which he serves as a director of the Company plus (b) a period of one (1) year thereafter.

(b) Without limiting the generality of clause (a) above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.

(c) The Executive agrees that during the Non-Competition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of Company who is or was an employee of Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.

(d) If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with re-spect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.

(e) For purposes of this Section 6 and Section 7, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

7. Secret Processes and Confidential Information.

(a) The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 7(a), confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.

(b) The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the

sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

(c) Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other to tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

8. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail. The addresses for such notices shall be as follows:

(a) For notices and communications to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711
Facsimile: (608) 278-6666
Attention: Board of Directors

with a copy to:

Thomas H. Lee Company
75 State Street
Boston, MA 02109
Facsimile: (617) 227-3514
Attention: Warren C. Smith, Jr.

and a copy to:

Skadden, Arps, Slate,
Meagher & Flom
One Beacon Street,
Boston, MA 02108
Facsimile: (617) 573-4822
Attention: Louis A. Goodman, Esq.

(b) For notices and communications to the Executive:

David A. Jones
2910 Coles Way
Atlanta, GA 30350
Facsimile: (770) 671-0536

with a copy to:

Sutherland, Asbill & Brennan
999 Peachtree Street, N.E.
Atlanta, GA 30309
Facsimile: (404) 853-8806
Attention: Mark D. Kaufman, Esq.

Any party hereto may, by notice to the other, change its address for receipt of notices hereunder.

9. General.

9.1 Governing Law. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles.

9.2 Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto

or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

9.3 Successors and Assigns. This Agreement shall be binding upon the Executive, without regard to the duration of his employment by the Company or reasons for the cessation of such employment, and inure to the benefit of his administrators, executors, heirs and assigns, although the obligations of the Executive are personal and may be performed only by him. This Agreement shall also be binding upon and inure to the benefit of the Company and its subsidiaries, successors and assigns, including any corporation with which or into which the Company or its successors may be merged or which may succeed to their assets or business.

9.4 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

9.5 Attorneys' Fees. In the event that any action is brought to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of one of the parties to this Agreement, all expenses, including reasonable attorneys' fees, shall be paid by the non-prevailing party.

9.6 Drug Test. The Executive shall submit to a drug test at the commencement of his employment hereunder, and failure of such drug test shall constitute Cause.

9.7 Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation during his employment hereunder in any benefit, bonus, incentive or other plan or

program provided by the Company or any of its affiliates and for which the Executive may qualify; provided, however, the Executive acknowledges that he shall not participate in any stock option programs made available to the employees of the Company during 1997 except to the extent expressly referred to herein. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any affiliated company at or subsequent to the date of the Executive's termination of employment with the Company shall, subject to the terms hereof or any other agreement entered into by the Company and the Executive on or subsequent to the date hereof, by payable in accordance with such plan or program.

9.8 Mitigation. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. In the event that the Executive shall give a Notice of Termination for Constructive Termination and it shall thereafter be determined that Constructive Termination did not take place, the employment of the Executive shall, unless the Corporation and the Executive shall otherwise mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, and the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date had he terminated his employment voluntarily at such date under Section 4(d) of this Agreement.

9.9 Equitable Relief. The Executive expressly agrees that breach of any provision of Sections 6 or 7 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.

9.10 Entire Agreement. This Agreement and the exhibits and schedules hereto constitute the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings and agreements between them.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ Warren C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Director

EXECUTIVE:

/s/ David A. Jones

David A. Jones

SCHEDULE A

Executive Bonus Schedule

Percentage of Plan Achieved	Bonus Available as Percentage of Base Salary
137.5%	100%
130	90
122.5	80
115	70
107.5	60
100	50
90	25
80	0

Any level of Company performance which falls between two specific points set forth above under "Percentage of Plan Achieved" shall entitle the Executive to receive a percentage of Base Salary determined on a straight line basis between such two points. Such amount shall be calculated as follows:

$$[(A-B) \times .1] \times (C-D) + D$$

Where:

A = The actual Percentage of Plan Achieved.

B = The Percentage of Plan Achieved set forth above which is less than and closest to actual results.

C = The Bonus Available as Percentage of Base Salary set forth above which is greater than and closest to the percentage that would apply based on actual results.

D = The Bonus Available as Percentage of Base Salary set forth above which is less than and closest to the percentage that would apply based on actual results.

Notwithstanding the foregoing, the bonus payable to the Executive for the year ending June 30, 1997 shall not be less than $200,000.

SEVERANCE AGREEMENT

THIS AGREEMENT, dated September 12, 1996, is made by and between Rayovac Corporation, a Wisconsin corporation with a principal business address at 601 Rayovac Drive, Madison, Wisconsin 53711 (the "Company"), and Trygve Lonnebotn, an individual residing at 1157 Amherst Drive, Madison, Wisconsin 53705 (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction following the consummation of the transactions contemplated by that certain Stock Purchase and Redemption Agreement dated this date by and among the Company, certain affiliates of Thomas H. Lee Company and the existing shareholders of the Company; and

WHEREAS, the Executive recognizes the importance to the Company of retaining certain information confidential as well as protecting the Company against competitive use of the Company's confidential and nonconfidential information by the Executive;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue in effect through September 12, 1997; provided, however, that commencing on September 13, 1997 and each year thereafter, the Term shall automatically be extended for one additional year unless, not later than 30 days prior to the end of the preceding Term, the Company or the Executive shall have given notice not to extend the Term.

2. Severance Payments.

2.1 If the Executive's employment is terminated during the Term (a) by the Company without Cause (as defined below) or (b) by reason of death or Disability (as defined below), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in Section 2.2 (the "Severance Payments").

2.2 (a) The Company shall pay to the Executive as severance, a amount in cash equal to the sum of (i) the Executive's base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs, and (ii) the annual bonus (if any) earned by the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the termination occurs, such cash amount to be paid to the Executive ratably monthly in arrears over the Non-Competition Period (as defined below).

(b) For the 12 month period immediately following such termination, the Company shall arrange to provide the Executive and his dependents insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the date of termination, at no greater cost to the Executive than the cost to the Executive immediately prior to such date. Benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Sections 5 or 6 hereof. In addition, benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 12 month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the date of termination.

2.3 Any payments provided for hereunder shall be paid net of any applicable withholding required under

federal, state or local law and any additional withholding to which the Executive has agreed.

2.4 The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 2.

3. Termination Procedures. During the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from one party hereto to the other party hereto in accordance with Section 9 hereof. The notice of termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

4. No Rights to Employment. This Agreement shall not be construed as creating an express or implied contract of employment, and except as otherwise agreed in writing between the Executive and the Company and authorized by the Board of Directors of the Company, the Executive shall not have any right to be retained in the employ of the Company.

5. Executive's Covenant Not to Compete.

5.1 The Executive agrees that during the NonCompetition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "NonCompetition Period means the period beginning on the date hereof and continuing until the date which is the one-year anniversary of the later to occur of (a) the end of the Term and (b) the date of termination.

5.2 Without limiting the generality of Section 5.1 above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.

5.3 The Executive agrees that during the NonCompetition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of the Company who is or was an employee of the Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.

5.4 If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.

5.5 For purposes of this Section 5 and Section 6, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

6. Secret Processes and Confidential Information.

6.1 The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 6.1, confidential information or materials shall include existing and potential customer

information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.

6.2 The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

6.3 Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other to tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

7. Shareholders Agreement. The Company acknowledges and agrees that so long as the Executive is in compliance with the covenants contained in Sections 5 and 6 hereof, the Company shall not exercise or assign any of its rights with respect to its Call Option under Section 2.2 of the Shareholders Agreement dated this date by and among the Company and the shareholders of the Company with respect to the Executive's Shares (as defined in that Shareholders Agreement).

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to the Severance Payments, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. For purposes of this Agreement, "Company" shall mean Rayovac Corporation, a Wisconsin corporation, and shall include any successor to its business or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for

in the Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail.

10. Survival. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 2, 5 and 6 hereof) shall survive such expiration.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

12. Equitable Relief. The Executive expressly agrees that breach of any provision of Sections 5 or 6 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.

13. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, discussions, writings and agreements between them, including without limitation the Key Execu-

tive Employment and Change of Control Agreement between the Company and the Executive dated as of March 1, 1996.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.

16. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "Cause" for termination by the Company of the Executive's employment shall mean (i) the commission by the Executive of any fraud, embezzlement or other material act of dishonesty with respect to the Company or any of its affiliates (including the unauthorized disclosure of confidential or proprietary information of the Company or any of its affiliates or subsidiaries); (ii) Executive's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; (iii) Executive's willful misconduct; (iv) willful failure or refusal by Executive to perform one's duties and responsibilities to the Company or any of its affiliates which failure or refusal to perform is not remedied within 30 days after receipt of a written notice from the Company detailing such failure or refusal to perform; or (v) Executive's breach of any of the terms of this Agreement or any other agreement between Executive and the Company which breach is not cured within 30 days subsequent to notice from the Company to Executive of such breach.

(b) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's inability to perform his duties by reason of any mental, physical or other disability for a period of at least 6 consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy), the Company shall have given the Executive a notice of termination for Disability, and, within 30 days after such

notice of termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ David A. Jones

Name: David A. Jones
Title: Director

EXECUTIVE:

/s/ Trygve Lonnebotn

Trygve Lonnebotn

EXHIBIT 10.7

SEVERANCE AGREEMENT

This Agreement, dated 4 November 1996, is made by and between Rayovac Corporation (the "Company"), a Wisconsin corporation with its principal business address at 601 Rayovac Drive, Madison, Wisconsin 53711, and Kent J. Hussey, an individual residing at 1755 Lazy River Lane, Atlanta, Georgia 30350 (the "Executive").

BACKGROUND

The Company considers it essential to the best interests of its shareholders to foster the continued employment of key managers.

Pursuant to authority invested in him by the Board of Directors of the Company, David A. Jones, the President and Chief Executive Officer of the Company, negotiated with the Executive the terms of the Executive's employment with the Company, subject to the execution of a more formal agreement embodying those terms at a mutually convenient time.

The basic terms of the Executive's employment were set forth in an offer of employment from the Company's General Counsel, James A. Broderick, dated 17 September 1996, a copy of which is attached as Exhibit A.

The Executive and the Company wish to execute this Agreement to formalize additional terms of the Executive's employment.

UNDERTAKINGS

Now therefore, the parties agree:

1. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue in effect though 4 November 1997; provided, however, that commencing on 5 November 1997 and each year thereafter, the Term shall automatically extend one additional year unless, not later than 30 days prior to the end of the preceding Term, the Company or the Executive shall give notice not to extend the Term.

2. Severance Payments.

2.1 If the Executive's employment is terminated during the Term (a) by the Company without Cause (as defined below) or (b) by reason of death or Disability (as defined below), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in Section 2.2 (the "Severance Payments").

2.2 (a) The Company shall pay to the Executive as severance, an amount in cash equal to the sum of (i) the Executive's base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs, and (ii) the annual bonus (if any) earned by the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the termination occurs, such cash amount to be paid to the Executive ratably monthly in arrears over the Non-Competition Period (as defined below).

(b) for the 12-month period immediately following such termination, the Company shall arrange to provide the Executive and his dependents insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the date of termination, at no greater cost to the Executive than the cost to the Executive immediately prior to such date. Benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Sections 5 or 6 hereof. In addition, benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall be reduced to the extent benefits of the same type are received by

or made available to the Executive during the 12-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the date of termination.

2.3 Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state, or local law and any additional withholding to which the Executive has agreed.

2.4 If the Executive's employment with the Company terminates during the Term, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 2.

3. Termination Procedures. During the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from one party to the other in accordance with Section 9 hereof. The notice of termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

4. No Rights to Employment. This Agreement shall not be construed as creating an express or implied contract of employment, and except as otherwise agreed in writing between the Executive and the Company and authorized by the Board of Directors of the Company, the Executive shall not have any right to be retained in the employ of the Company.

5. Executive's Covenant Not to Compete.

5.1 During the Non-Competition Period, the Executive will not, directly or indirectly, in any capacity, either separately, jointly, or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner, or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing, or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of a class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "NonCompetition Period" means the period beginning on the date hereof and continuing until the date which is the one-year anniversary of the later to occur of (a) the end of the Term and (b) the date of termination.

5.2 Without limiting the generality of Section 5.1 above, during the Non-Competition Period the Executive will not, directly or indirectly, in any capacity, either separately, jointly, or in association with others, solicit or otherwise contact any of the Company's customers or prospects that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the NonCompetition Period.

5.3 During the Non-Competition Period, the Executive shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of the Company who is or was an employee of the Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.

5.4 If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law,

including with respect to time or space, the court is hereby requested and authorized by the parties to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.

5.5 For purposes of this Section 5 and Section 6, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

6. Secret Processes and Confidential Information

6.1 The Executive will hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company or any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 6.1, confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques, and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also will return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.

6.2 The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either

alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive will assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

6.3 Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals, and all other tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

7. Successors; Binding Agreement.

7.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to the Severance Payments, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termina-

tion. For purposes of this Agreement, "Company" shall mean Rayovac Corporation, a Wisconsin corporation, and shall include any successor to its business or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

8. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail.

9. Survival. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 2, 5 and 6 hereof) shall survive such expiration.

10. Amendment; Waiver. This Agreement may be amended, modified, superseded, or canceled, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the beach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances,

shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

11. Equitable Relief. Breach of any provision of Sections 5 or 6 of this Agreement would result in irreparable injuries to the Company, the remedy at law for any such breach will be inadequate, and upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.

12. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, discussions, writings, and agreements between them.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.

15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below;

(a) "Cause" for termination by the Company of the Executive's employment shall mean (i) the commission by the Executive of any fraud, embezzlement or other material act of dishonesty with respect to the Company or any of its affiliates (including the unauthorized disclosure of confidential or proprietary information of the Company or any of its affiliates or subsidiaries); (ii) Executive's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; (iii) Executive's willful misconduct; (iv) willful failure or refusal by Executive to perform his duties and responsibilities to the Company or any of its affiliates which failure or refusal to perform is not remedied

within 30 days after receipt of a written notice from the Company detailing such failure or refusal to perform; or (v) Executive's beach of any of the terms of this Agreement or any other agreement between Executive and the Company which breach is not cured within 30 days subsequent to notice from the Company to Executive of such breach.

(b) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's inability to perform his duties by reason of any mental, physical or other disability for a period of at least 6 consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy), the Company shall have given the Executive a notice of termination for Disability, and, within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION	EXECUTIVE
By: /s/ David A. Jones	/s/ Kent J. Hussey
David A. Jones	Kent J. Hussey
President	

EXHIBIT 10.8

SEVERANCE AGREEMENT

THIS AGREEMENT, dated September 12, 1996, is made by and between Rayovac Corporation, a Wisconsin corporation with a principal business address at 601 Rayovac Drive, Madison, Wisconsin 53711 (the "Company"), and Roger F. Warren, an individual residing at 505 Summit Road, Madison, Wisconsin 53704 (the "Executive").

WHEREAS, the Company considers it essential to the best interests of its shareholders to foster the continued employment of key management personnel; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including the Executive, to their assigned duties without distraction following the consummation of the transactions contemplated by that certain Stock Purchase and Redemption Agreement dated this date by and among the Company, certain affiliates of Thomas H. Lee Company and the existing shareholders of the Company; and

WHEREAS, the Executive recognizes the importance to the Company of retaining certain information confidential as well as protecting the Company against competitive use of the Company's confidential and nonconfidential information by the Executive;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue in effect through September 12, 1997; provided, however, that commencing on September 13, 1997 and each year thereafter, the Term shall automatically be extended for one additional year unless, not later than 30 days prior to the end of the preceding Term, the Company or the Executive shall have given notice not to extend the Term.

2. Severance Payments.

2.1 If the Executive's employment is terminated during the Term (a) by the Company without Cause (as defined below) or (b) by reason of death or Disability (as defined below), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in Section 2.2 (the "Severance Payments").

2.2 (a) The Company shall pay to the Executive as severance, a amount in cash equal to the sum of (i) the Executive's base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs, and (ii) the annual bonus (if any) earned by the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the termination occurs, such cash amount to be paid to the Executive ratably monthly in arrears over the Non-Competition Period (as defined below).

(b) For the 12 month period immediately following such termination, the Company shall arrange to provide the Executive and his dependents insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the date of termination, at no greater cost to the Executive than the cost to the Executive immediately prior to such date. Benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Sections 5 or 6 hereof. In addition, benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 12 month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the date of termination.

2.3 Any payments provided for hereunder shall be paid net of any applicable withholding required under

federal, state or local law and any additional withholding to which the Executive has agreed.

2.4 The Company agrees that, if the Executive's employment with the Company terminates during the Term, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 2.

3. Termination Procedures. During the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from one party hereto to the other party hereto in accordance with Section 9 hereof. The notice of termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

4. No Rights to Employment. This Agreement shall not be construed as creating an express or implied contract of employment, and except as otherwise agreed in writing between the Executive and the Company and authorized by the Board of Directors of the Company, the Executive shall not have any right to be retained in the employ of the Company.

5. Executive's Covenant Not to Compete.

5.1 The Executive agrees that during the NonCompetition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "NonCompetition Period means the period beginning on the date hereof and continuing until the date which is the one-year anniversary of the later to occur of (a) the end of the Term and (b) the date of termination.

5.2 Without limiting the generality of Section 5.1 above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.

5.3 The Executive agrees that during the NonCompetition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of the Company who is or was an employee of the Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.

5.4 If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.

5.5 For purposes of this Section 5 and Section 6, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

6. Secret Processes and Confidential Information.

6.1 The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 6.1, confidential information or materials shall include existing and potential customer

information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.

6.2 The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

6.3 Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other to tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

7. Shareholders Agreement. The Company acknowledges and agrees that so long as the Executive is in compliance with the covenants contained in Sections 5 and 6 hereof, the Company shall not exercise or assign any of its rights with respect to its Call Option under Section 2.2 of the Shareholders Agreement dated this date by and among the Company and the shareholders of the Company with respect to the Executive's Shares (as defined in that Shareholders Agreement).

8. Successors; Binding Agreement.

8.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to the Severance Payments, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. For purposes of this Agreement, "Company" shall mean Rayovac Corporation, a Wisconsin corporation, and shall include any successor to its business or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

9. Notices. For the purpose of this Agreement, notices and all other communications provided for

in the Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail.

10. Survival. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 2, 5 and 6 hereof) shall survive such expiration.

11. Amendment; Waiver. This Agreement may be amended, modified, superseded, cancelled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

12. Equitable Relief. The Executive expressly agrees that breach of any provision of Sections 5 or 6 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.

13. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, discussions, writings and agreements between them, including without limitation the Key Execu-

tive Employment and Change of Control Agreement between the Company and the Executive dated as of March 1, 1996.

14. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.

16. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

(a) "Cause" for termination by the Company of the Executive's employment shall mean (i) the commission by the Executive of any fraud, embezzlement or other material act of dishonesty with respect to the Company or any of its affiliates (including the unauthorized disclosure of confidential or proprietary information of the Company or any of its affiliates or subsidiaries); (ii) Executive's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; (iii) Executive's willful misconduct; (iv) willful failure or refusal by Executive to perform one's duties and responsibilities to the Company or any of its affiliates which failure or refusal to perform is not remedied within 30 days after receipt of a written notice from the Company detailing such failure or refusal to perform; or (v) Executive's breach of any of the terms of this Agreement or any other agreement between Executive and the Company which breach is not cured within 30 days subsequent to notice from the Company to Executive of such breach.

(b) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's inability to perform his duties by reason of any mental, physical or other disability for a period of at least 6 consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy), the Company shall have given the Executive a notice of termination for Disability, and, within 30 days after such

notice of termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ David A. Jones

Name: David A. Jones
Title: Director

EXECUTIVE:

/s/ Roger F. Warren

Roger F. Warren

EXHIBIT 10.9

TECHNOLOGY LICENSE AND SERVICE AGREEMENT

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

BATTERY TECHNOLOGIES (INTERNATIONAL) LIMITED

- and -

RAYOVAC CORPORATION

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

Tory Tory DesLauriers & Binnington
Suite 3000, IBM Tower
P.O. Box 270
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2
Attention: Barry J. Reiter
Tel: (416) 865-7381
Fax: (416) 865-7380

Foley & Larder
First Wisconsin Center
777 East Wisconsin Avenue
Milwaukee, Wisconsin
U.S.A.
53202-5367
Attention: James P. O'Shaughnessy
Tel: (414) 271-2400
Fax: (414) 289-3971

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TECHNOLOGY LICENSE AND SERVICE AGREEMENT

THIS AGREEMENT is dated as of the 1st day of June, 1991

BETWEEN

BATTERY TECHNOLOGIES (INTERNATIONAL) LIMITED
a corporation incorporated under the laws of the Republic of Ireland

(the "Licensor")

- and -

RAYOVAC CORPORATION,
a corporation incorporated under the laws of the
State of Wisconsin, in the United States of America

(the "Licensee")

RECITALS:

A. The Licensor has the ownership or control of certain technology and has agreed to license this technology to the Licensee to enable the Licensee to use it for the development, manufacture and sale of certain types of cylindrical re-chargeable alkaline manganese cells;

B. Licensor is willing to provide training services to assist Licensee in the manufacturing of such cells; and

C. The parties have agreed that they will discharge all of their respective obligations set forth in this Agreement.

NOW THEREFORE IN CONSIDERATION OF THE PREMISES AND THE MUTUAL PROMISES AND COVENANTS CONTAINED IN THIS AGREEMENT, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE LICENSEE AND LICENSOR AGREE AS FOLLOWS:

ARTICLE 1 - DEFINITIONS

1.1 In this Agreement the following words and expressions have the following meanings:

(a) "Acceptance Date":	the relevant date determined in accordance with section 18.1;
(b) "Agreement":	this agreement, including Recitals and Schedules;
(c) "Exclusive":	in respect of the rights granted under this Agreement that the Licensor will not itself exercise those rights and will not authorize others to exercise those rights in the Territory;
(d) "Hibar":	Hibar Systems Limited, its successors and assigns;
(e) "Improvement Patent":	any patent application filed or caused to be filed by the Licensee or Licensor and any patents granted anywhere in the world to the Licensor or Licensee in respect of Improvements;
(f) "Improvements":	any further invention, idea, concept, formula, design modification or development of the Products which is based on or derives from the Technology and which improves service life or other generally recognized aspects of performance, reduces cost or otherwise improves quality and concerning which, if the same is to be transferred, the proposed transferor has the right to effect the transfer to the other party;

(g) "Licensee": includes the Licensee, its permitted successors and assigns and any person to whom the Licensee has, with the prior written agreement of the Licensor, disclosed the Technology;

(h) "License Date": means the first day of June, 1991;

(i) "Licensor": includes the Licensor, its successors and assigns, including without limitation any purchaser of the business of such party or the acquirer of all or a substantial part of the assets of that business;

(j) "Mechanical Improvments": any Improvement that is based primarily on an advance in machine or process technology;

(k) "Net Sales Value": (i) in the case of the Products sold

by the Licensee, and not returned, in the ordinary course of business to a customer at arm's length, the gross invoice price for each separate sales less any such direct sales tax, customs duties, insurance, brokerage or discount to customers, special packing and freight charges set out separately in the invoice, but inclusive of all indirect sales, manufacturers' or value-added taxes incorporated into the price of the goods; and

(ii) in the case of Products put into use, sold or transferred in any other manner by the Licensee, and not returned, the gross invoice price for each separate sale, less only the deductions mentioned above, which would have been charged on an equivalent sale at full market price to a customer at arm's length at the date of first use, sale or transfer as appropriate;

(l) "Patents": the issued patents and patent applications listed in Schedule 1, and where the context permits, any Improvement Patents and patent applications;

(m) "Person": any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

(n) "Prime Rate": the annual rate of interest, expressed on the basis of a year of 360 days, established from time to time by Citibank, New York, (or in case there is no such rate, as established by any other major New York based bank nominated by the Licensor) as the reference rate of interest for the determination of interest rates that Citibank, New York, will charge to customers of varying degrees of credit-worthiness in the United States for United States Dollar Demand Loans in New York, New York (which may not necessarily be the lowest rate at which loans are made by Citibank), which rate will be adjusted automatically and without the necessity of any notice to the Licensee upon each change by Citibank;

(o) "Products": those products described in Schedule 2 of this Agreement;

(p) "RTS": 931307 Ontario Limited, its successors and assigns;

(q) "Technology": the Patents and the research, development and application of inventions, patents, technical information, and data relating to the design and production of the Products as set out in Schedule 2 and all Improvement Patents owned, controlled by or available to the Licensor; and

(r) "Territory": the United States of America (including Puerto Rico), the Republic of Mexico, and any additional territory as determined pursuant to this Agreement.

1.2 The following schedules form part of this Agreement:

SCHEDULE 1 - Patents

SCHEDULE 2 - Products

SCHEDULE 3 - Notices

SCHEDULE 4 - Arbitration

SCHEDULE 5 - Standard

SCHEDULE 6 - Product Performance Specifications

1.3 Headings are included in this Agreement for convenience of reference only and will not affect its construction or interpretation.

1.4 In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Except where otherwise expressly provided, all amounts in this Agreement are stated and will be paid in lawful currency of the United States of America.

ARTICLE 2 - GRANT OF LICENSE AND EXTENT OF LICENSE

2.1 Subject to this Agreement, the Licensor grants to the Licensee the Exclusive license, right, privilege and authority to use the Technology for the commercial manufacture of the Products in the Territory.

2.2 The Licensor grants to the Licensee a non-Exclusive license to use the Technology for research and development in the Territory.

2.3 The Licensor grants to the Licensee a non-Exclusive license to sell and distribute the Products in the Territory and in all places other than the Territory. The Licensee acknowledges that other Persons may have or receive comparable rights to sell and distribute the Products in the Territory.

2.4 Subject to this section, unless expressly permitted in writing in advance by the Licensor, the Licensee may not grant sub-licenses or transfer, assign or otherwise part with its rights (or any aspect of enjoyment of those rights) under this Agreement. The Licensor may decline its permission for any reason. All reasonable out-of-pocket costs greater than $1,000 incurred or reasonably anticipated to be incurred by the Licensor in its consideration of a request for permission must be paid by the Licensee forthwith upon demand by the Licensor. However, the Licensor will consent to a transfer or assignment by the Licensee to a person who acquires substantially all of the assets or business of the Licensee or to a wholly-owned subsidiary of the Licensee, provided that the assignment to the wholly-owned subsidiary will become void if and when the subsidiary ceases to be a wholly-owned subsidiary of the Licensee and, for greater certainty, that

no assignment will relieve the Licensee from any of its obligations under this Agreement. Any attempted assignment not in compliance with this section will be wholly void and without effect.

2.5 The Licensee acknowledges that the rights granted by the Licensor are and will be subject to the rights of Reliable Power Storage Inc., of Buffalo, New York ("RPS"), under a license agreement dated as of March 31 as amended by an agreement dated as of April 12, 1991, and comparable rights of RPS which the Licensor intends to grant to RPS with respect to the Republic of Mexico. The Licensor will not enlarge the rights currently granted to RPS within the Territory in any way that could reasonably be regarded as diminishing, to any material extent, the value of the rights granted to the Licensee in this Agreement.

Licensor will take all steps legally permitted and reasonably available to it (including termination of the license agreement with RPS) to prevent the acquisition of such rights by another battery manufacturer, whether by assignment or sublicense of rights by RPS, acquisition of an interest in RPS or otherwise.

2.6 The Licensee may extend the Territory as follows:

(a) on payment to the Licensor of U.S. $125,000 by April 15, 1992, in respect of the territories of the United Kingdom, France, Germany, Switzerland and Belgium, the Licensee will have a right of first refusal (as specified below) in respect of any license proposed to be granted by the Licensor in respect of any of these territories. This right of first refusal will be available as follows: so long as the right is available, the Licensor will not grant a license to commercially manufacture Products in a relevant territory without first presenting to the Licensee the major commercial terms of any proposed license and providing to the Licensee a period of (30) days within which to enter into a license agreement on those terms (the other terms to be substantially comparable to those of this Agreement) as prepared and presented by the Licensor in respect of that territory. If the Licensee does not exercise this right, the Licensor will be free to license any other Person in respect of that territory and on substantially equivalent terms during the period of one hundred and eighty (180) days following the thirty (30) day period, after which this right of first refusal will be applicable once again; and

(b) on payment to the Licensor of U.S.$150,000.00 on the earlier of January 1, 1994 and the expiration of the thirty (30) day first refusal period specified in (a) above, the Territory and the rights granted in this Agreement will be extended to include the United

Kingdom on a non-Exclusive basis (such that the Licensor may grant comparable rights to others in respect of the United Kingdom). If this option is exercised, this Agreement will be amended, in respect of the rights of the Licensee in the United Kingdom, to the minimum extent required to maintain the business terms provided in this Agreement, but consistent with the application of United Kingdom or European Community law and regulations as agreed by the Licensor and Licensee, acting reasonably, or failing agreement, as determined by arbitration in accordance with Schedule 4.

ARTICLE 3 - PROVISION OF TRAINING,INSTRUCTION AND TECHNICAL ASSISTANCE

3.1 The Licensor will, forthwith, disclose and provide or cause to be disclosed and provided, the Technology to the Licensee to enable the Licensee to use the Technology to manufacture Products having the performance and quality specifications set forth in Schedule 6.

3.2 The Licensor and the Licensee will discuss how best to instruct the Licensee's personnel in the use of the Technology. Instruction will take place at the premises of the Licensor or, if requested by Licensee, at the Licensee's premises at times and dates convenient to Licensor's employees. The Licensor and Licensee will co-operate to develop a Technical Assistance Memorandum that will set forth the times, duration, location and extent of any basic instruction and the terms on which the Licensor will provide additional technical assistance if requested by the Licensee. Licensee will pay a technical service fee (in the manner provided in Article 5) of $400,000 for basic instructions, which shall be completed within two years of the License Date. No additional fee shall be charged for such instructions to the extent they are provided at the premises of the Licensor, Battery Technologies Inc., Rechargeable Battery Research and Development Corp. ("R & D Co.") or Environmental Batteries Systems Inc.

3.3 In consideration of the technical service fee provided for in section 5.1, the Licensor will provide up to 35 man-days, as required, of training services to employees of the Licensee to enable them to work the Patents and to manufacture Products as aforesaid. For any additional services required, the Licensee will pay:

(a) all the reasonable travelling, hotel and subsistence expenses incurred by or on behalf of the Licensor or its representatives in connection with providing any technical assistance requested by the Licensee;

(b) a reasonable per diem fee in respect of each period of twenty-four hours or any part thereof for the services of each of the Licensor's representatives required by the Licensee for any period beyond the basic training period or for any period spent, at the request of the Licensee, at the premises of the Licensee; and

(c) all reasonable disbursements or expenditures incurred by the Licensor for purposes of providing instruction or technical assistance to the Licensee beyond the basic training contemplated by sections 3.1 and 3.2.

3.4 The Licensee will obtain all necessary visas and work permits and other authorizations required by the Licensor's personnel visiting the Territory and for the Licensee's personnel outside the Territory.

3.5 The Licensor will use its best efforts (without requirement to expend funds and without reimbursement) to cause RAM Batteries Canada Inc. ("RBC") to make available to the Licensee, on such terms as may be agreed by RBC and the Licensee, the mercury-free primary battery technology that has been and is being developed by RBC.

3.6 The Licensor will use its best efforts (without requirement to expend funds and without reimbursement) to cause R & D Co. to discuss with the Licensee in good faith and with a view to agreement, a basis upon which the existing prototype manufacturing facilities that have been developed by R & D Co. will be made available on reasonable terms to or for the benefit of the Licensee to facilitate the Licensee's expeditious access to the Products. The parties recognize that, in any such lease or license agreement, all costs of retooling these facilities to accommodate the Licensee's raw materials, as agreed by R & D Co. and the Licensee, will be for the account of the Licensee.

ARTICLE 4 - NET SALES ROYALTIES

4.1 Subject to this Agreement, the Licensee will pay to the Licensor, as a running royalty, three percent (3%) of the Net Sales Value in respect of each "agreement year" (as determined in accordance with Article 18), commencing on April 15, 1992.

4.2 If the running royalty is subject to any taxes, duties, fees or assessments which the Licensee is required to withhold under the laws of the Territory, the Licensor and Licensee will discuss in good faith revised arrangements designed to provide to the Licensor the full benefit of the payments provided for in this Agreement without increasing the costs to the Licensee provided for in this

Agreement. However, failing agreement on revised terms, the terms of this Agreement will apply as written and the running royalty will be paid net of any required withholding taxes, duties, fees or assessments. No royalty provided to be paid to the Licensor will be reduced or abated by any tax, duty, fee or assessment but will be fully paid to the Licensor on the basis set out in section 4.1.

4.3 The Licensee will invoice or be deemed to have invoiced all sales of the Products within seven (7) days after their shipment. Royalties arising under this License will be calculated by reference to the Net Sales Value in invoices rendered or deemed rendered during each calendar quarter in each Agreement year commencing on April 15, 1992, with pro-rated adjustments for royalties due in the first calendar quarter thereafter, and subject to subsequent agreement of the parties, will be paid in United States dollars within thirty (30) days after the end of each calendar quarter. All returns for credit of Product for which royalty has been paid will show as a credit against accrued royalties.

4.4 The rate of exchange to be applied to convert the currency in which invoices of the Licensee are made into United States dollars for purposes of calculating royalty payments will be the rate of exchange set by Citibank, in New York, New York (or by any other major bank nominated pursuant to subsection 1.1 (m)) for the purchase of United States dollars in New York, New York with such foreign currency as at the required payment date.

4.5 Without prejudice to any other right of the Licensor, and subject to section 20.1, if any payment due to the Licensor under this Agreement is not made on the due date, the Licensee will pay interest on the overdue payment at the rate of two (2) percent per annum in excess of the Prime Rate from time to time from the due date until actual payment.

4.6 If at any time it is not possible for the Licensee to remit royalties and other payments to the Licensor because of currency controls or other government intervention, and without prejudice to the Licensor's rights under Article 18 of this Agreement, all payments due to the Licensor will be deposited by the Licensee in a bank chosen, and in any commercially reasonable manner required by, the Licensor. Payments deposited, together with all interest accruing on them, will be the property of the Licensor.

4.7 On the termination of this Agreement for whatever reason, royalties will be paid in respect of all the Products put into use, sold or transferred but not yet invoiced and in respect of all Products manufactured and held by or on behalf of the Licensee but not put into use, sold or transferred. The Licensee may sell, in the ordinary course of its business, any product in respect of which Royalty has been paid.

4.8 At the same time as payment is required of any royalty due hereunder, the Licensee will submit to the Licensor a statement in writing in English in the form of Schedule 5. The Licensor may amend the form of Schedule 5 from time to time on thirty (30) days' notice to the Licensee, so long as the amendment does not require significant additional reporting by the Licensee or so long as the Licensee's consent, not to be unreasonably withheld or delayed, has been obtained. The Licensee will also provide within ninety (90) days after each calendar year end, an annual statement by a senior financial officer of the Licensee verifying that the Licensee's records have been reviewed by the auditors and that the royalty payments required under this Agreement have been made.

4.9 The Licensee will, at its own expense, keep proper records and books of account in accordance with generally accepted accounting principles in the Territory showing the quantity, description and price of the Products made, sold, used and transferred by the Licensee. The Licensor or its duly authorized agent or representative will be entitled to review and to take copies of or extracts from these books and records or have undertaken any verification or audit with respect thereto at any time, but not more frequently than annually, unless a prior review has indicated a significant failure of the Licensee to account or report fully, in which case reviews may be undertaken as frequently as requested by the Licensor during the ensuing year. The Licensee will retain all these books and records for a minimum of 5 years from the end of the fiscal period of the Licensee to which they relate. The Licensee will, when reasonably required by the Licensor, provide (free of charge to the Licensor) the services of a senior financial officer to assist the Licensor to understand and assess any of these books and records.

4.10 If any inspection or audit by or on behalf of the Licensor shows that the Licensee has failed to accurately complete the standard license report form or has failed to pay any royalties due under this Agreement, then without prejudice to the Licensor's other remedies, the Licensee will:

(a) forthwith remit to the Licensor any unpaid royalties together with interest on the unpaid amount calculated as set out in Article 4.5 above; and

(b) if the Licensee has failed to complete the standard report form or has failed to pay at least 95% of the royalties due under this agreement for the relevant period, pay all of the direct costs of the inspection or audit.

4.11 All royalty payments required to be made by the Licensee under this Agreement will be made by wire transfer or in other immediately available funds, as Licensor may direct in writing, and the costs or fees for the same will be boren by the Licensee.

4.12 The provisions of this Article will remain operative notwithstanding termination or expiry of this Agreement until the settlement of all outstanding claims of the Licensor.

ARTICLE 5 - TECHNICAL SERVICE FEE AND MINIMUM ROYALTIES

5.1 The Licensee will pay to the Licensor a technical service fee in the amount of $400,000 and a royalty in the amount of $100,000 (which royalty relates to the use of the Technology and related know-how or working the current Patents during the first contract year). The Licensee will pay forthwith the initial instalment of the technical service fee by directing the Canadian solicitors for the Licensor to release to the Licensor all but US$250,000 of a deposit in the initial amount of U.S. $500,000 currently being held in trust by them. The Canadian solicitors for the Licensor are hereby authorized and directed to release the remainder of the amount so held to the Licensor on November 30, 1991, to be applied as to US$150,000 to the remainder of the technical service fee and as to US$100,000 to a royalty for the use of the technology for the first contract year.

5.2 The Licensee anticipates that it will pay to the Licensor the following minimum royalty amounts in respect of the following years (individually an "agreement year") commencing on April 15, 1992:

year 1	nil
year 2	U.S. $200,000
year 3	U.S. $300,000
year 4	U.S. $500,000

During the term of this Agreement, the Licensee will have the following right in respect of the first occasion on which the sum of the quarterly royalty payments made under Article 4 in any agreement year is less than the minimum annual payments required under Article 5. The Licensee may, within thirty (30) days after the relevant agreement year pay to the Licensor an amount sufficient to cause the sum of the quarterly payments made under Article 4 and the sum paid to equal the relevant minimum royalty. If this right is exercised, there will be no further consequences (except, for greater certainty, that this right will not be available again). If the Licensee fails to make a payment of this sort when the right to do so is available to it, or if the sum of quarterly royalty payments made is less than the required minimum royalty amount in respect of any subsequent agreement year, the Licensor will have the right, by notice given to the Licensee and without further formality, to cause any Exclusive right granted to the Licensee under this Agreement to become a non-Exclusive right, so that the Licensor may thereafter grant similar rights to any other Person, but

this Agreement will otherwise remain in full force and effect in accordance with its terms.

ARTICLE 6 - PERFORMANCE

6.1 After the Acceptance Date, the Licensee will make commercially reasonable efforts to promote and expand the sale of the Products through the Territory and to this end will undertake such advertising and publicity and general market development activities as may reasonably be expected to bring the Products to the attention of as many purchasers and potential purchasers as possible, consistent with the Licensee's historical advertising and promotion practices for its battery products.

6.2 The Licensee will, annually and before the end of each agreement year, deliver to the Licensor, for informational purposes of the Licensor only, a business plan and forecast for the production of Products over the upcoming year. The Licensee's initial plan and forecast will be delivered within two (2) months after the Acceptance Date.

ARTICLE 7 - QUALITY AND MARKING

7.1 Licensee will exercise the same degree of care in the manufacture of commercial Products as it does in the manufacture of its battery products generally. Products destined for general commercial sales will be merchantable quality and shall be fit for their intended purposes.

7.2 Licensee will exercise the same degree of care in quality control and quality assurance over commercial Products as it does in the quality control and quality assurance over its battery products generally. Licensee may not sell second quality Products except as part of a bona fide second-quality sale or distribution program, consistent with the disposition of other goods Licensee may sell or distribute in the same or similar fashion.

7.3 The Licensee will be solely responsible to ensure that the Products and any packaging and markings comply with all rules, regulations and statutory requirements existing in the Territory and in any other jurisdiction in which the Products are sold.

7.4 The Licensee will indemnify the Licensor and hold the Licensor harmless against any claims, losses, costs, liabilities, obligations and expenses, including legal fees on a solicitor and his own client basis, arising out of or in connection with the Licensee's manufacturing, marking, packaging or sale of the Products,

except such claims, losses, costs, liabilities, obligations and expenses as are found by a court of competent jurisdiction or by an arbitration tribunal constituted by agreement of the parties to be directly attributable to the gross negligence or wilful misconduct of the Licensor. The Licensee will have the right to assume carriage of any such proceeding brought against the Licensor subject to the Licensee holding the Licensor wholly harmless against any related costs.

ARTICLE 8 - INSURANCE

8.1 The Licensee will maintain, at its own expense, for the benefit of the Licensor (which in this section will be deemed to include Battery Technologies Inc., Rechargeable Battery Research and Development Corp. and Environmental Batteries Systems Inc. and all officers, directors, employees and agents of each, each of whom will be named as a jointly insured party), product liability insurance, in at least the same minimum amount (currently U.S. $31,000,000) as the Licensee maintains from time to time in respect of itself, against any claim in respect of defective Products, whether the claim is made during or after the period of this Agreement. The insurance policy will contain a waiver of any subrogation right against the Licensor (including each of the aforesaid). The nature and content of the insurance policy will be approved by the Licensor acting reasonably. The Licensee will provide evidence of insurance to the Licensor annually. The Licensor may require proof of payment and the last premium receipt at any time. The Licensee will disclose this Agreement to its insurers. The interest of the Licensor will be noted on the policy.

ARTICLE 9 - IMPROVEMENTS

9.1 If, while the Licensee is entitled to the use of Improvements pursuant to section 9.2(i), the Licensee produces, develops or acquires any Improvement over which the Licensee has unrestricted rights of transfer, and provided that the Licensor is not in breach of any material provision of this Agreement when the Licensee is able to effect a transfer of the technology respecting the Improvement, the Licensee will promptly notify the Licensor in writing of the Improvement giving details thereof and will provide to the Licensor free of payment all information or explanations the Licensor may reasonably require in order to understand the nature and significance of the Improvement. If the Licensee proposes to and does apply for intellectual property protection in respect of the Improvement, the Licensee will make the Improvement available to the Licensor at no cost to the Licensor, for the Licensor's own use and to make available to other licensees of the Licensor. The Licensor will not make any significant Improvement so developed by the Licensee available to its Licensees for a period

of at least three (3) years after notice has been (or should have been) given as aforesaid.

If, at any time when the Licensee is not entitled to the use of Improvements pursuant to section 9.2(i), the Licensee produces, develops or acquires any Improvement, the Licensee will advise the Licensor of the Improvement over which the Licensee has unrestricted rights of transfer in the manner specified above, but the Licensee will not be obliged to make the Improvement available to the Licensor except on the basis of agreement, if any, reached by the Licensee and the Licensor.

Subject to section 9.3, if, within six (6) months after providing notice of an Improvement and the information described above, the Licensee elects not to apply for or otherwise avail itself of intellectual property protection in respect of the Improvement, the Licensee will inform the Licensor and the Licensor may apply for intellectual property protection for that Improvement. If the Licensor is entitled and wishes to apply for such intellectual property protection, the Licensee agrees to have itself and any person involved in the development of that Improvement cooperate in any way necessary to complete all papers and documents that are reasonably necessary for the filing, prosecution and issuance of intellectual property protection therefor in the name of the Licensor. The Licensee agrees to assign, and to maintain itself in a position to be able to assign, subject to Agreements with other Persons, its intellectual property rights to the Licensor free of charge as may be necessary or desirable in order to permit intellectual property protection to issue in the name of the Licensor. If the Licensor applies for intellectual property protection in respect of an Improvement produced, developed or acquired by the Licensee, the Exclusive license granted to the Licensee under this Agreement will include that Improvement, but no such assigned Improvement will be the basis of any royalty payment from Licensee to Licensor.

9.2 (i) If while (a) the Licensee enjoys the status of an Exclusive licensee in accordance with section 2.1, or (b) the Licensee is responsible for paying royalties at the rate of at least three (3%) of the Net Sales Value, the Licensor produces, develops or acquires any Improvement in respect of which it is entitled to grant licenses or sublicenses, the Licensor will promptly notify the Licensee in writing giving details thereof and will provide to the Licensee free of payment all information and explanations, including the information referred to in section 9.1 above, as the Licensee may reasonably require to be able to decide whether it wishes to utilize the same. If the Licensee wishes to utilize the Improvement, the Licensee will be entitled to do so on the following basis. Subject to this section, the Licensee will be entitled to use the Improvement without amendment of this Agreement unless the Licensor and the Licensee agree that the running royalties provided for in Article 4 and/or the minimum royalties provided for in Article 5 should be changed. The Licensor and Licensee will discuss in good faith the

appropriateness of amending either or both of these royalties in the case of any significant Improvement produced, developed or acquired by the Licensor and made available to the Licensee pursuant to this section 9.2. However, for greater certainty, nothing in this Agreement, other than the Licensee's further agreement, will obligate the Licensee to amend either of these royalties.

(ii) If, at any time when the Licensee (a) does not have exclusive rights pursuant to section 2.1, or (b) the Licensee is not responsible for paying royalties at the rate of at least three percent (3%) of Net Sales Value, the Licensor produces, develops or acquires any Improvement, the Licensor will advise the Licensee of the Improvement over which the Licensor has unrestricted rights of transfer in the manner specified above, but will not be obliged to make the Improvement available to the Licensee except on the basis of an agreement, if any, reached by the Licensor and the Licensee.

(iii) If an Improvement that the Licensee wishes to utilize is or involves a Mechanical Improvement owned by RTS or Hibar and in respect of which the Licensee purchases equipment that is proprietary to RTS or Hibar, and incorporates such an Improvement, commencing forthwith thereafter, the running royalty payable pursuant to section 4.1 will, in respect of all years thereafter until the expiration of the term, be four percent (4%). This provision will not apply to any other goods that the Licensee may purchase, directly or indirectly, from RTS or Hibar. It is agreed and understood that Licensee shall not be obligated to transfer any Improvement to Licensor under section 9.1 merely because Licensee is required to pay a royalty of 4% pursuant to this section 9.2(iii) in respect of a Mechanical Improvement unless, at the time transfer of such an Improvement would otherwise be required, Licensee also is operating under an Exclusive grant pursuant to section 2.1.

(iv) This section 9.2 will apply to any Improvement that becomes owned by the Licensor pursuant to paragraph 9.1. Section 9.1 will apply mutatis mutandis to provide for the Licensee to apply for Intellectual Property protection in respect of an Improvement for which the Licensor fails to apply for intellectual property protection within six (6) months, to permit the Licensee to so apply in respect of its Territory as the same may exist at the time, subject to a royalty-free non-Exclusive license back to the Licensor (including the right of sublicense to its other licensees).

9.3 The operation of each of sections 9.1 and 9.2 (insofar as they provide for a right in favour of a party which does not develop or acquire an Improvement (the "Proposer") to acquire the intellectual property rights in the Improvement of the other party (the "Developer") will be circumscribed as follows. If the Developer, acting in good faith, proposes to protect its rights in the Improvement by virtue of secrecy, and if the Developer attempts to conduct itself so as to

maintain the secrecy of the Improvement, the provisions of these sections will not apply to permit the Proposer to acquire ownership of the Improvement, the intent being that these provisions will apply only in respect of Improvements that the Developer does not propose to or does not protect.

9.4 The Licensee will ensure that all arrangements it makes with its employees and agents will be in compliance with the Licensee's standard procedures adopted from time to time with respect to the assignment and ownership of inventions made by its employees and agents.

9.5 For greater certainty, and subject to express provisions to the contrary in this Agreement, the Licensee will be solely responsible for the costs of intellectual property protection in respect of Improvements developed or acquired, and owned, by it.

9.6 The Licensee agrees that it fund further research and development by or on behalf of the Licensor to the extent that the same:

(a) is intended to develop Products that contain no mercury in their formulae; and

(b) will not obligate the Licensee to fund expenses of greater than US $100,000 in total under this Agreement.

The Licensee will pay invoices for research and development expenses incurred by or on behalf of the Licensor as aforesaid promptly upon presentation of invoices with reasonable support, as required by the Licensee. Improvements developed by or on behalf of the Licensor in consequence of this program will be the property of the Licensor, but, for greater certainty, these Improvements will be subject to section 9.2, except that no Improvement funded pursuant to this section 9.6 will be subject to the duty to renegotiate royalties described in the first paragraph of section 9.2.

ARTICLE 10 - INTENTIONALLY DELETED

ARTICLE 11 - NON-COMPETITION

11.1 The Licensee acknowledges the proprietary rights of Licensor in the Technology, that the Licensor carries on business throughout the world, that the Technology could be useful in the development of rechargeable battery cells other than the Products, and that if could be difficult to establish the improper use of

the Technology in developments of alternative battery technologies. Accordingly, the Licensee will not, anywhere in the world:

(a) so long as the Licensee enjoys the Exclusive status granted in section 2.1, directly or indirectly commercially manufacture, distribute or sell any rechargeable alkaline manganese battery, other than the Products; and

(b) after termination of this Agreement, on any basis whatsoever (other than as specifically contemplated by this Agreement), make use of or practice any part of the Technology that satisfies all of the following criteria:

(i) it is used in Licensor's business;

(ii) it is not known or readily ascertainable by other Persons in the battery business;

(iii) it has economic value because it is neither known nor ascertainable as aforesaid; and

(iv) it is the subject of reasonable efforts by Licensor to maintain its secrecy or proprietary nature.

But for greater certainty this prohibition will not apply to prevent the Licensee's use of new information catalyzed by tHE Licensee's access to the Technology.

If, at any time, the Licensor has grounds to believe that the Licensee is in breach of any provision of this Article 11, the Licensor may appoint any member of the firm of Arthur D. Little & Company Limited qualified to understand the issues raised by the grounds of suspicion to conduct a technical inspection of any relevant facility of or controlled by the Licensee and to report to the Licensor with respect to the validity of the grounds of suspicion. The Licensee will permit access to this facility and the assistance of a senior technical employee to permit the inspection to be fully achieved. If the inspection reveals no breach of this Article 11, the Licensor will bear the direct costs of inspection and no further inspection will be permitted under this provision for a further six (6) months. Otherwise, the Licensee will pay these costs forthwith and further inspections will be permitted at any time at which the Licensor has grounds to believe that there has been a further or continuing breach.

The Licensee acknowledges that breach of these provisions will cause irreparable damage to the Licensor which could not be adequately compen-

sated by damages and consents to the Licensor obtaining injunctive or other equitable relief in the event of breach.

ARTICLE 12 - INFRINGEMENT

12.1 The Licensee will forthwith give notice in writing to the Licensor of any infringement or suspected or threatened infringement in or outside the Territory of the Patents or the Technology which at any time comes to its attention.

12.2 The Licensor and the Licensee will thereupon discuss what steps should be taken to prevent or terminate such infringement including the institution of legal proceedings where necessary.

12.3 The Licensor has the right, if it elects to do so, to exercise sole control of the prosecution and all related settlement negotiations in connection with any infringement or suspected or threatened infringement in the Territory. If the Licensor elects to exercise this control, all proceedings and settlement expenses will, subject to section 12.6, be for the account of the Licensor.

12.4 If the Licensor elects to prosecute a claim for infringement, the Licensee will, to the extent, if any, reasonably necessary to initiate or maintain suit, consent to be added as a nominal party unless there is a reasonable basis for the Licensee's refusal. Without limitation, substantial prejudice to any legal or economic interest of the Licensee will be sufficient reason to withhold consent.

12.5 If the Licensor elects not to exercise sole control of any infringement proceedings in the Territory, the Licensee may commence proceedings in respect of the infringement or suspected or threatened infringement. The Licensee may join the Licensor as a nominal party if necessary to establish standing to initiate or maintain suit. All proceedings and settlement expenses will, subject to section 12.6, be for the account of the Licensee.

12.6 All proceeds of infringement proceedings will be applied first against the uncompensated costs of the proceedings and any similar previous proceedings, and second against any amounts owing to the Licensor under this Agreement. Any excess proceeds will be divided equally between the Licensor, on the one hand, and all permitted Licensees rateably in proportion to their contribution to the cost of abatement in respect of the infringement in Territory, on the other.

ARTICLE 13 - MAINTENANCE OF THE PATENTS

13.1 The Licensor will, during the therm of this Agreement pay all necessary fees and make any necessary filings to maintain in good standing the rights to the Technology that it has granted to the Licensee, including the Patents and patent applications and Improvements owned by the Licensor.

13.2 Provided that it has fulfilled its obligations pursuant to section 13.1, the Licensor may abandon, surrender or cease to maintain any of the Patents or patent applications, provided that at lease three (3) months prior to the date of abandonment or surrender or, as appropriate, the deadline for taking action necessary to maintain the Patents or patent applications, the Licensor notifies the Licensee of its intentions and offers to assign, for nominal consideration, to offset the cost of transfer, the Patents or patent applications in question and relating to the Territory to the Licensee. If the Licensee elects to maintain any of these Patents or patent applications, the Licensee may deduct from any amount otherwise due to the Licensor, the amount of the direct maintenance costs involved.

ARTICLE 14 - NON-CHALLENGE OF THE PATENTS

14.1 The Licensee will not challenge the validity of any patent applied for by or granted to the Licensor in any jurisdiction, containing claims which are the same or substantially the same as the claims contained in any of the Patents, or containing claims which otherwise restrict unlicensed use of the Technology or Products, to the extent that the claims cover the Products, unless the Licensor has abandoned the same. The Licensor will be deemed to have abandoned the right to a claim in a patent if and only if it has formally abandoned the same.

ARTICLE 15 - CONFIDENTIALITY

15.1 During the term of this Agreement and thereafter, each party will keep and it will ensure that its directors, officers, employees and contractors keep secret and confidential the Technology and any other confidential information communicated to it by the other and will not disclose any part of the Technology or confidential information to any Person other than to its directors, officers, employees or contractors directly concerned in the manufacture, use or sale of the Products, on a "need to know" basis. Without limitation of the foregoing, the receiving party will safeguard the secrecy and confidentiality of the Technology or confidential information to the same extent and in the same manner as it does its own confidential technology and business.

15.2 The foregoing provisions of this Article and Article 11 will not apply to impair in any way the Licensor's or the Licensee's rights to exploit the Technology or to Technology or confidential information that:

(a) is, or without fault on the part of the receiving party, its directors, officers and employees becomes, public knowledge and freely available to competitors of the disclosing party;

(b) has been received by the receiving party from a Person not obligated, directly or indirectly, to maintain the same in confidence; or

(c) is already known to the receiving party, as demonstrated by a writing made and in existence prior to the date of execution of this Agreement.

15.3 During the period of this Agreement and at any time thereafter, the receiving party will, upon the request of the disclosing party but at its own expense, take all steps the disclosing party may require to enforce any confidentiality undertaking given by a director, officer, employee or contractor of the receiving party including initiating and prosecuting legal proceedings throughout trial and enforcing any judgment obtained. All steps to be taken by the receiving party under this Article 15 will be taken as expeditiously as possible.

15.4 Without limitation of the foregoing, the obligations of the receiving party under this Article 15 apply to the disclosure of any information concerning the Technology or other information related to the Products to any Person engaged to construct, install or service any relevant manufacturing plant or equipment or confidential information respecting the business of the disclosing party.

15.5 The Licensee and the Licensor will each indemnify the other and will hold the other harmless against any claim, loss, damage or liability resulting to a disclosing party and demonstrated by it to be attributable to any improper or negligent disclosure of the Technology or confidential information, or by any of the relevant Persons referred to in this Article 15 together with all costs and expenses of the disclosing party (including all reasonable legal fees paid) in connection therewith. For greater certainty, this section will not operate to prevent the Licensor from making disclosure of the Technology in connection with any license or proposed license that it is permitted to grant or any right that it is permitted to exercise, that is not in derogation of this Agreement.

15.6 No news release or other communication of information to the public concerning this Agreement or any information contained or referred to, other than summary information noting the existence and basic purport of this Agreement, may be made by or on behalf of either of the parties, and neither party will distribute any prospectus, offering memorandum, business plan or similar financing document containing information relating to this Agreement, unless the text of the same has been approved by the other, acting reasonably. These restrictions will not apply to prevent the release of information on a timely basis

as required by securities or other applicable regulatory law, but every effort will be made, in case of a release to satisfy obligations of this sort, to provide advance notice to and to seek the concurrence of the other party in the form of the release.

ARTICLE 16 - REPRESENTATIONS AND WARRANTIES

16.1 The Licensor represents and warrants that:

(a) it has been duly incorporated and is currently in good standing under the law of Ireland and has the capacity, right and authority to enter into this Agreement;

(b) the Patents and the patent applications described in Schedule 1 have been issued by and filed with the appropriate authorities in the jurisdictions indicated in Schedule 1;

(c) to the best of its knowledge and belief, neither the Technology nor any Product infringes any patents, trade marks, trade names, copyright or industrial, intellectual or proprietary rights owned by any third Person;

(d) it has and will maintain sole ownership and/or control over the licensing of all Improvements so that it will be able to maintain, in respect of those Improvements, the Exclusivity to be provided to the Licensee pursuant to this Agreement;

(e) it has in current effect with each of its senior technical personnel employment or consulting agreements that provide that Improvements developed by these personnel will accrue to the benefit of the Licensor and that these personnel may not compete, for reasonable times after termination of their engagement, with the business of the Licensor; and

(f) the Technology in its current state, as disclosed to the Licensee, is capable of making Products of commercially acceptable quality (in accordance with Schedule 6) in commercially reasonable quantities using available equipment, in compliance with Schedule 2.

Without limitation of the Licensee's rights on breach of the warranty set forth in subsection 16.1(e), if any employee of or consultant to the Licensor breaches his or her agreement by competing, the Licensor will commence and pursue aggressive legal proceedings to stop the competition. During

the period of any material competition, the applicable royalty rate then payable by the Licensee to the Licensor will be abated by 50%.

16.2 Apart from the provisions of Article 16.1, the Licensor makes no representations, guarantees or warranties, express or implied, respecting the Technology or respecting the performance of the Product.

16.3 The Licensee represents and warrants that:

(a) it has been duly incorporated and is currently in good standing under the law of Wisconsin and that it has the capacity, right and authority to enter into this Agreement;

(b) it has diligently undertaken all necessary actions and arrangements to ensure that it has or will have the ability and capacity to manufacture, market and sell the Products; and

(c) the entering into of this agreement will not result in a contravention of its constating documents or a breach of, or default under, any law, regulation, agreement, commitment or undertaking by which it or any of its affiliates is bound.

ARTICLE 17 - RELIEF FROM OBLIGATIONS

17.1 Neither party will be liable under this Agreement for failure to carry out its provisions to the extent that such failure is caused by sabotage, fire, flood, acts of God, civil commotions, riots, insurrections, wars, acts of any governmental authority or priorities granted at the request or for the benefit, directly or indirectly, of any governmental authority or any other similar cause beyond their respective control (excluding, for greater certainty, financial inability) and which was not reasonably foreseeable as of the License Date ("Force Majeure"). The Licensor or the Licensee, as the case may be, will promptly inform the other of the existence of any condition of Force Majeure and will consult together to find a mutually acceptable solution to any impediments to the fulfillment of their respective obligations under this Agreement.

17.2 If a condition of Force Majeure prevents a party from carrying out the provisions of this Agreement and the condition continues for a period longer than one hundred and fifty (150) days, the other party may:

(a) (i) if the prevention involved deprives the other party of substantial benefit under this Agreement, terminate this Agreement by written notice specifying the relevant event and

giving a termination date that is no less than thirty (30) days after the date of notice, in which case, unless the party notified has remedied the event within the thirty (30) days, this Agreement will terminate as of the designated date (provided that this right will be exercisable only with respect to any particular country affected by the Force Majeure); and

(ii) otherwise, elect to convert the status of the Licensee to a non-Exclusive status by written notice specifying the event and giving a conversion date that is no less than thirty (30) days after the date of notice. Unless the party notified has remedied the event within the thirty (30) days, the status of the Licensee will be so converted as of the designated date; or

(b) if the Force Majeure involved relates to the Licensor and applies so as to deprive the Licensee of substantial benefit under this Agreement, the Licensee may by written notice specifying the relevant event and providing a date that is not less than thirty (30) days after the date of notice, amend this Agreement so that, in respect of any particular country affected, the Licensee would continue to employ the Technology, paying royalties at the rate of fifty percent (50%) of those otherwise applicable to the that country, and without other substantive obligation under this Agreement.

ARTICLE 18 - TERM AND TERMINATION

18.1 This Agreement will commence on the License Date and, subject to this Agreement, will terminate on the expiry of the last to expire of the Patents. Provided, however, that no royalty payments will be due to the Licensor for any part of the term during which the only extant Patents issued are in respect of Licensee Improvements.

Notwithstanding the foregoing, the Licensee will be entitled to a refund of the balance of the technical services fee and royalty referred to in section 5.1 and released on November 30, 1991, unless the "Acceptance Date", as defined below, from which relevant "agreements years" will be dated, has occurred by April 15, 1992. The Acceptance Date means the date on which the first of the following occurs:

(a) the Licensee is able to use the Technology to produce, at its existing facilities in the United States of America, commercially accept-

able batteries in commercial quantities that fully satisfy the specifications set forth in Schedule 6; and

(b) the Licensee waives the requirement referred to in (a).

If the Acceptance Date has not occurred by April 15, 1992, each of the Licensor and the Licensee will have the right at any time thereafter and prior to the Acceptance Date to terminate this Agreement by notice given to the other party to this effect. Notice given by the Licensor must provide for repayment to the Licensee, forthwith, of the full amount (US$500,000) originally deposited by the Licensee with the Canadian solicitors of the Licensor. Upon notice being given by the Licensee, the Licensor will, forthwith, repay to the Licensee US$250,000. The Licensor will, if requested by the Licensee, provide collateral security for repayment of the US$250,000 repayable by it in the latter case, by way of a first charge on the prototype manufacturing facility of R & D Co. referred to in section 3.6.

18.2 The Exclusivity of the grant made in section 2.1 will expire at the end of the third agreement year and, subject to this Agreement and any subsequent agreement of the parties, the running royalty rate provided for in section 4.1 will, with respect to agreement in years thereafter, be one and one-quarter percent (1 1/4%) for the immediately ensuing two (2) agreement years, one percent (1%) for the next subsequent two (2) agreement years, three-quarters of one percent (0.75%) for the next eight (8) agreement years and zero percent (0%) thereafter. If, prior to the expiration of the third "agreement year", the Licensor and the Licensee have not agreed upon a basis for extending the Exclusivity grant pursuant to section 2.1 for the duration of the term of this Agreement, the Licensee may continue to use the Technology for the commercial manufacture of Products in the Territory (as the same may exist at the relevant time), but the Licensor may grant equivalent rights to other Persons in respect of that Territory, all on a non-Exclusive basis. For greater certainty, upon termination of its exclusivity, the Licensee may not maintain exclusivity by paying the minimum royalties provided for in section 5.3.

The Licensor agrees that if the exclusivity of the Licensee is terminated by the Licensor for any reason whatsoever, it will not grant a license to any Person on terms that are materially, in the aggregate, more favorable than those then available to the Licensee, and further that any such license will provide for a royalty payable to the Licensor that is at least .5% greater than that then payable by the Licensee (whether by virtue of a higher royalty rate reserved in such license or by virtue of a reduction in the royalty rate applicable to the Licensee).

18.3 Either party may terminate this Agreement forthwith at any time by written notice to the other party if the other party is adjudged bankrupt or files a

voluntary petition in bankruptcy or similar legislation for the relief of debtors, or makes an assignment for the benefit of its creditors generally, or if any proceedings for dissolution or winding -up are commenced (other than by way of voluntary winding-up or dissolution for the purposes of amalgamation or reconstruction) or a receiver or receiver manager and manager is appointed in respect of its undertaking or all or part of its assets which matter is not vacated or discharged within sixty (60) days.

18.4 The Licensor may immediately terminate this Agreement by written notice to the Licensee on the occurrence of any of the following events:

(a) if the Licensee fails to perform or otherwise breaches in a material way any of its obligations under Article 15;

(b) if the Licensee fails to perform or is otherwise in breach of its obligations under Articles 6, 7 or 8 and the breach continues for thirty (30) days after written notice specifying the breach is given to the Licensee, or if the breach occurs within three (3) years of a similar breach, written notice of which has been given to the Licensee;

(c) if any representation or warranty of the Licensee contained in this Agreement proves to be materially untrue; or

(d) if the Licensee fails to make any payment under this Agreement when due and the failure to pay continues for more than thirty (30) days, or if the Licensee engages in persistent, wilful and unjustified failure to make payments when due under this Agreement.

18.5 (a) If, at any time during the Term, a competitor of the Licensee in the Territory develops and manufactures (other than by virtue of a permitted license granted by the Licensor) a Product that has performance characteristics equivalent to or better than those available to the Licensee under this Agreement, the Licensee may give notice to the Licensor. Thereafter, the Licensor will have a period of one year to make available Improvements that would result in superior Products being available to the Licensee, failing which the applicable royalty rate payable "by" the Licensee will, after the one year, will be reduced by 50% until the situation is remedied. If the situation continues for a further three years, the applicable royalty rate will be reduced to 0% for the remainder of the Term.

(b) In addition to the rights of the Licensee as provided in section 18.2, the Licensee may, at any time during which its rights are Exclusive, give one year's notice to the Licensor of a desire to reduce the applicable royalty rate. Immediately after the one-year period, all Exclusive rights of the Licensee will become non-Exclusive and, at the conclusion of the notice period, the applicable royalty rate will be reduced to one and one-half percent (1 1/2%) for the immediately ensuing three (3) agreement years, three-quarters of one percent (0.75%) for the next twelve (12) agreement years and zero percent (0%) thereafter.

18.6 The Licensee may terminate this Agreement at any time during the term if the Licensor fails to perform or is otherwise in material breach of any material obligation or representation and the breach continues for thirty (30) days after written notice specifying the breach is given to the Licensor, or if the breach occurs within three (3) years of a similar breach, written notice of which has been given to the Licensor.

18.7 The Licensee may, at any time after the Acceptance Date, on six (6) months' notice to the Licensor, and subject to due performance in the interim, terminate this Agreement.

ARTICLE 19 - CONSEQUENCES OF TERMINATION

19.1 Subject to this Article 19, if this Agreement is terminated by either party:

(a) the Licensee will return promptly to the Licensor all material in its possession related to the Products and the Technology and all copies thereof, except that one sealed copy may be provided to the then outside United States solicitors to the Licensee for use only in connection with any arbitration or litigation arising under or from this Agreement, and will pay promptly any and all royalties owing by it to the Licensor under the provisions of this Agreement;

(b) all rights and licenses granted by the Licensor hereunder will cease automatically to be of any force and effect and the Licensee will cease using the Technology for any purpose except as specifically permitted in this Agreement.

19.2 If this Agreement is terminated by the Licensee under the circumstances set out in section 18.3 or 18.6 (other than because the representation of section 16.1(f) proves to be untrue), the Licensee will hold a fully-paid, royalty free

license entitling it to use the Technology on the basis set forth in this Agreement, as it may otherwise exist at the time.

19.3 If this Agreement is terminated by the Licensor under the circumstances set out in section 18.3 or for material breach by the Licensee, the Licensor will hold a fully-paid, royalty free license entitling it to use any Improvement referred to in section 9.1 and previously used by the Licensor on the basis of an agreement as referred to in section 9.1, on the basis set forth in that agreement, as it may otherwise exist at the time.

19.4 Termination of this Agreement will be without prejudice to accrued rights of either party up to the date of termination of this Agreement arising out of any antecedent breach of or liability under this Agreement and, unless termination is effected by the Licensor for a breach of Article 7 that has not been cured by the Licensee, without prejudice to the right of the Licensee to pur into use, sell or transfer inventory of Products on hand at the date of termination.

ARTICLE 20 - LICENSOR/LICENSEE MAY PERFORM COVENANTS

20.1 If a party fails to perform any covenant contained in any of sections 3.3, 3.4, 8.1 and 15.3 of this Agreement, the other party may, in its discretion, perform any such covenant capable of being performed by it and if any covenant requires the payment of money the performing party may make such payments. All payments so made will be repaid forthwith by the defaulting party and will bear interest until payment in full with interest as provided for in section 4.5.

20.2 Provided that, notwithstanding section 4.5, if a party fails to perform any covenant requiring the payment of money and the failure forms part of persistent, willful and unjustified conduct, or is wilful and unjustified and does not result from a disagreement in good faith as to the requirement to make the payment, interest will be payable at the rate of five (5) percent per annum in excess of the Prime Rate from time to time from the due date until actual payment and not at the rate otherwise specified in section 4.5.

ARTICLE 21 - GENERAL PROVISIONS

21.1 The failure of either party at anytime to require performance by the other party of any provisions of this Agreement will in no way affect the right of such party to require performance of any provisions and any waiver by any party of any breach of any provisions of this Agreement will not be construed as a waiver of any continuing or succeeding breach of such provisions or any other provisions of this Agreement.

21.2 This Agreement will be complete when a counterpart has been signed by each of the parties and delivered by each to the other. This Agreement constitutes the entire agreement between the parties, and will replace in its entirety a precedent letter agreement dated April 26, 1991 and a percent technology license and service agreement dated as of the first day of June, 1991. No modification, alteration or waiver of any of the provisions of this Agreement will be effective unless in writing and signed on behalf of each of the parties.

21.3 Time will be of the essence of this Agreement.

21.4 Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions and any such prohibition or unenforceability in any jurisdiction will not invalidate or render unenforceable such provision in any other jurisdiction. For any provision so severed there will be deemed substituted a like provision to accomplish the intent of the parties as closely as possible to the provision as drafted, as determined by any Court or arbitrator having jurisdiction over any relevant proceeding, to the extent permitted by the applicable law.

21.5 Any notice or communication to be given or made hereunder will be deemed to be properly given or made if sent to the addresses and to the attention of the persons set out in Schedule 3 to this Agreement:

(a) on the earlier of actual delivery and (however delivered) forty-eight (48) hours after being sent by delivery by a commercial courier service; or

(b) on the day following which any cable, telegram, telex or telecopier message is sent.

ARTICLE 22 - GOVERNING LAW AND DISPUTE RESOLUTION

22.1 This Agreement is governed by the laws of Ontario. Any dispute will be subject to and determined in accordance with Ontario law as the substantive law of this Agreement without reference or renvoi to any other law as the proper law of this Agreement.

22.2 The parties will attempt to resolve in good faith any disagreement or controversy arising under this Agreement or out of their relationship established under it. The parties will consider, but need not adopt, as a formal tool of dispute resolution the Model Procedures for the Mediation of Business Disputes promulgated by the Center for Public Resources, New York, New York. All controversies, differences and disputes that can not be resolved consensually by

the parties will be submitted to binding arbitration in accordance with the procedures set forth in Schedule 4.

Notwithstanding the foregoing, if the actions or inactions of a party are, in the honest belief of the other party, producing or likely to produce irreparable harm that can not be adequately compensated for by damages or that will result in damages that are difficult to estimate, the aggrieved party may apply to a Court for injunctive or mandatory injunctive relief to remedy the situation pending the conduct of mediation or arbitration.

IN WITNESS WHEREOF THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED BY THEIR DULY AUTHORIZED OFFICERS

BATTERY TECHNOLOGIES
(INTERNATIONAL) LIMITED

Per: /s/ T.C. Reilly
----------=

c/s

Place: Shannon, County Clare,
Republic of Ireland

Per:/s/ A. Coughlan

RAYOVAC CORPORATION

Per:/s/ Trygve Lonnebotn
----------=

c/s

Place: Madison, Wisconsin
United States of America

Per:/s/ James A. Broderick

==========

SAG Partners,
Landlord

AND

Rayovac Corporation,
Tenant

AGREEMENT OF LEASE

Dated: May 14, 1985

Madison, Wisconsin

==========

AGREEMENT OF LEASE, made as of this day of May, 1985 by and between SAG PARTNERS, a Wisconsin general partnership having an office at 601 Rayovac Drive, Madison, Wisconsin 53711 ("Landlord") and RAYOVAC CORPORATION, a Delaware corporation having an office at 601 Rayovac Drive, Madison, Wisconsin 53711 ("Tenant").

W I T N E S S E T H:

ARTICLE I

LEASE OF PROPERTY; TERM OF LEASE

1.1 Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, subject to all the terms, conditions and covenants herein contained, (a) all that certain tract or parcel of land located in Madison, Dane County, Wisconsin (the "Land"), more particularly described in Exhibit A annexed hereto and made a part of this lease, and (b) the Building and Improvements (as such terms are hereinafter defined) to be constructed by Landlord on the Land in accordance with the plans and specifications described in Exhibit B annexed hereto and made a part of this lease, together with and subject to the easements, rights, privileges and other benefits described in Exhibit C annexed hereto and made a part or this lease. The Demised Premises are leased subject only to the permitted exceptions (the "Permitted Exceptions") described in Exhibit D annexed hereto and made a part of this lease. The Land, the Building and Improvements and the matters described in Exhibit C are hereinafter collectively referred to as the "Demised Premises". Each party hereby expressly covenants and agrees to keep, observe and perform all of the covenants and conditions contained herein on the part of such party to be kept, observed and performed.

1.2 The term of this lease shall commence on the Commencement Date, as defined in Section 2.1(d) hereof, and shall end at midnight on the last day of the month in which occurs the eighteenth (18th) anniversary of the Commencement Date unless this lease shall sooner terminate or be extended as hereinafter provided. The expiration date specified in this lease, as such date may be extended through tenant options, shall hereinafter be referred to as the "Expiration Date". Without limiting any rights which the parties hereto may have as a result of such occurrence, this lease shall terminate and be of no further force and effect if the Commencement Date has not occurred by July 1, 1989.

1.3 Promptly after the Commencement Date, Landlord and Tenant shall enter into a written agreement which fixes the Commencement Date and the Expiration Date. If Landlord and Tenant do not agree thereon within thirty (30) days after request

therefor by either party, then such dates shall be determined by arbitration pursuant to Article XXII hereof.

ARTICLE II

DEFINITIONS

2.1 For all purposes of this lease, and all agreements supplemental hereto, the terms defined in this Section shall have the meanings specified in this Section unless the context expressly otherwise requires:

(a) The term "Building" shall mean the 79,409 square foot Tech Center (including its machinery, equipment and fixtures) and the four-story 159,518 square foot office building (including its machinery, equipment and fixtures) to be constructed by Landlord on the Land, as more particularly described in the Plans and Specifications hereinafter defined, together with all additions thereto and/or replacements thereof.

(b) The term "Business Hours" shall mean the hours of 8:00 A.M. to 6:00 P.M. on Mondays through Fridays and the hours of 9:00 A.M. to 1:00 P.M. on Saturday, but shall exclude such hours occurring on all days observed by the Federal or State government as legal holidays.

(c) The term "Certificate of Occupancy" shall mean a certificate issued by Madison, Dane County, Wisconsin, with respect to the Building.

(d) The term "Commencement Date" shall mean the earlier to occur of (a) the Date of Completion of Landlord's Work, or (b) the date that Tenant takes possession of the Demised Premises. If Tenant's obligations to pay Fixed Rent and/or Additional Rent commence on a day other than the first day of a calendar month, the Fixed Rent and Additional Rent shall be pro rated for the calendar month in which they commence based on the number of days from the commencement of the obligation until the end of said month.

(e) The term "Completion Certificates" shall mean certificates prepared by Landlord's architect which set forth and certify the date upon which all of the following have been completed: (i) Landlord's Work has been completed in accordance with the Plans and Specifications; (ii) all machinery, equipment and fixtures (including, but not limited to, plumbing, electrical, elevator, and heating, ventilation and air conditioning machinery and equipment) are installed and in place in accordance with the Plans and Specifications; (iii) all utilities (including, but not limited to, water, sewer and electric) are available to the Building; and (iv) a temporary or permanent Certificate of

Occupancy and a Board of Fire Underwriters Certificate have been issued.

Landlord's architect may issue Completion Certificates with reference to (i) and (ii) above notwithstanding the fact that minor or insubstantial details of construction, mechanical adjustment or decoration remain to be performed, the non-completion of which do not materially interfere with Tenant's use and occupancy of the Demised Premises for Tenant's normal business purposes.

(f) The term "Date of Completion" shall be the date set forth in the Completion Certificates described in Section 2.1(e) above, as such date may be altered pursuant to Section 3.2.

(g) The term "Imposition" shall mean all real estate taxes, assessments, special assessments, and all other taxes and charges of every kind and nature whatsoever, ordinary or extraordinary, foreseen or unforeseen, general or special, levied or imposed upon the Demised Premises or arising from the use, occupancy or possession of the Demised Premises, but shall not include (i) any special assessment such as an assessment for curb-cuts and traffic control assessments or charges such as "tap charges" or "connection charges" or items of a similar nature which are assessed or imposed or arise during the usual course of construction of the Demised Premises, or (ii) any franchise, excise, corporate, estate, inheritance, succession, capital levy or transfer tax of Landlord or any income, profits or revenue tax upon the income of Landlord; provided, however, that if at any time during the term of this lease, the methods of taxation prevailing upon the Commencement Date of this lease shall be altered so that in lieu of, or as a supplement to, the whole or any part of the Impositions then levied, assessed or imposed on the Demised Premises, there shall be levied, assessed or imposed, wholly or partially, a tax, assessment, levy, imposition or charge upon (i) the rent or the income arising from the operation of the Demised Premises or any part thereof, or (ii) the use and occupancy of the Demised Premises, or any part thereof, or (iii) the business of Landlord in renting the Demised Premises, then all such taxes, assessments, levies, impositions or charges shall be deemed to be included within the term "Impositions" to the extent that same would be payable if the Demised Premises were the sole property of Landlord subject thereto and Tenant shall pay and discharge the same as herein provided.

(h) The term "Improvements" shall mean the improvements other than the Building (including landscaping, lighting, paved walkways and driveways, and paved parking for approximately 475 cars) to be constructed by Landlord on the Land, as more particularly described in the Plans and Specifica-

tions hereinafter defined, together with all additions thereto and/or replacements thereof.

(i) The term "Landlord's Work" shall mean the Building to be constructed by Landlord in accordance with the Plans and Specifications and the laws of public authorities (as hereinafter defined). All of Landlord's Work shall be performed and completed in a good and workmanlike manner consistent with standards of construction practice prevailing in Dane County, Wisconsin for commercial buildings of like quality and free from all liens, charges and encumbrances except for the Permitted Exceptions. All of Landlord's Work shall be performed at Landlord's sole cost and expense, except for those items set forth in Exhibit E annexed hereto and made a part of this lease which shall be performed at Tenant's sole cost and expense. Tenant shall pay for such items within five (5) days of receiving a notice requesting payment for any of such items.

(j) The term "laws of public authorities" shall mean any law, ordinance, regulation, order, rule, proclamation, decree or requirement, ordinary or extraordinary, foreseen or unforeseen, of the Federal or any state or municipal government, or any political subdivision, agency or instrumentality thereof, or of any other public or quasi-public authority or group, including the Wisconsin Board of Fire Underwriters, any local board thereof or any group having similar functions, having jurisdiction over the Demised Premises.

(k) The term "Lease Year" shall mean the calendar year in which the Commencement Date occurs and each subsequent calendar year in which occurs any portion of the term of this lease. The term "Complete Lease Year" shall describe a Lease Year consisting of twelve (12) full calendar months; the term "Partial Lease Year" shall mean a Lease Year which does not consist of twelve (12) full calendar months.

(l) The term "person" shall include any person, partnership, corporation, firm or other legal entity.

(m) The term "Plans and Specifications" shall mean (1) a complete set of drawings covering all aspects of construction and preparation of the Demised Premises including site, landscape, structural, architectural, mechanical and electrical drawings, and (2) a complete set of specifications covering all elements of construction, which drawings and specifications were filed with and approved by the Building Department of Madison, Dane County, Wisconsin, and which Plans and Specifications are more particularly described and set forth on annexed Exhibit B, as such Plans and Specifications may be amended from time to time in accordance with the terms of this lease.

(n) The term "Tax Year" shall mean the period of twelve months adopted as the fiscal year for real estate tax purposes by the appropriate governmental authorities.

(o) The term "Unavoidable Delays" shall mean delays beyond the reasonable control of Landlord, due to strikes, lock-outs, acts of God, inability to obtain labor or materials despite the timely ordering and payment therefor in accordance with customary construction practice, government restrictions, enemy action, civil commotion, fire, flood, casualty, or other similar causes beyond the reasonable control of Landlord.

ARTICLE III

PREPARATION FOR OCCUPANCY

3.1 Landlord shall undertake and complete Landlord's Work in the manner contemplated by Section 2.1(i) of this lease. Landlord shall make no material change in Landlord's Work without the prior written consent of Tenant, which Tenant shall not unreasonably withhold or delay.

3.2 In the event that the Date of Completion is delayed as the probable result of any change in the Plans and Specifications requested by Tenant, or as the probable result of any willful act or omission of Tenant, then the Date of Completion shall be deemed to occur on the date when it would have occurred but for such delay, provided that Tenant's rights and obligations under this lease other than the payment of Fixed Rent and Additional Rent shall not commence until the actual Date of Completion. Following its receipt of a notice requesting payment, Tenant shall promptly reimburse Landlord for any extra costs incurred by Landlord as a result of (a) changes requested by Tenant, whether or not such changes delayed the Date of Completion, and (b) delays as described above.

3.3 Prior to the Commencement Date, Landlord shall afford Tenant access to the Building for the purpose of decorating the Building and making alterations thereto which do not involve its structure or systems, at Tenant's sole cost and expense, provided that in Landlord's reasonable judgment such access will not interfere with the completion of Landlord's Work. Landlord reserves the right to terminate Tenant's access if, in Landlord's sole judgment, interference with the completion of Landlord's Work occurs. Any work performed by Tenant shall be completed in a good and workmanlike manner and in compliance with Article VII of this lease.

3.4 In the event Tenant intends to take possession of the Demised Premises prior to the Date of Completion of Landlord's Work, Tenant shall notify Landlord at least five (5) days prior to such taking of possession.

3.5 In the event that the Date of Completion of Landlord's Work has not occurred by May 31, 1986, then Landlord agrees to indemnify and hold Tenant harmless from and against any claims, loss, costs, liability and expenses (including attorneys' fees) incurred by Tenant as the result of (a) Tenant holding over following the expiration of its lease at First Wisconsin Plaza, or (b) extra moving and other costs incurred by Tenant due to the delay in the Date of Completion of Landlord's Work. To make a claim pursuant to this Section 3.5, Tenant shall provide Landlord with a statement clearly itemizing Tenant's recoverable expenditures.

3.6 Upon receipt of the final Certificate of Occupancy and the Board of Fire Underwriters Certificate covering the Building, Landlord shall deliver such original certificates to Tenant.

3.7 Landlord represents that the following conditions will exist as of the date of final completion of the Building and Improvements:

(a) The Building and Improvements will be in compliance with all applicable and material laws of public authorities relating to zoning, land use and building code requirements;

(b) The Building's HVAC, electrical, plumbing and other systems will be in working order; and

(c) The Building and Improvements will be free from defects.

ARTICLE IV

RENT; ESCROW DEPOSIT

4.1 Tenant covenants and agrees to pay to Landlord (or to any other person designated herein) as rent for the Demised Premises the following:

(a) Fixed Rent amounting to $2,850,000.00 per annum, subject to increase based upon increases in the Consumer Price Index (the "CPI Adjustments") as provided in Section 4.2 (herein referred to as "Fixed Rent"); and

(b) Additional Rent consisting of all other sums of whatsoever nature which shall become due and payable by Tenant hereunder, and for default in the payment of which Landlord shall have the same remedies as for a default in the payment of Fixed Rent (herein referred to as "Additional Rent").

4.2 CPI Adjustments to the Fixed Rent shall be made on the seventh (7th) and fourteenth (14th) anniversaries of the Commencement Date and at such other times as are described in Article XXII of this lease (the "CPI Adjustment Dates"). The base for computing the CPI Adjustments is the "Consumer Price Index for all Urban Consumers, Milwaukee, Wisconsin, All Items (1967=100)" issued by the Bureau of Labor Statistics of the United States Department of Labor (the "Index") in effect for the month immediately prior to the month in which the Commencement Date occurs (the "Beginning Index"). The Index published for the month immediately preceding the CPI Adjustment Date in question (the "Adjustment Index") is to be used in determining the amount of the increase in Fixed Rent. Thus, if the Adjustment Index has increased over the Beginning Index, the initial Fixed Rent specified in Section 4.1(a) shall increase commencing with the CPI Adjustment Date in question by 60% of $2,850,000 multiplied by the percentage increase of the Adjustment Index over the Beginning Index.

4.3 Landlord shall, promptly after each CPI Adjustment Date, deliver to Tenant a statement setting forth the amount of the CPI Adjustment and the basis for such computation. Until Tenant has received such statement from Landlord, the Fixed Rent shall be paid in an amount equal to the Fixed Rent in effect prior to such CPI Adjustment Date. On the first day of the month following receipt of the statement of the CPI Adjustment, Tenant shall pay, in addition to the adjusted Fixed Rent for such month, an amount equal to the difference between the amount paid by Tenant from the applicable CPI Adjustment Date and the amount Tenant should have paid using the adjusted Fixed Rent.

4.4 Landlord shall not be required to make any adjustments or recomputations, retroactive or otherwise, by reason of any revision which may later be made in the figure of the Index first published for any month.

4.5 If the Index ceases to use the 1967 average equalling 100 as the basis of calculation, or if a change is made in the term or number of items contained in the Index, or if the Index is altered, modified, converted or revised in any other way, then the Index shall be adjusted to the figure that would have been arrived at had the change in the manner of computing the Index in effect upon the Commencement Date of this Lease not been made. If such Index shall no longer be published by said Bureau, then any substitute or successor index published by said Bureau or other governmental agency of the United States, and similarly adjusted as aforesaid, shall be used. If such Index (or a successor or substitute index similarly adjusted) is not available, a reliable governmental or other reputable publication selected by Landlord and evaluating the information theretofore used in determining the Index shall be used.

4.6 The Fixed Rent shall be payable without demand in equal monthly installments, in advance, on the first day of each and every calendar month during the term of this lease (except that the first monthly installment or pro rata portion thereof shall be due and payable as provided in Section 2.1(d)).

4.7 Tenant shall pay the Fixed Rent by good and sufficient check (subject to collection) drawn on a bank which is a member of the Federal Reserve System to Landlord at the address aforesaid or at such other place as Landlord may designate by notice.

4.8 Tenant shall pay to Landlord, throughout the term of this lease, the Fixed Rent and Additional Rent (except with respect to those items of Additional Rent which are due and payable to persons other than Landlord), free of any charges, assessments, impositions or deductions of any kind, and without abatement or setoff except as hereinafter otherwise expressly provided. Tenant's obligations hereunder shall survive the expiration or earlier termination of the term of this lease.

4.9 As of the Commencement Date, Tenant shall deposit the sum of $2,000,000 into an escrow account held by an escrow agent which is acceptable to the holder of the first permanent mortgage on the Demised Premises (the "Lender"). Tenant shall have the exclusive right to direct the investment (including reinvestment) of the funds deposited, subject to limitations as to the categories of permissible investments and as to the liquidity of such investments. In the event of Tenant's default beyond any applicable grace period in the payment of Fixed Rent or Additional Rent due and payable pursuant to this lease, the deposit, together with all interest earned thereon, shall be made available to Landlord in such amounts as are necessary to cure Tenant's default. If at the time of such default by Tenant, either (a) Landlord is simultaneously in default beyond any applicable grace period to Lender, or (b) the outstanding principal balance of Lender's mortgage loan is due, then the entire deposit, together with all interest earned thereon, shall be made available to Lender in reduction of the outstanding principal balance payable by Landlord to Lender. In the event that Tenant fully and faithfully complies with its payment obligations pursuant to this lease, the deposit, together with all interest earned thereon, shall be returned to Tenant upon the earlier to occur of the date when the Demised Premises are free and clear of all fee mortgages or the Expiration Date.

All of the above terms shall be incorporated in an Escrow Agreement which shall be acceptable to Lender and which shall be substantially in the form of Exhibit F annexed hereto and made a part of this lease.

ARTICLE V

USE

5.1 Tenant shall have the right to use and occupy the Demised Premises for any lawful purpose including but not limited to any purpose permitted by variance, special permit or other application, provided that such use will in no way impair the character, reputation or appearance of the Building as a first class office building or diminish the value of the Demised Premises.

5.2 Tenant shall not use, improve or occupy, or suffer or permit the use, improvement or occupancy of the Demised Premises contrary to the laws of public authorities (including applicable zoning laws) or in violation of insurance policies then in force or of the Certificate of Occupancy, as the same may be amended from time to time, issued for the Building.

ARTICLE VI

OBLIGATION TO MAINTAIN AND REPAIR

6.1 Tenant, at its expense, shall promptly make all necessary interior, non-structural repairs to the Building and the fixtures, appurtenances and installations therein, which repairs are not necessitated by the negligence of Landlord, its employees, contractors or agents. In addition, Tenant shall be responsible, at its expense, for making all repairs to any special or supplemental Mechanical Systems (as hereinafter defined) and/or communications systems installed by or at the request of Tenant. Tenant shall not, however, be responsible for repairing any Mechanical Systems installed in accordance with Exhibit B attached hereto.

6.2 Except as otherwise provided in this Article VI and in Article XI, Landlord shall maintain the Demised Premises in good working order and repair consistent with the standards prevailing in first class commercial office protection in Madison, Wisconsin. Without limiting its obligations, Landlord, among other things, shall regularly maintain, service and repair plumbing, heating, ventilation, air conditioning, sprinkler, electrical and all other mechanical systems and all equipment, machinery, fixtures and appurtenance thereto ("Mechanical Systems"); make all structural repairs when required; maintain and repair the parking lot (including any necessary repaving), vaults (if any), signs, railings, roof of the Building, exterior lighting fixtures, exterior electrical work, pipes and mains (unless owned by the utility company), curbs and utility connections; maintain and repair all sidewalks, driveways and plazas abutting the Building and on the Demised Premises; keep the Demised

Premises painted and landscaped in a manner consistent with the standards prevailing in first class commercial office projects in Madison, Wisconsin; keep the Demised Premises clean and free of debris, snow and ice; and repair all broken glass.

6.3 Landlord shall arrange for rubbish removal and shall provide cleaning services for the Building during other than Business Hours in accordance with Exhibit G annexed hereto and made a part of this lease. In no event, however, shall Landlord be responsible for cleaning any space containing computer facilities.

6.4 Subject to the provisions of Section 6.5, Tenant shall pay to Landlord as Additional Rent within ten (10) days of receipt of Landlord's statement clearly itemizing Landlord's expenditures and setting forth the amount payable by Tenant, all amounts in excess of $132,000 (the "Repair Base") expended by Landlord during any Complete Lease Year to fulfill its obligations pursuant to Section 6.2 and all amounts in excess of $128,000 (the "Cleaning Base") expended by Landlord during any Complete Lease Year to fulfill its obligations pursuant to Section 6.3. Appropriate pro rata adjustments shall be made to determine the sums payable by Tenant pursuant to this Section 6.4 in the event of a Partial Lease Year. Landlord may bill Tenant monthly when Landlord has incurred obligations in excess of the Repair Base or the Cleaning Base, as the case may be.

6.5 Tenant shall pay to Landlord as Additional Rent, within ten (10) days of receipt of Landlord's statement itemizing Landlord's expenditures and setting forth the amount payable by Tenant, the entire cost of all maintenance, service and repairs performed by Landlord pursuant to Section 6.2 as a result of the following:

(a) Damage or injury to the Building (including its fixtures, appurtenances and Mechanical Systems) or to any other portion of the Demised Premises resulting from the carelessness, omission, neglect, negligence or improper conduct of Tenant or its employees, contractors, agents, licensees or invitees; and

(b) The erection by Tenant of signs and specialized exterior lighting fixtures upon the Demised Premises.

In the event Tenant pays any Additional Rent pursuant to this Section 6.5, then the Repair Base in Section 6.4 shall be increased, for that Lease Year only, by an amount equal to such Additional Rent payment. If Tenant disputes the amount to be paid pursuant to this Section 6.5, then such dispute may be submitted to arbitration pursuant to Article XXII hereof.

6.6 Landlord warrants that the structure (including but not limited to foundation, exterior walls and cross beams, but excluding the Mechanical Systems) of the Building will be free of all defects for a period of one (1) year after the Commencement Date, and that the roof of the Building will be free of all defects for a period of five (5) years after the Commencement Date. Landlord, upon receipt of notice thereof from Tenant during the time periods specified herein, shall correct any such defect to the reasonable satisfaction of Tenant, and the cost of such repairs shall not be included in calculations of the amounts expended by Landlord pursuant to Section 6.4. Any notice delivered by Tenant pursuant to this section shall include the certified statement of a qualified architect or engineer chosen by Tenant specifying the defect(s) in reasonable detail.

Landlord shall transfer to Tenant all transferable warranties and guaranties then in effect with respect to the Building or any of the Mechanical Systems after the date on which Landlord shall no longer be responsible therefor and Tenant shall thereupon be entitled to avail itself of any such warranties and guaranties.

Anything in this Section 6.6 to the contrary notwithstanding, Landlord's warranties and obligations herein shall not apply to any defects or deficiencies caused by (i) decorations or alterations made by Tenant pursuant to Section 3.4 or Section 7.1, or (ii) the carelessness, omission, neglect, negligence or improper conduct of Tenant or its employees, contractors, agents, invitees or licensees. In addition, Landlord warranties shall not apply to the Tech Center.

6.7 Landlord warrants to discharge any liens filed against the Demised Premises arising in connection with Landlord's Work or Landlord's repairs pursuant to Section 6.2 promptly after receipt of notice thereof and to pay all monies due and payable by Landlord in connection therewith.

6.8 Tenant shall not be entitled to claim a constructive eviction from the Demised Premises for failure of Landlord to perform its obligations hereunder unless Tenant shall have first notified Landlord of the condition or conditions giving rise thereto, and if the complaint be justified, unless Landlord shall have failed to commence and diligently prosecute to completion the remedy for such conditions within a reasonable time after receipt of such notice, provided that if Tenant is unable to use or occupy the Demised Premises or portion thereof as a result of any such condition or conditions (and any dispute in respect thereof which is submitted to arbitration is so determined by the arbitrators to be the case), then Tenant, subject to Section 6.9, shall be entitled to a pro rata abatement in Fixed Rent and Additional Rent for the duration of the period during which Tenant is unable to use and occupy the Demised Premises or

portion thereof. In such event, Landlord shall reimburse Tenant for any Fixed Rent and Additional Rent paid by Tenant applicable to the period during which Tenant shall have been unable to use and occupy the Demised Premises or portion thereof and unless paid or credited to Tenant's account within thirty (30) days after Tenant's right to an abatement has been conclusively established, said reimbursement shall include interest thereon at the rate publicly announced from time to time by Chemical Bank as its prime rate from the date of each such payment made by Tenant to the date of reimbursement by Landlord. Landlord shall use its best efforts to remedy any such condition or conditions described above.

6.9 Landlord reserves the right, without any liability whatsoever or abatement of Fixed Rent or Additional Rent, to stop the Mechanical Systems or to restrict or suspend access to portions of the parking lot or other areas of the Demised Premises, whenever required, to perform such repairs and other work as is the obligation of Landlord under the terms of this lease, provided that except in the event of an emergency and only if Landlord is unable in such case to give prior notice, Landlord will notify Tenant in advance of any such stoppage, restriction or suspension and, if ascertainable, will notify Tenant of its estimated duration. Landlord agrees to use its best efforts to prosecute and complete the work necessary to enable full resumption of such service or such access as promptly as possible and to minimize interference with Tenant's use and enjoyment of the Demised Premises; provided that Landlord shall be under no obligation to prosecute the work during other than Business Hours. Notwithstanding the foregoing, if the stoppage of any Mechanical Systems shall continue for forty-eight (48) consecutive hours and provided that Tenant is unable to use or occupy the Demised Premises or any portion thereof as a result of such stoppage, then Fixed Rent and Additional Rent shall thenceforth proportionately abate based on the amount of space which cannot be used or occupied by Tenant until such stoppage ceases and Tenant is able to resume occupancy of the Demised Premises or portion thereof.

ARTICLE VII

ALTERATIONS

7.1 Tenant, at its own cost and expense, may make additions, alterations and changes (collectively, "alterations") in and to the Demised Premises from time to time during the term of this lease as Tenant may deem necessary or desirable, without the prior approval of Landlord, subject to compliance with the following:

(a) The alterations shall be made in a good and workmanlike manner, in compliance with all insurance requirements

and laws of public authorities, and all necessary permits and licenses shall be timely obtained;

(b) With respect to structural alterations only, copies of all necessary permits and licenses, together with plans and specifications applicable to the alterations, shall be delivered to Landlord at least ten (10) business days prior to commencement of the alterations, and Tenant shall pay Landlord, upon notice, a reasonable charge for the costs (including legal, architectural and engineering fees) incurred by Landlord in reviewing the permits, licenses, plans and specifications;

(c) The Demised Premises shall at all times be kept free of liens for labor or materials supplied to the Demised Premises;

(d) Tenant shall indemnify and hold Landlord harmless from and against any cost or claim (including attorneys' fees and disbursements) made in connection with any lien or otherwise resulting from the prosecution of the alterations; and

(e) Prior to commencing the alterations, Tenant or its contractors shall procure and shall thereafter maintain at all times when any work is in progress, workmen's compensation insurance, general liability insurance and standard form of fire and extended coverage insurance (with Builder's Risk endorsement, if appropriate), appropriate in coverage and amount.

Notwithstanding the foregoing, alterations that (i) increase Landlord's maintenance, repair and cleaning costs pursuant to Section 6.2 or Section 6.3, or (ii) change the exterior appearance of the Demised Premises, or (iii) impact adversely upon the structural integrity of the Building or (iv) detract from or diminish the value of the Demised Premises as a commercial office project, shall be made only with the prior written consent of Landlord.

ARTICLE VIII

TENANT'S PROPERTY

8.1 All fixtures, equipment, improvements and appurtenances which are affixed to the Building and/or to the Demised Premises by Tenant in such manner as to be part of the realty during the term of this lease (other than Tenant's Property, as defined in Section 8.3 hereof) shall be and remain a part of the Demised Premises and shall become the property of Landlord at the expiration of the term of this lease and thus shall not be removed by Tenant, except as hereinafter expressly provided. Tenant alone shall be entitled to take depreciation on all such

fixtures, equipment, improvements and appurtenances during the term of this lease.

8.2 Tenant shall have the right, on notice to Landlord (and with the consent of Landlord in instances where the anticipated cost exceeds $50,000), to replace any Mechanical System in the Building on or after the Commencement Date where replacement thereof is reasonably required by Tenant for use and occupancy of the Demised Premises, provided that such replacement Mechanical System shall be at least equal in capacity and in quality to the original and further provided that Landlord's warranty as to such replacement Mechanical System shall cease as of the date of the replacement. Tenant alone shall be entitled to take depreciation on any such replacement Mechanical System during the term of this lease, but shall not be entitled to remove such Mechanical System upon the expiration or earlier termination of the term of this lease.

8.3 All counters, screens, grille work, cages, railings, partitions, paneling, other business and trade fixtures, machinery and equipment, communications equipment, signs, computers and amenities, whether or not attached to or built into the Building, which are located in the Building by Tenant on the Commencement Date or thereafter installed in the Building by or for the account of Tenant or any subtenant of Tenant and can be removed without permanent structural damage to the Building, and all furniture, furnishings and other articles of personal property owned by Tenant or a subtenant of Tenant and located in the Building (all of which are herein collectively called "Tenant's Property") shall be and shall remain the property of Tenant or any such subtenant (and only Tenant or any such subtenant may take depreciation thereon), as the case may be, and may be installed or removed at any time and from time to time during the term of this lease, at the option of Tenant, provided that (i) such installation or removal is accomplished without damage to the Building, is conducted in accordance with all laws of public authorities, insurance requirements and terms of this lease, and (ii) Tenant shall repair or shall pay the actual cost to repair any damage to the Building resulting from such installation or removal. Tenant's obligation pursuant to clause (ii) herein shall survive the expiration or earlier termination of the term of this lease.

8.4 Any of Tenant's Property (excluding money, securities or like valuables) which shall remain in the Building in excess of five (5) business days after the Expiration Date or earlier termination of this lease may, at the option of Landlord, be deemed to have been abandoned and either may be retained by Landlord as its property or be disposed of, without accountability, in such manner as Landlord may deem appropriate, at Tenant's expense.

ARTICLE IX

PAYMENT OF IMPOSITIONS; SEPARATE TAX LOT

9.1 Landlord shall be responsible for the payment of all Impositions. However, from and after the Commencement Date (the "Imposition Date") and thereafter throughout the term of this lease, Tenant shall pay to Landlord as Additional Rent, within ten (10) days of receipt of Landlord's statement clearly setting forth the amount payable by Tenant, or at least 30 days prior to the date that payments are due to the taxing authorities or any superior mortgagee, whichever date is later, all Impositions in excess of $491,381 (the "Base Tax") for any Tax Year occurring entirely during the term of this lease. Tenant shall pay such Additional Rent notwithstanding the pendency of a contest or proceeding brought by either Landlord or Tenant.

In the event the assessed value of the Demised Premises is decreased ar a direct result of a substantial change in the Land or the rentable floor space of the Building, including such a change resulting from a condemnation or casualty, unrelated to normal depreciation in valuation, then the Base Tax shall be appropriately reduced to take into account the change in the Land or the rentable floor space of the Building.

9.2 All Impositions for the Tax Year in which the Imposition Date occurs and all Impositions for the Tax Year in which the expiration or earlier termination of the term of this lease (but not as the result of Tenant's default) occurs shall be apportioned between Landlord and Tenant on a basis consistent with the principles underlying the provisions of this Article IX, taking into consideration the portion of such Tax Year which shall have elapsed after the Commencement Date and prior to the expiration or earlier termination of the term of this lease.

9.3 In the event that Landlord or Tenant shall fail to pay such Impositions or Additional Rent, as the case may be, as may be the obligation of such party hereunder, the other party may, at its election, pay the same in accordance with the provisions of Article XIX hereof.

9.4 Landlord shall at all times have the right, but not the obligation, to contest any such Impositions in any manner permitted by law and/or to endeavor, through proceedings or otherwise, to obtain a lowering of the assessed valuation of the Demised Premises for the purpose of reducing the Impositions. Any such contest or proceeding may include prompt appeals from any judgments, decrees or orders until a determination is made by a court having final jurisdiction in the matter. All actions taken by Landlord to commence, prosecute and settle contests or proceedings shall be performed at the expense of Tenant, and

Tenant shall reimburse Landlord within fifteen (15) days after Landlord furnishes a statement specifying the costs and expenses (including reasonable attorneys' fees and expenses) incurred by Landlord.

9.5 Upon obtaining the consent of Landlord, which consent shall not be unreasonably withheld, Tenant may diligently bring any contest or proceeding described in Section 9.4 at its own expense and in its own name, or, whenever required by law or any rule or regulation or order to make such action or proceeding effective, in Landlord's name.

Landlord agrees, at the request of Tenant, to cooperate with Tenant in effecting such contest or proceeding, including, without limitation, executing any and all documents reasonably necessary in connection with such contest or proceeding, but without expense or liability to Landlord. Tenant hereby agrees to indemnify and hold Landlord harmless from all costs, expenses (including reasonable attorneys' fees and disbursements), claims, loss, liability and damage by reason of, or in connection with, any such contest or proceeding. Tenant shall keep Landlord advised as to the status of such contest or proceeding.

9.6 Landlord and Tenant agree that no settlement of any proceeding by Landlord or Tenant, as the case may be, shall result in an assessed valuation of the Demised Premises for such tax year greater than the assessed valuation of the Demised Premises for such tax year as originally imposed, unless the other party reasonably consents thereto.

9.7 If, by reason of any contest or proceeding, all or any part of the amount of any Imposition shall be refunded or returned to Landlord, then Landlord shall promptly pay to Tenant the entire portion of the refund which is attributable to the amount of such Imposition in excess of the Base Tax, less the reasonable costs incurred by Landlord in obtaining such refund.

9.8 Notwithstanding anything to the contrary contained in this Article IX, neither Landlord nor Tenant shall bring any contest or proceeding which would violate the terms of the Waiver of Objection to Assessed Valuation, executed by Landlord on January 15, 1985, a copy of which is annexed hereto as Exhibit H.

ARTICLE X

UTILITIES

10.1 From and after the Commencement Date, Landlord shall pay when due all charges for water, sewer, gas, electricity, and fuel used on or about the Demised Premises. Tenant shall pay to Landlord as Additional Rent, within ten (10) days of

receipt of Landlord's statement clearly setting forth the amount payable by Tenant, all amounts in excess of $350,000 (the "Utility Base") expended by Landlord during any Complete Lease Year. Appropriate pro rata adjustments shall be made to determine the sums payable by Tenant pursuant to this Section 10.1 in the event of a Partial Lease Year. Landlord may bill Tenant monthly when Landlord has incurred obligations in excess of the Utility Base.

10.2 In no event shall Tenant's use of electric current in the Demised Premises exceed the capacity of any of the electrical conductors or other equipment in or otherwise serving the Demised Premises.

ARTICLE XI

COMPLIANCE WITH LAWS

11.1 Subsequent to the Commencement Date and except for (i) unfinished Landlord's Work as described in Section 2.1(i), (ii) Landlord's warranties under Section 6.6 hereof, and (iii) maintenance and repairs which Landlord is obligated to perform pursuant to Section 6.2 (but not including maintenance and repairs which would not reasonably be required in the absence of laws of public authorities taking effect after the Commencement Date), Tenant, at its expense, shall diligently comply with all laws of public authorities applicable to the Demised Premises.

11.2 Tenant may, at its expense, (and, if necessary, in the name of but without expense to Landlord) contest, by appropriate proceedings prosecuted diligently and in good faith, the validity or applicability to the Demised Premises of any law of public authority, and Landlord shall cooperate with Tenant in such proceedings, and shall execute any documents or pleadings reasonably required by Tenant for such purpose, provided that Landlord shall not be subject to the risk of criminal prosecution or penalty or the risk of material civil liability, nor shall the Demised Premises or any Fixed Rent or Additional Rent be in danger of being forfeited or lost by reason of non-compliance or otherwise by reason of such contest. Tenant hereby agrees to indemnify and hold Landlord harmless from all costs, expenses (including reasonable attorneys' fees and disbursements), claims, loss, liability and damage by reason of or in connection with any such proceeding unless the proceeding is due to Landlord's failure to observe or perform its obligations under this lease, in which latter event Landlord shall be entitled to enter the proceedings in place of Tenant and shall indemnify and hold Tenant harmless as aforesaid. Tenant shall keep Landlord advised as to the status of such proceedings.

11.3 Notwithstanding any provision of this lease to the contrary, if, after the Building and Improvements are completed in accordance with the Plans and Specifications, any future law of public authority applicable to the Demised Premises requires changes or alterations to be made which under generally accepted accounting principles would be deemed to be capital expenditures, then it is agreed that Tenant shall do the work (subject to Landlord's right to approve the cost thereof and, at its election, to perform the work at the same or lower estimated cost, including the reasonable costs of any required architects and/or engineers) and the cost thereof shall be apportioned between Landlord and Tenant on a straight-line basis over a period of eighteen (18) years; it being agreed, for the purpose of this lease, that any such expenditure shall be deemed to have a useful life expectancy of eighteen (18) years. The cost of the expenditure shall be initially paid in full by Tenant at the time of performance of the work, but shall ultimately be allocated so that Tenant shall only be responsible for that portion thereof attributable to the period up to the Expiration Date (as same may be extended in accordance with the terms of this lease) and Landlord shall be responsible for that portion attributable to the period after the Expiration Date. Landlord shall reimburse Tenant on the Expiration Date for that portion of the cost allocable to Landlord as hereinabove provided, with simple interest thereon at an annual rate of 10% from the date of Tenant's final payment for the work.

ARTICLE XII

ASSIGNMENT AND SUBLETTING; LEASEHOLD MORTGAGE

12.1 Tenant shall have the right to assign its interest in this lease or to sublet all or any portion of the Demised Premises, provided that (a) in Landlord's reasonable judgment, such assignee or sublessee, and the use to which the assignee or sublessee intends to put the Demised Premises, shall be of a character appropriate to the character, reputation and appearance of the Demised Premises as a first class office project; (b) the financial condition of such assignee or sublessee shall be reasonably acceptable to Landlord; and (c) the assignment or subletting meets all requirements imposed by Lender and the holder at the time of the proposed assignment or subletting of any other fee mortgage upon all or any portion of the Demised Premises. Tenant shall not be permitted to proceed with the proposed assignment or subletting until it receives Landlord's written confirmation that conditions (a), (b) and (c) above have been met and until Tenant complies with all other requirements specified herein in Article XII.

12.2 The conditions of clauses (a) and (b) of Section 12.1 hereof shall not apply to transactions with a corporation

into or with which Tenant is merged or consolidated or with an entity to which substantially all of Tenant's assets are transferred (provided such merger or transfer of assets is for a good business purpose and not principally for the purpose of transferring the leasehold estate created hereby, and provided further, that the assignee has a net worth at least equal to or in excess of the net worth of Tenant immediately prior to such merger or transfer), nor shall such conditions apply to transactions with an entity which controls or is controlled by Tenant or is under common control with Tenant.

12.3 Any assignment or transfer, whether made pursuant to Section 12.1 or Section l2.2, shall be made only if, and shall not be effective until the assignee shall execute, acknowledge and deliver to Landlord a recordable agreement, in form and substance reasonably satisfactory to Landlord, whereby the assignee shall assume the obligations and performance of this lease and agree to be personally bound by and upon all of the covenants, agreements, terms, provisions and conditions hereof on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions of this Article XII shall, notwithstanding such an assignment or transfer, continue to be binding upon it in the future.

12.4 Tenant shall, within ten (10) days after the execution and delivery of an assignment or sublease, deliver a conformed copy thereof (and, subsequently, any amendment(s) or modification(s) thereto) to Landlord.

12.5 The liability of Tenant for the due performance by Tenant of the obligations on its part to be performed under this lease, shall not be discharged, released or impaired in any respect by an agreement or stipulation made by Landlord or any grantee or assignee of Landlord, by way of mortgage, or otherwise, extending the time of or modifying any of the obligations contained in this lease, or by any waiver or failure of Landlord to enforce any of the obligations on Tenant's part to be performed under this lease, and Tenant shall continue liable hereunder. If any such agreement or modification operates to increase the obligations of a tenant under this lease, the liability under this Section 12.5 of the Tenant named in the lease or any of its successors in interest (unless such party shall have expressly consented in writing to such agreement or modification), shall continue to be no greater than if such agreement or modification had not been made. To charge Tenant named in this lease and its successors in interest, no demand or notice of any default shall be required; Tenant and each of its successors in interest hereby expressly waives any such demand or notice.

12.6 In consideration for any exercise of its rights pursuant to Section 12.1 or Section 12.2, Tenant shall promptly pay to Landlord, as Additional Rent:

(i) in the case of an assignment, an amount equal to one-half (1/2) of all sums and other considerations paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale or rental of Tenant's Property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof determined on the basis of Tenant's federal income tax returns); and

(ii) in the case of a sublease, one-half (1/2) of any rents, additional charges or other consideration payable under the sublease to Tenant by the subtenant which is in excess of the Fixed Rent and Additional Rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder) pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's Property, less, in the case of the sale thereof, the net unamortized or undepreciated cost thereof, determined on the basis of Tenant's federal income tax returns).

The sums payable under this Section 12.6(ii) shall be paid to Landlord as and when paid by the subtenant to Tenant. Notwithstanding this Section 12.6(ii), however, Tenant shall be obligated to pay Landlord all excess rents, additional charges or other consideration relating to a sublease of that portion of the Building described in Exhibit I attached hereto and made a part of this lease.

12.7 Landlord's consent to any sublease or assignment shall not be deemed or construed to modify, amend or affect the terms and provisions of this lease, or Tenant's obligations hereunder, which shall continue to apply to the occupants thereof, as if the sublease or assignment had not been made. Tenant covenants that, notwithstanding any assignment or sublease, whether or not in violation of the provisions of this lease, and notwithstanding the acceptance of Fixed Rent or Additional Rent by Landlord from an assignee or sublessee or any other party, Tenant shall remain fully and primarily liable for the payment of the Fixed Rent and Additional Rent due and to become due under this lease and for the performance of all of the covenants, agreements, terms, provisions and conditions of this lease on the part of Tenant to be performed or observed. In the event that Tenant defaults in the payment of any Fixed Rent or Additional Rent, Landlord is authorized to collect any rents due or accruing from any assignee, subtenant or other occupant of the Demised Premises and to apply the net amounts collected to the Fixed Rent

and Additional Rent reserved herein, and the receipt of any such amounts by Landlord from an assignee or subtenant, or other occupant of any part of the Demised Premises, shall not be deemed or construed as releasing Tenant from Tenant's obligations hereunder or the acceptance of that party as a direct tenant.

12.8 Tenant shall include, or cause to be included, in each sublease a provision prohibiting the assignment of the sublease or subletting thereunder without complete compliance with the terms of this Article XII. If such sublease or subletting is assigned or further sublet without complete compliance with the terms of this Article XII, Tenant shall immediately terminate such sublease, or arrange for the termination thereof, and proceed expeditiously to have the occupant thereunder dispossessed.

12.9 Notwithstanding any other provision of this lease to the contrary, the extension options contained in Article XXII may not be sold, assigned or otherwise transferred separately from this lease.

12.10 Tenant shall have the right to mortgage this lease and Tenant's leasehold estate herein ("leasehold mortgage") at any time, and from time to time, without limit as to amount and number and on any terms Tenant may deem desirable, and to assign this lease and existing or future subleases, license agreements and concession agreements and the rentals and fees thereunder to the holder of any such mortgage ("leasehold mortgagee") as additional collateral security for the indebtedness secured by the leasehold mortgage, provided such mortgage is subordinate to the first mortgage on the Demised Premises and any future fee mortgage permitted under this lease.

12.11 If Tenant shall have executed and delivered a leasehold mortgage and the leasehold mortgagee shall have notified Landlord to such effect giving its name and address; (a) Landlord concurrently shall serve upon such leasehold mortgagee a copy of each notice, consent, approval, request or demand given to Tenant under this lease, and (b) such leasehold mortgagee shall have the right, for a period of ten (10) days more than is given to Tenant, to remedy or cause to be remedied any default which is the basis of a notice; and Landlord shall accept performance by such leasehold mortgagee as performance by Tenant. Notwithstanding the above, the leasehold mortgagee shall not have extra time to remedy a default in the event of an emergency or the potential forfeiture of an interest or right of Landlord or where the leasehold mortgagee is an affiliate of Tenant.

ARTICLE XIII

SUBORDINATION; NON-DISTURBANCE; NOTICE TO SUPERIOR MORTGAGEES

13.1 Subject to the conditions provided in Section 13.2 hereof, this lease shall be subject and subordinate to the lien of all mortgages now or hereafter encumbering the Demised Premises, and to each advance made or hereafter to be made under such mortgages, and to all renewals, modifications, consolidations, replacements and extensions of such mortgages. The fee mortgages to which this lease is subject and subordinate pursuant to this Section 13.1 are hereinafter sometimes called "superior mortgages" and the holder of a superior mortgage at the time referred to is hereinafter sometimes called "superior mortgagee."

13.2 Notwithstanding the provisions of Section 13.1 hereof, the subordination of this lease to any superior mortgage is subject to the express condition that so long as this lease is in full force and effect and Tenant is not in default beyond the expiration of any applicable grace period, (a) the rights of Tenant under this lease (including but not limited to the rights of Tenant under Article XV and Article XVI with respect to the disposition of the proceeds of any casualty or with respect to any condemnation award, as the case may be) shall in no manner be affected thereby, (b) Tenant shall not be joined as a party defendant in any foreclosure action or proceeding which may be instituted or taken by the holder of such superior mortgage and (c) Tenant shall not be evicted from the Demised Premises nor shall Tenant's leasehold estate hereunder be terminated or disturbed by reason of any default under such superior mortgage.

13.3 In the event Tenant has the right pursuant to any provision in this lease, immediately or after lapse of a period of time, to cancel or to terminate this lease, or to claim a partial or total eviction, Tenant shall not exercise such right (a) until it has given written notice of the act or omission triggering the right to Landlord and to each superior mortgagee whose name and address shall previously have been furnished to Tenant in writing and (b) unless such act or omission shall be one which is not capable of being remedied by Landlord or such superior mortgagees within a reasonable period of time, until a reasonable period of time for remedying such act or omission shall elapse during which the superior mortgagees shall be entitled to remedy the same but shall fail to commence any good faith efforts to do so (which reasonable period shall be at least fifteen (15) days more than the period to which Landlord is entitled under this lease, after similar notice, to effect such remedy). Once a superior mortgagee commences good faith efforts within a reasonable period of time to remedy Landlord's default, Tenant shall not exercise its rights as aforesaid

provided that the superior mortgagee continues with diligence and continuity to remedy the act or omission.

13.4 If the holder of a superior mortgage shall succeed to the rights of Landlord under this lease, whether through foreclosure or delivery of a deed in lieu thereof or for any other reason whatsoever, then at the request of such party (herein sometimes called "successor landlord") Tenant shall attorn to and shall recognize such successor landlord as Landlord under this lease, and shall promptly execute and deliver any instrument that such successor landlord may reasonably request to evidence such attornment. Upon such attornment, this lease shall continue in full force and effect as a direct lease between the successor landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this lease; provided, however, that the successor landlord shall not (a) be liable for any previous act or omission of Landlord under this lease or (b) be subject to any offset, not expressly provided for in this lease, which theretofore shall have accrued to Tenant against Landlord or (c) be bound by any previous prepayment of more than one month's Fixed Rent unless such prepayment shall have been expressly approved in writing by the successor landlord or (d) be liable for the return of any escrow deposit provided for in this lease, unless such deposit shall actually have been deposited with the successor landlord.

13.5 So long as there is a first superior mortgage encumbering the Demised Premises, Landlord and Tenant, without first obtaining the written consent of the holder of the first superior mortgage, will not enter into any agreement, the effect of which would be to (a) cancel, terminate or surrender this lease or (b) reduce the Fixed Rent or require the prepayment of any Fixed Rent (or Additional Rent) in advance of the date specified in this lease or (c) create any offsets or claims against the Fixed Rent except as is expressly provided for by the terms of this lease.

13.6 Within twenty (20) days after written request by Landlord, Tenant shall execute a subordination and non-disturbance agreement consistent with the provisions of this lease evidencing the subordination of this lease to any superior mortgage.

ARTICLE XIV

INSURANCE

14.1 From and after the Commencement Date, Landlord, at its own cost and expense, shall maintain in effect for the benefit of Landlord and Tenant:

(a) insurance covering the Demised Premises against loss or damage by fire and such risks as are customarily included in extended coverage endorsements attached to fire insurance policies covering comparable property in the vicinity of the Demised Premises, in an amount not less than the full replacement cost thereof, but which may include a deductible not to exceed $25,000 per occurrence; and

(b) boiler and machinery insurance in an amount not less than $1,000,000; provided, however, that for so long as there shall be no high pressure boiler in the Building, Landlord shall carry insurance in a comparable amount covering damage incurred as a result of the explosion or rupture of steam pipes (a "Difference in Conditions Policy").

The words "full replacement cost" as used in subdivision (a) of this Section 14.1 shall mean the cost of actual replacement (excluding foundation and excavation costs and cost of underground flues, pipes and drains).

14.2 From and after the Commencement Date, Tenant, at its own cost and expense, shall maintain for the mutual benefit of Landlord and Tenant:

(a) public liability insurance in the minimum amount of $10,000,000 with respect to bodily injury or death resulting from any one accident, and not less than $1,000,000 with respect to property damage. Landlord may reasonably request increases in the amounts of liability insurance maintained by Tenant to raise coverage to the levels existing at comparable properties in the vicinity of the Demised Premises;

(b) rent insurance for the benefit of Landlord in an amount equal to the sum of (i) the Fixed Rent payable by Tenant for the subsequent period of one full year (regardless of whether one full year shall be then remaining in the term of this lease), and (ii) all of the Additional Rent which Tenant would be required to pay to Landlord pursuant to Articles VI, IX, and X for the subsequent period of one full year (regardless of whether one full year shall be then remaining in the term of this lease) in the event that Landlord's total expenditures pursuant to such Articles for the previous period of one full year increase by 12%; and

(c) such other or additional insurance in such amounts and forms against other insurable hazards as may be reasonably required by Landlord or by the terms of the first superior mortgage.

14.3 The insurance required under this Article XIV shall be effected by valid and enforceable policies acceptable to the first superior mortgagee and issued by insurance

companies licensed to do business in the State of Wisconsin, with a general policyholder's rating of at least "A" and a financial rating of at least Class XI, as rated in the latest edition of Best's Insurance Guide. Any insurance policy or policies under this Article may cover the Demised Premises and any other properties owned or operated by Tenant or Landlord, provided that any such policy or policies shall identify the Demised Premises and shall comply with the requirements of this Article.

14.4 Upon the Commencement Date and thereafter, not less than thirty (30) days prior to the expiration date of any expiring policies theretofore furnished pursuant to this Article, certificates of such policies or renewal policies, as the case may be, shall be delivered by the party required to obtain such policies to the other party. If the Demised Premises are covered by any superior mortgages, certificates of the policies for the insurance required under this Article shall be delivered to the holder of each superior mortgage as well. If Landlord requests, Tenant shall deliver the actual insurance policies (rather than insurance certificates) to the holder of the first superior mortgage.

14.5 All policies of insurance required under Section 14.1 shall name Landlord and Tenant as the insured parties, as their respective interests may appear, and also shall be payable, under a standard non-contributory mortgagee endorsement, to the holder of any superior mortgage covering the Demised Premises. Each policy of insurance required under Sections 14.1 and 14.2 shall contain an agreement by the insurer that it will not be cancelled, allowed to lapse or reduced in amount without at least twenty (20) days' prior written notice to Landlord, Tenant and the holder of any superior mortgage, the name and address of which is furnished to the insurer.

14.6 All policies described in Sections 14.1 and 14.2 shall be written as primary policies and not contributing to or being in excess of any other coverage which Landlord or Tenant, as the case may be, may carry. Each policy, including the policy described in Section 14.7, shall provide that any loss otherwise payable thereunder shall be payable notwithstanding any act, negligence or omission of Landlord or Tenant which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, or the occupation or use of any portion of the Demised Premises for purposes more hazardous than permitted by the provisions of such policy. All policies of fire and extended coverage insurance pursuant to Section 14.1 shall contain "agreed amount" endorsements, provided, however, that in lieu thereof Landlord may elect to have the then full replacement cost of the Demised Premises determined at reasonable intervals (but not less often than once every two years) by the underwriter of fire insurance on the Demised Premises or, if such underwriter will not act, by a qualified appraiser satisfactory to Landlord. Upon

completion, a copy of such determination shall be promptly delivered to Tenant.

14.7 From and after the Commencement Date, Tenant, at its own cost and expense, shall maintain a fire insurance policy or policies covering the full replacement value of Tenant's Property.

14.8 Each policy described in this Article XIV shall contain appropriate clauses, if obtainable, providing that the insurer (a) waives it's right of subrogation against all parties hereto with respect to losses payable under such policy or policies and/or (b) agrees that such policy or policies shall not be invalidated if any insured thereunder shall waive in writing, prior to any loss, any or all rights of recovery against any other party for losses covered by such policy or policies. The waiver of subrogation or permission for release referred to herein shall extend to the agents, employees and invitees of each party and, in the case of Tenant, shall also extend to any other person occupying or using the Demised Premises.

14.9 In the event of any loss, Tenant shall give Landlord immediate notice thereof. Landlord shall have the right to prosecute or contest, or to require Tenant to prosecute or contest, any claim under any of the insurance policies, or any adjustment, settlement or compromise thereof. All proceeds of any insurance required under Section 14.1 or Section 14.2 shall be payable, subject to the provisions of Article XV, to any superior mortgagees or, in the event that the superior mortgagees do not require the proceeds or that there are no superior mortgagees, to Landlord.

14.10 In the event that a superior mortgagee shall require that escrow deposits be made for the payment of any of the insurance policies required to be maintained hereunder by Tenant, then Tenant shall, in lieu of directly paying for such insurance, pay to Landlord the amount of the escrow deposits required by the superior mortgagee. Such payments shall be made not less than ten (10) days prior to the date such payments are required by the superior mortgagee.

ARTICLE XV

DESTRUCTION OR DAMAGE

15.1 Subject to Sections 15.2 and 15.3, in case of damage to or total or partial destruction (other than by reason of condemnation proceedings) of the Building and Improvements, Landlord, at its expense (whether or not the insurance proceeds are sufficient to cover the cost thereof), shall restore, replace, build, repair or rebuild the damaged or destroyed Building

and Improvements to a safe and lawful condition so that the Building and Improvements shall be restored to the extent practicable to their condition immediately prior to such damage or destruction. In the event that Landlord wishes to rebuild the Building and Improvements pursuant to plans incorporating an improved architectural design which is suitable for Tenant's purposes and would provide Tenant with at least the amount of usable space provided by the current Building and Improvements, then Tenant shall not unreasonably withhold its consent. Any restoration, replacement, building, repair or rebuilding is sometimes referred to in this Article and in Article XVI hereof as the "Work." The Work shall be commenced within ninety (90) days after the receipt of the insurance proceeds by the superior mortgagee or Landlord and shall proceed with reasonable diligence to completion subject to Unavoidable Delays. Any excess insurance proceeds over and above the amount utilized for the Work, together with any interest thereon, shall be paid over to Landlord and shall be the sole property of Landlord.

15.2 In the event of damage or destruction of more than 25% of the rentable square foot area of the Building occurring (a) during the last two (2) years of the initial term of this lease or of the First Extended Term (as described in Article XXII) or (b) during the last five (5) years of the Second Extended Term (as described in Article XXII), Landlord and Tenant shall each have the right to elect to terminate this lease by notice given to the other party within ninety (90) days after the date of the damage or destruction. In such event the term of this lease shall end on the date of notice with the same effect as if that date was the date stipulated herein as the Expiration Date; except that in the event of Landlord's termination, Fixed Rent shall be apportioned as of the date of notice with respect to the undamaged portion of the Building and as of the date of the damage with respect to the unusable portion of the Building. Notwithstanding the above, Tenant shall not be entitled to terminate pursuant to clause (a) if it has exercised its Article XXII extension option for the First Extended Term or the Second Extended Term, as the case may be. In addition, Landlord's notice of termination in reliance upon the circumstances described in clause (a) shall be ineffective if, within seven (7) days after receipt of such notice, Tenant exercises its option for an extended term.

15.3 In the event the amount of insurance proceeds available following damage to or total or partial destruction of the Building and Improvements occurring prior to the last year of the 10 year period (as defined in Section 31.1) exceeds the total outstanding mortgage balance held by Lender (as defined in Section 4.9) at the time such insurance proceeds first become available, then Lender shall be permitted to retain that portion of the proceeds which equals the mortgage debt. In such event, Landlord shall attempt with reasonable diligence to obtain

alternative financing for the purpose of restoring or rebuilding the Building and Improvements. If such financing requires the payment of interest at an annual rate greater than 13.625%, then Tenant shall pay the amounts described in Section 31.1(a) and shall be permitted to rely upon the protections afforded by Sections 31.2 and 31.3. If Landlord is unable to obtain alternative financing within ninety (90) days of Lender's notice regarding its retention of a portion of the proceeds, then Landlord shall give Tenant a notice of termination of this lease. Thereupon, the lease shall terminate and the Fixed Rent shall be apportioned in the manner described in Section 15.2.

15.4 There shall be no abatement or reduction of Fixed Rent or Additional Rent by reason of any such damage or destruction (except to the extent of any rent insurance proceeds actually received by Landlord therefor) nor shall Tenant be entitled to surrender possession of the Demised Premises by reason thereof, except as otherwise provided in Section 15.2 hereof.

15.5 No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from the repair or restoration of any portion of the Building or Improvements pursuant to Section 15.1, nor shall Landlord be required to repair or replace (or reimburse Tenant for the cost of repairing or replacing) all or any portion of Tenant's Property. To the extent possible, reasonable efforts will be made during the progression of the Work to minimize interference with any continued use by Tenant of portions of the Building and Improvements.

ARTICLE XVI

CONDEMNATION

16.1 If at any time during the term of this lease, title to all or substantially all of the Demised Premises shall be taken in condemnation proceedings or by any right of eminent domain, this lease, and the estate hereby granted, shall terminate on the date of such taking (the "Taking Date") and the Fixed Rent and Additional Rent shall be apportioned as of and paid to the Taking Date; provided, however, that if the condemning authority fails to take possession of the Demised Premises on the Taking Date, then for such period of time as Tenant remains in possession of the Demised Premises Tenant shall continue to pay the appropriate use and occupancy charge to the party legally entitled to receive the same, and provided further, that the foregoing obligation of Tenant to pay the use and occupancy charge shall in no way be construed to limit Tenant's right to vacate the Demised Premises from and after the Taking Date. For the purpose of this Section 16.1 the term "substantially all of the Demised Premises" shall mean a taking of such portion of the

Demised Premises (including the parking area) that the untaken portion cannot, in Tenant's reasonable opinion, be practically or economically used or converted for the use that Tenant is then making of the Demised Premises. As promptly as possible after Tenant receives notice of the portion of the Demised Premises subject to a material taking, Tenant shall give Landlord preliminary notice of whether Tenant considers such contemplated taking to be of substantially all of the Demised Premises. When title to the portion of the Demised Premises so taken vests in the condemning authority, whether by agreement of the parties or a court determination, within fourteen (14) days thereafter, Tenant shall give Landlord a final notice of whether Tenant considers such taking to be of substantially all of the Demised Premises.

In the event of a taking subject to this Section 16.1, any award or awards payable by reason thereof (other than any award or awards payable to Tenant pursuant to Section 16.4), less any costs incurred in collecting the same (the "net award") shall be paid to Landlord, or to any superior mortgagee if it shall so require.

16.2 In the event of a taking of less than substantially all of the Demised Premises, the term of this Lease shall not be reduced or affected in any way, and the net award therefrom shall be paid to Landlord, or to any superior mortgagee if it shall so require. Following any such taking, Landlord shall, at its sole cost and expense, proceed with reasonable diligence, subject to Unavoidable Delays, to repair and restore the Demised Premises to substantially its former condition to the extent that the same may be feasible and so as to constitute a complete architectural unit. From and after the Taking Date, Fixed Rent payable hereunder shall be reduced in a proportion equal to the reduction in the rentable square foot area of the Building. Tenant shall not be entitled to any reduction in Fixed Rent as a result of the taking of the Improvements, or any portion thereof.

16.3 If the whole or any part of the Demised Premises or of Tenant's interest in this lease shall be taken in condemnation proceedings or by any right of eminent domain for a temporary use or occupancy and such temporary use or occupancy is not such as to render in Tenant's reasonable opinion the remaining term of this lease impracticable for the purposes contemplated hereunder, the term of this lease shall not be reduced or affected in any way and Tenant shall continue to pay Fixed Rent and Additional Rent, without reduction or abatement (except to the extent of any rent insurance proceeds actually received by Landlord therefor), in the manner and at the times herein specified and, except only to the extent that Tenant is prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall continue to perform and observe all of the other covenants, agreements, terms and provisions of this lease as if such temporary taking had not occurred; provided,

however, that in the event, as hereinabove provided, that Tenant determines in its reasonable opinion that the remaining portion of the term is impracticable, Tenant shall have the right to cancel this lease effective as of the date of such temporary taking by notice given to Landlord within sixty (60) days after the date of such temporary taking. In such event, Landlord shall be entitled to receive the entire award for the temporary taking, shall reimburse Tenant for any Fixed Rent and Additional Rent paid by Tenant subsequent to the date of the temporary taking, and shall pay any remaining portion of the award to the Lender in reduction of the outstanding principal balance of the first permanent mortgage. In the event of any such temporary taking, except if Tenant exercises the lease cancellation right described above, Tenant shall be entitled to receive the entire amount of any award for such temporary taking, whether such award is paid by way of damages, rent or otherwise, unless such period of temporary use or occupancy shall extend beyond the Expiration Date, in which case such award, after payment to Landlord therefrom of the estimated cost of restoration of the Demised Premises to the extent that any such award is intended to compensate for damage to the Demised Premises, shall be apportioned by Tenant and Landlord as of the Expiration Date in the same ratio that the part of the entire period for which such compensation is made falling before the Expiration Date bears to that part falling after the Expiration Date. Landlord shall pay any portion of the award relating to the period after the Expiration Date to the Lender in reduction of the outstanding principal balance of the first permanent mortgage. Promptly after obtaining possession of the Demised Premises or portion thereof after the expiration of any temporary use or occupancy thereof pursuant to any such temporary taking, Tenant shall, after receipt of the proceeds awarded as a result of any such temporary taking, repair and restore the Demised Premises or portion thereof, as the case may be.

16.4 Tenant shall be entitled to appear, claim and receive in any proceeding relating to any taking a separate award or awards for a taking of Tenant's Property and, subject to the rights of the first superior mortgagee to be paid in full, the value of the unexpired term of the leasehold (including any separate award which may be made or valued for the options to extend the term of this lease as provided for in Article XXII hereof) and for Tenant's moving expenses. Landlord hereby expressly assigns to Tenant any and all right and for interest which Landlord may have in and to any award made in respect of Tenant's Property and Tenant's moving expenses. The proceeds of any award of condemnation made for the value of the unexpired term of the leasehold over and above that portion of the award payable to the holder of the first superior mortgage shall be equitably allocated between Landlord and Tenant. In the event of any taking, the parties agree to cooperate in applying for and in prosecuting any claims with respect to such taking.

16.5 Any dispute under this Article XVI shall be determined by arbitration pursuant to Article XXIV hereof.

ARTICLE XVII

INDEMNIFICATION

17.1 Tenant shall indemnify and save Landlord harmless from and against all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable architects' and attorneys' fees, which may be imposed upon or incurred by or asserted against Landlord by reason of any of the following occurrences during the term of this lease:

(a) any work or thing done in, on or about the Demised Premises, or any part thereof, by Tenant or any party other than Landlord or its agents;

(b) any use, non-use, possession, occupation, condition, operation, maintenance or management of the Demised Premises, or any part thereof;

(c) any negligence on the part of Tenant or any of its agents, contractors, servants, employees, subtenants, licensees or invitees;

(d) any accident, injury or damage to any person or property occurring in, on or about the Demised Premises or any part thereof, except if arising in connection with Landlord's Work or the breach of Landlord's maintenance and repair obligations under Article VI hereof (provided that Tenant gave Landlord prompt notice of any potentially dangerous condition requiring repair of which Tenant was actually aware); or

(e) any failure on the part of Tenant to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this lease on its part to be performed or complied with.

In case any action or proceeding is brought against Landlord by reason of any such claim, Tenant, upon written notice from Landlord, shall at Tenant's expense resist and defend such action or proceeding by counsel approved by Landlord in writing, which approval shall not be unreasonably withheld. The obligations of Tenant under this Section 17.1 arising by reason of any such occurrence taking place during the term of this lease shall survive the expiration or early termination of this lease.

17.2 Landlord shall indemnify and save Tenant harmless from and against all liabilities, obligations, damages, penalties, claims, costs, charges and expenses (including reasonable

architects' and attorneys' fees) which may be imposed upon or incurred by or asserted against Tenant by reason of any of the following occurrences:

(a) any negligence on the part of Landlord or any of its agents, contractors, servants, employees, subtenants, licensees or invitees;

(b) any accident, injury or damage to any person or property occurring in, on or about the Demised Premises or any part thereof as the result of Landlord's Work or the breach of Landlord's maintenance and repair obligations under Article VI hereof (provided that Tenant gave Landlord prompt notice of any potentially dangerous condition requiring repair of which Tenant was actually aware); or

(c) any failure on the part of Landlord to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this lease on its part to be performed or complied with.

In case any action or proceeding is brought against Tenant by reason of any such claim, Landlord, upon written notice from Tenant, shall at Landlord's expense resist and defend such action or proceeding. The obligations of Landlord under this Section 17.2 arising by reason of any such occurrence taking place prior to or during the term of this lease shall survive the expiration or early termination of this lease.

ARTICLE XVIII

DEFAULT PROVISIONS

18.1 This lease and the term and estate hereby granted are subject to the limitation that:

(a) Whenever Tenant shall default in the payment of any installment of Fixed Rent on any day upon which the same ought to be paid and if such default shall continue for five (5) days after Landlord shall have given to Tenant written notice specifying such default, or whenever Tenant shall default in the payment of any other sum payable by Tenant hereunder as an item of Additional Rent on any day upon which the same ought to be paid and if such default shall continue for ten (10) days after Landlord shall have given to Tenant a written notice specifying such default; or

(b) whenever Tenant shall do, or permit anything to be done, whether by action or inaction, contrary to any of the covenants, agreements, terms or provisions of this lease, or

shall fail in the keeping and performance of any of the covenants, agreements, terms or provisions contained in this lease which on the part or on behalf of Tenant are to be kept or performed (other than those referred to in the foregoing subsection (a) of this Section), and Tenant shall fail to commence to take steps to remedy the same within fourteen (14) days after Landlord shall have given Tenant a written notice specifying the same, or, having so commenced, shall thereafter fail to proceed with diligence and continuity to remedy the same (unless the failure relates to a matter which with due diligence cannot reasonably be commenced within the 14-day period); or

(c) whenever an involuntary petition shall be filed against Tenant under any bankruptcy or insolvency law or under the reorganization provisions of any law of like import, or a receiver of Tenant or of or for its property shall be appointed without the acquiescence of Tenant, or whenever this lease or the estate hereby granted or the unexpired balance of the term would, by operation of law or otherwise, devolve upon or pass to any person, except in accordance with the terms hereof, and such situation under this subsection (c) shall continue and shall not be remedied by Tenant within sixty (60) days; or

(d) whenever Tenant shall make an assignment of its property for the benefit of creditors or shall file a voluntary petition under any bankruptcy or insolvency law, or whenever any court of competent jurisdiction shall approve a petition filed by Tenant under the reorganization provisions of the United States Bankruptcy Act or under the provisions of any successor law, or whenever a petition shall be filed by Tenant under the arrangement provisions of the United States Bankruptcy Act or under the provisions of any successor law; or

(e) whenever the Demised Premises or any portion thereof shall be abandoned,

then, in any of said cases set forth in the foregoing subsections, regardless of and notwithstanding the fact that Landlord has or may have some other remedy under this lease or by virtue hereof, or in law or in equity, Landlord may give to Tenant a notice (the "second notice") of intention to end the term of this lease specifying a day not less than ten (10) days thereafter and, upon giving of the second notice, this lease and the term and estate hereby granted shall expire and terminate upon the day so specified in the second notice, as fully and completely and with the same force and effect as if the day so specified was the date hereinbefore fixed as the Expiration Date, and all rights of Tenant under this lease shall expire and terminate, but Tenant shall remain liable for damages as hereinafter provided.

18.2 In the event of the termination of this lease or re-entry by Landlord, under any of the provisions of this Article

XVIII or pursuant to law, by reason of default hereunder on the part of Tenant, Tenant will pay to Landlord, as damages, at the election of Landlord, either:

(a) a sum which at the time of such termination of this lease or at the time of any such re-entry by Landlord, as the case may be, represents the then value (using a discount rate of 8% per annum) of the excess, if any, of:

(i) the aggregate of any delinquent Fixed Rent and Additional Rent and the Fixed Rent and Additional Rent which would have been payable by Tenant (conclusively presuming that Additional Rent would increase each year by (A) the average percentage which it annually increased during the period (not to exceed 5 years) prior to the lease termination or re-entry, or (B) if this lease has been in effect for less than three years at the time of termination or re-entry, 12%) for the period commencing with such earlier termination of this lease or the date of any such re-entry, as the case may be, and ending with the Expiration Date had not this lease been so terminated or had Landlord not so re-entered the Demised Premises, over

(ii) the then fair market rental value of the Demised Premises for the same period, or

(b) sums equal to the Fixed Rent and Additional Rent which would have been payable by Tenant (determined pursuant to the method described in Section 18.2(a)(i)) had not this lease been so terminated, or had Landlord not so re-entered the Demised Premises, payable upon the days specified herein for such payment following such termination or such re-entry and until the date herein specified as the Expiration Date; provided, however, that if Landlord shall re-let the Demised Premises during said period, Landlord shall credit Tenant with the rents, if any, as and when received by Landlord from such re-letting, it being understood that any such re-letting may be for a period shorter or longer than the remaining term of this lease; but in no event shall Tenant be entitled to recessive any excess of such rents over the sums payable by Tenant to Landlord hereunder, nor shall Tenant be entitled in any suit for the collection of damages pursuant to this subsection to a credit in respect of any rents from a re-letting, except to the extent that such rents are actually received by Landlord.

Whether Landlord elects damages pursuant to (a) or (b) above, Tenant shall also pay to Landlord as damages an amount equal to the expenses incurred in terminating this lease or in re-entering the Demised Premises and in securing possession thereof, including attorneys' fees, as well as the expenses of re-letting, including altering and preparing the Demised Premises

for new tenants, brokers' commissions and attorneys' fees, rent concessions, and all other expenses properly chargeable against the Demised Premises and the rental thereof.

If the Demised Premises or any part thereof are re-let by Landlord for the unexpired portion of the term of this lease, or any part thereof, before presentation of proof of such damages to any court, commission or tribunal, the amount of rent reserved upon such re-letting shall, prima facie, be the fair market rental value for the Demised Premises, or part thereof, so re-let during the term of the re-letting. No such re-letting shall constitute a surrender or acceptance of a surrender.

Suit or suits for the recovery of damages pursuant to subsection (b), or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the term of this lease would have expired if it had not been terminated under the provisions of this Article XVIII or under any provisions of law, or had Landlord not re-entered the Demised Premises. Nothing herein contained shall be construed as limiting or precluding the right of Landlord to prove for and obtain as liquidated damages by reason of the termination of this lease an amount equal to the maximum allowed by any statute or rule of law.

All references in this Section 18.2 to Expiration Date shall mean the date the lease term then in effect (without the exercise of any extension option by Tenant) would have expired had the lease not been terminated. Notwithstanding the above, if prior to the termination of the lease, Tenant had exercised an extension option pursuant to Article XXII for an additional term, then Expiration Date shall mean the date such extension term would have expired (even if such extension term had not commenced prior to termination of the lease).

18.3 If this lease shall terminate by reason of a default on the part of Tenant as provided for herein, Landlord shall have the right to re-enter the Demised Premises either by summary proceedings or by any other judicial proceeding and may repossess the Demised Premises and dispossess Tenant and any other person from the Demised Premises and remove any and all of their property and effects therefrom, at the sole cost and expense of Tenant.

18.4 Tenant, on its own behalf and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, does hereby waive and surrender all right and privilege which they or any of them might have under or by reason of any present or future law to redeem the Demised Premises or to have a continuance of this lease for the term hereby demised after being dispossessed or ejected therefrom by process

of law, under the terms of this lease or after the termination of this lease as herein provided.

18.5 The words "enter", "entry", "re-enter" and "re-entry" are not restricted to their technical legal meaning.

ARTICLE XIX

RIGHT TO PERFORM OTHER PARTY'S OBLIGATIONS; CUMULATIVE REMEDIES; WAIVERS

19.1 If Tenant shall default in the observance or performance of any term or covenant on its part to be observed or performed under this lease, then Landlord, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Tenant, immediately without notice in case of emergency, or in any other case only provided that Tenant shall fail to commence to remedy such default within the applicable grace period and thereafter proceed with diligence and continuity to complete such remedy. Landlord shall have the right to enter the Demised Premises for the purpose of remedying such default, without notice in the case of emergency, but otherwise only after reasonable prior written notice to Tenant. If Landlord makes any expenditures or incurs any obligations for the payment of money in connection therewith including, but not limited to, reasonable attorneys' fees and disbursements, in instituting, prosecuting or defending any action or proceeding, such sums paid or obligations incurred, with interest from the time of the expenditure at the Interest Rate (as defined in Section 19.5), shall be deemed Additional Rent hereunder and shall be payable by Tenant on demand or with the next installment of Fixed Rent.

19.2 If Landlord shall default in the observance or performance of any term or covenant on its part to be observed or performed under or by virtue of any of the terms or provisions of this lease, Tenant, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Landlord, immediately without giving notice in case of emergency, or in any other case only provided that Landlord shall fail to commence and diligently prosecute to completion the remedy for such default within a reasonable time after Tenant shall have notified Landlord in writing of such default. If Tenant makes any expenditures or incurs any obligations for the payment of money in connection therewith including, but not limited to, reasonable attorneys' fees and disbursements, in instituting, prosecuting or defending any action or proceeding, such sums paid or obligations incurred, with interest from the time of the expenditure at the Interest Rate (as defined in Section 19.5), shall be paid to it by Landlord on demand. If Landlord fails to make such payment within

thirty (30) days of Tenant's notice, then Tenant shall be entitled to set off such expenditure against that portion of the next due installment(s) of Fixed Rent which exceeds the monthly or quarterly payment of principal and/or interest due under any superior mortgages affecting the Demised Premises.

19.3 Landlord may enjoin any breach or threatened breach by Tenant of any covenant, agreement, term, provision or condition herein contained. The mention in this lease of any particular remedy available to Landlord shall not preclude Landlord from any other remedy it might have, either at law or in equity. Landlord's failure to insist upon the strict performance or observance of any of the covenants, agreements, terms, provisions or conditions of this lease or to exercise any right, remedy or election herein contained or permitted by law shall not constitute or be construed as a waiver or relinquishment for the future of such covenant, agreement, term, provision, condition, right, remedy or election, but the same shall continue and remain in full force and effect. Any rights or remedies that may exist at law, in equity or otherwise upon breach of any covenant, agreement, term, provision or condition in this lease contained, shall be distinct, separate and cumulative rights and remedies and no one of them, whether exercised or not, shall be deemed to be in exclusion of any other. No covenant, agreement, term, provision or condition of this lease shall be deemed to have been waived unless such waiver is in writing, signed by the party sought to be charged or such party's agent duly authorized in writing to any act or matter, and such waiver shall apply only with respect to the particular act or matter to which such consent is given and shall not relieve either Landlord or Tenant, as the case may be, from the obligation, whenever required under this lease, to obtain the consent of the other party to any other act or matter.

19.4 Receipt or acceptance of Fixed Rent by Landlord shall not be deemed a waiver of any default under this lease or of any rights which Landlord may be entitled to exercise under this lease by reason of such default. If Tenant is in arrears in the payment of Fixed Rent or Additional Rent beyond the expiration of the applicable grace period, Tenant waives the right, if any, to designate the items against which any payments made by Tenant are to be credited and Tenant agrees that Landlord may apply any payments made by Tenant to any items as Landlord sees fit irrespective of and notwithstanding any designation or request by Tenant as to the items against which any such payments shill be credited. No employee of Landlord or of Landlord's agents shall have the power to accept the keys of the Building prior to the termination of this lease, and the delivery of keys to any employee of Landlord or of Landlord's agents shall not operate as a termination of this lease or as a surrender or acceptance of a surrender of the Demised Premises. This lease may not be changed orally, but only by an agreement in writing

signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

19.5 If any installment of Fixed Rent (other than that portion of such installment to which Tenant's right of set-off relates, if allowable as herein provided in Section 19.2) or any item of Additional Rent which is payable to Landlord in accordance with the provisions of this lease shall be in arrears for more than ten (10) days after such installment or payment is due, then Tenant shall pay interest thereon at the Interest Rate from the due date of such installment or payment to the date of payment. "Interest Rate" shall mean a rate per annum equal to the lesser of (a) 3% above the commercial lending rate announced from time to time by Chemical Bank (New York, New York) as its prime rate for 90 day unsecured loans, or (b) the maximum applicable legal rate, if any.

19.6 Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other with respect to any matter whatsoever arising out of or in any way connected with this lease, the relationship of Landlord and Tenant, or in connection with Tenant's use and occupancy of the Demised Premises.

ARTICLE XX

BROKERAGE FEES AND COMMISSIONS

20.1 Landlord represents and warrants to Tenant that there is no broker involved with or who brought about this lease transaction. Tenant covenants that it dealt with no broker in connection with this lease transaction.

20.2 Tenant agrees that should any claim be made against Landlord by any broker for commissions or other compensation in connection with the negotiation or execution of this lease, which claim results from the inaccuracy of Tenant's covenant in Section 20.1, then Tenant will defend, indemnify and hold Landlord harmless from any and all liabilities, claims, suits, demands, judgments, costs, interest and expenses (including attorneys' fees and disbursements) incurred in connection with such claim.

20.3 Landlord agrees that should any claim be made against Tenant by any broker for commissions or other compensation in connection with (i) the negotiation or execution of this lease and/or (ii) the placement of any financing secured by a fee interest in the Demised Premises, which claim results from the inaccuracy of Landlord's covenant in Section 20.1, then Landlord will defend, indemnify and hold Tenant harmless from any and all liabilities, claims, suits, demands, judgments, costs, interest

and expenses (including attorney's fees and disbursements) incurred in connection with such claim.

ARTICLE XXI

QUIET ENJOYMENT; TRANSFER OF LANDLORD'S INTEREST

21.1 Landlord covenants that Tenant shall quietly enjoy the Demised Premises without hindrance or molestation, subject only to the covenants, agreements, terms, provisions and conditions of this lease.

21.2 It is expressly understood and agreed that the term "Landlord" as used in this lease means only the owner for the time being of the Demised Premises, and in the event of the sale, assignment or transfer by such owner of its or their interest in the Demised Premises, such owner shall thereupon be released and discharged from all covenants and obligations of Landlord thereafter accruing provided that such covenants and obligations shall be binding upon each new owner during the period of its ownership of the Demised Premises.

21.3 Tenant shall look only to Landlord's estate and property in the Demised Premises (and the proceeds thereof), for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default by Landlord hereunder, and no other property or assets of Landlord shall be subject eo levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this lease, the relationship of Landlord and Tenant, or Tenant's use and occupancy of the Demised Premises.

21.4 It is understood and agreed that the relationship between the parties hereto is that of Landlord and Tenant, and nothing contained in this lease shall be deemed to create a partnership or joint venture herein.

ARTICLE XXII

OPTIONS TO EXTEND TERM

22.1 Provided that Tenant shall not then be in default with respect to any material covenant of this lease beyond the expiration of the applicable grace period, if any, Tenant shall have the option to extend the term of this lease for an additional period of ten (10) years (the "First Extended Term"); provided, however, that (a) Tenant shall notify Landlord not earlier than twenty-four (24) months and not later than the date which is

eighteen (18) months prior to the then Expiration Date that Tenant desires such extension and (b) such extension shall be on the same terms, covenants and conditions as are contained in this lease, except with respect to (i) the annual Fixed Rent which shall be determined in the manner provided for in Section 22.2, (ii) such provisions in this lease which apply only to the initial term, and (iii) the option herein granted to extend the initial term of this lease.

22.2 (a) Fixed Rent payable by Tenant during the First Extended Term of this lease shall be equal to $2,850,000 per annum, subject to the CPI Adjustments hereinafter described.

(b) The first day of the First Extended Term shall be a CPI Adjustment Date. Accordingly, if the Adjustment Index for such CPI Adjustment Date has increased over the Beginning Index, the initial Fixed Rent specified in Section 22.2(a) shall increase commencing with such CPI Adjustment Date by the product of the following: $2,850,000 multiplied by the percentage increase of the Adjustment Index over the Beginning Index.

(c) The seventh (7th) anniversary of the commencement date of the First Extended Term shall also be a CPI Adjustment Date. Accordingly, if the Adjustment Index for such CPI Adjustment Date has increased over the Index in effect for the month immediately preceding the month in which the First Extended Term commenced (the "First Extension Index"), then the Fixed Rent determined pursuant to Section 22.2(b) shall increase commencing with such CPI Adjustment Date by the product of the following: 60% of the Fixed Rent determined pursuant to Section 22.2(b) multiplied by the percentage increase of the Adjustment Index over the First Extension Index.

22.3 Provided that Tenant shall not then be in default with respect to any material covenant of this lease beyond the expiration of the applicable grace period, if any, Tenant shall have the option to extend the term of this lease for an additional second period of ten (10) years (the "Second Extended Term"); provided, however, that (a) Tenant shall notify Landlord not earlier than twenty-four (24) months and not later than eighteen (18) months prior to the then Expiration Date that Tenant desires such extension. If the option is so exercised, the Second Extended Term shall be on the same terms, covenants and conditions as are contained in this lease, except with respect to (i) the annual Fixed Rent which shall be determined in the manner provided for in Section 22.4, (ii) such provisions in this lease which apply only to the initial term or the First Extended Term and (iii) the option herein granted to extend the First Extended Term of this lease.

22.4 (a) Fixed Rent payable by Tenant during the Second Extended Term of this lease shall be equal to $2,850,000 per annum, subject to the CPI Adjustments hereinafter described.

(b) The first day of the Second Extended Term shall be a CPI Adjustment Date. Accordingly, if the Adjustment Index for such CPI Adjustment Date has increased over the Beginning Index, the initial Fixed Rent specified in Section 22.4 (a) shall increase commencing with such CPI Adjustment Date by the product of the following: $2,850,000 multiplied by the percentage increase of the Adjustment Index over the Beginning Index.

(c) The seventh (7th) anniversary of the commencement date of the Second Extended Term shall also be a CPI Adjustment Date. Accordingly, if the Adjustment Index for such CPI Adjustment Date has increased over the Index in effect for the month immediately preceding the month in which the Second Extended Term commenced (the "Second Extension Index"), then the Fixed Rent determined pursuant to Section 22.4(b) shall increase commencing with such CPI Adjustment Date by the product of the following: 60% of the Fixed Rent determined pursuant to Section 22.4(b) multiplied by the percentage increase of the Adjustment Index over the Second Extension Index.

ARTICLE XXIII

NOTICES

23.1 All notices, demands, requests or other communications which may be or are required to be given, served or sent by either party to the other shall be in writing and shall be deemed to have been properly given or sent if (a) hand delivered, (b) mailed by registered or certified mail, return receipt requested, with postage prepaid, or (c) sent by Express Mail or a national commercial courier service (e.g., Purolator Delivery Service or Federal Express), for next day delivery, to be confirmed in writing by said courier or service, addressed as follows:

(a) If intended for Tenant:

Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Treasurer

With a copy to:

Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711
Attention: President

(b) If intended for Landlord:

SPG Partners
601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Corporate Accounting Manager

With a copy to:

Bob Goergen
Goergen & Sterling
230 Park Avenue
Suite 1211
New York, New York 10169

Such notices, demands, requests or other communications shall be deemed to have been given on the date which is three (3) days after it shall have been mailed, sent or delivered as aforesaid. Each of the above may designate by notice in writing and delivered as set forth above a new address to which any notice, demand, request or communication shall thereafter be so mailed, sent or delivered for all purposes hereunder.

ARTICLE XXIV

ARBITRATION

24.1 In each instance specified in this lease in which it is stated that disputes thereunder shall be determined by arbitration, such arbitration shall be conducted as provided in this Article XXIV.

24.2 The party requesting arbitration shall do so by giving notice to that effect to the other party, specifying in said notice the nature of the dispute and the person chosen as the arbitrator for such party. Within ten (10) days, the other party by notice to the original party shall appoint a second person as arbitrator on its behalf. The arbitrators thus appointed shall appoint a third person, and such three arbitrators shall as promptly as possible resolve such dispute. If the second arbitrator shall not have been appointed as aforesaid, the first arbitrator shall proceed to resolve the dispute.

24.3 If the two arbitrators appointed by the parties shall be unable to agree, within ten (10) days after the appointment of the second arbitrator, upon the appointment of a third arbitrator, they shall give written notice to the parties of such failure to agree, and, if the parties fail to agree upon the selection of such third arbitrator within ten (10) days after the arbitrators appointed by the parties give notice as aforesaid,

then within five (5) days thereafter either of the parties, upon notice to the other party, may request such appointment by the American Arbitration Association (or any organization successor thereto), or in its absence, refusal, failure or inability to act, may apply for a court appointment of such arbitrator.

24.4 The arbitration shall be conducted in accordance with the then prevailing rules of the American Arbitration Association (or successor organization) in the City of Madison (or, if a branch does not exist in such city, Milwaukee). The arbitrators are to be qualified commercial real estate practitioners with at least ten (10) years continuous experience in the commercial real estate business with skills relevant to the dispute. The arbitrators shall have the right to retain and consult experts and competent authorities skilled in the matters under arbitration. The arbitrators shall render an award within sixty (60) days after the appointment of the third arbitrator, which decision and award shall be final and conclusive on the parties. Such award shall be in writing and counterpart copies thereof shall be delivered to each of the parties. In rendering such decision and award, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this lease.

24.5 If for any reason whatsoever the written decision and award of the arbitrators shall not be rendered within sixty (60) days as aforesaid, then at any time thereafter, before such decision and award shall have been rendered, either party may apply to any court having proper jurisdiction, by action, proceeding or otherwise (but not by a new arbitration proceeding) as may be proper to determine the matter in dispute consistent with the provisions of this lease.

24.6 Each party shall pay the fees and expenses of the arbitrator appointed by or for such party, and the fees and expenses of the third arbitrator and all other expenses of the arbitration (other than the fees and disbursements of attorneys and witnesses for each party) shall be borne by the parties equally.

24.7 Subject to Section 24.8, when any non-monetary matter in dispute shall be referred to arbitration, any default hereunder claimed by either party by reason of the matter in dispute shall be deemed suspended provided that the party so claimed to be in default shall proceed diligently and in good faith with the arbitration, until the dispute is determined adversely to the party claimed to be in default and notice thereof is given to such party, whereupon such party (whether Tenant or Landlord) shall have the same opportunity to cure such default as is provided for in this lease as if such notice of determination was the first notice given to the party in default. With regard to monetary disputes only, Tenant shall pay the disputed amount to Landlord in accordance with the terms of this lease pending the

outcome of the arbitration proceeding. If Tenant prevails, Landlord shall reimburse Tenant for the amount awarded, with interest thereon at the rate equal to the rate announced by Chemical Bank from time to time in effect as its prime rate from the date of payment by Tenant through and including the date of such reimbursement.

24.8 Notwithstanding any other provision in this Article XXIV to the contrary, if Tenant is in default beyond any applicable grace period with regard to a certain matter at the time it serves a notice upon Landlord requesting submission of such matter to arbitration, Landlord shall not thereby be precluded from the subsequent exercise of any remedies for default to which Landlord is entitled pursuant to this lease, at law or in equity.

ARTICLE XXV

ESTOPPEL CERTIFICATES: MEMORANDUM OF LEASE

25.1 Each party agrees, at any time and from time to time, as requested by the other party, upon not less than thirty (30) days prior notice, to execute and deliver to the other party a statement certifying 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 stating the modifications), certifying the dates to which the Fixed Rent and Additional Rent have been paid, stating whether or not, to the best knowledge of the signer, the other party is in default in the performance of any of its obligations under this Lease, and, if so, specifying each such default of which the signer may have knowledge, and certifying as to such additional information as the other party may reasonably request, it being intended that any such statement delivered pursuant hereto may be relied upon by others with whom the party requesting such certificate may be dealing.

25.2 Landlord and Tenant shall execute, acknowledge and deliver a memorandum of this lease in recordable form simultaneously with the execution and delivery of this lease; said memorandum shall under no circumstances be deemed or construed to change or otherwise affect any of the obligations or provisions of this lease. Tenant shall pay for the cost of recording the memorandum.

ARTICLE XXVI

INVALIDITY OF PARTICULAR PROVISIONS; CONSTRUCTION

26.1 If any term or provision of this lease or the application thereof to any person or circumstance shall, to any extent, be invalid and unenforceable, the remainder of this

lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid and unenforceable, shall not be affected thereby, and each term and provision of this lease shall be valid and enforced to the fullest extent permitted by law.

26.2 This lease shall be construed and enforced in accordance with the laws of the State of Wisconsin.

ARTICLE XXVII

SURRENDER OF PREMISES

27.1 Upon the Expiration Date or upon the earlier termination of the term of this lease, Tenant shall quit and surrender to Landlord the Demised Premises, broom clean, in good order, condition, and repair, ordinary wear and tear and damage by fire, the elements or other casualty excepted, and Tenant shall remove all of its Personal Property as herein provided. Tenant's obligation to observe and perform this covenant shall survive the expiration or earlier termination of the term of this lease.

27.2 If Tenant fails to surrender possession of the Demised Premises upon the Expiration Date or earlier termination of the term of this lease, Landlord may elect, by notice to Tenant, to treat Tenant as a holdover for a further term of 3 months at twice the Fixed Rent and Additional Rent which Tenant was required to pay during the last month prior to expiration or termination. In addition to the above, if the Demised Premises are not surrendered upon the expiration or earlier termination of the term of this lease, Tenant shall indemnify and hold Landlord harmless from and against any claims, loss, costs, liability and expenses (including attorneys' fees) resulting therefrom, including any claims made by any succeeding lessee founded upon such delay.

27.3 If the last day of the term of this lease falls on a Sunday, this lease shall end on the immediately preceding business day. If Tenant shall have removed all or substantially all of its employees and Personal Property from the Demised Premises at any time during the last month of the term of this lease, Landlord may immediately enter and alter, renovate and redecorate the Demised Premises, without elimination, diminution or abatement of rent, or incurring liability to Tenant for any compensation, and such acts by Landlord shall have no effect upon this lease.

ARTICLE XXVIII

COVENANTS BINDING

28.1 The covenants, agreements, terms, provisions and conditions of this lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord and Tenant.

ARTICLE XXIX

LANDLORD'S ACCESS

29.1 Landlord and its authorized representatives shall have the right, upon reasonable advance notice to Tenant, to enter the Demised Premises or any part or parts thereof, during Business Hours, accompanied by a duly authorized representative of Tenant, if Tenant makes such representative available, (i) to examine the Demised Premises to ascertain if Tenant has performed its obligations under this lease, (ii) to show the Demised Premises to prospective purchasers or mortgagees, (iii) to effect repairs to the Demised Premises pursuant to Landlord's obligations under Article VI of this lease, (iv) during the period commencing eighteen (18) months prior to the end of the term of this lease (if Tenant shall not have exercised the applicable option to extend the term pursuant to Article XXII), to show the Demised Premises to prospective tenants and (v) for the purpose of making such repairs in or to the Demised Premises as may be provided for by this lease or as may be mutually agreed upon by the parties. Landlord shall be allowed to take all materials into the Demised Premises that may be required for such repairs and actions. Landlord's rights under this Section 29.1 shall be exercised in such manner as to cause the least practicable interference with Tenant's use and occupancy of the Demised Premises.

29.2 In addition to Landlord's rights under Section 29.1 above, Landlord and its authorized representatives shall have the right to enter upon the Demised Premises, or any part thereof, at such times as such entry shall be required by circumstances of emergency affecting the Demised Premises or the safety of its occupants without prior notice to Tenant. In such event, Landlord, or its authorized representative, shall, if feasible, be accompanied by a duly authorized representative of Tenant, if Tenant makes such representative available.

ARTICLE XXX

APPLICATION OF INSURANCE PROCEEDS

30.1 In any case in which Tenant shall be obligated under any provision of this lease to pay to Landlord any loss, cost, damage, liability or expense suffered or incurred by Landlord, Landlord shall allow Tenant as an offset against the amount thereof the net proceeds of any insurance collected by Landlord for or on account of such loss, cost, damage, liability or expense, provided that the allowance of such offset does not invalidate or prejudice the policy or policies under which such proceeds were payable.

30.2 In any case in which Landlord shall be obligated under any provisions of this lease to pay to Tenant any loss, cost, damage, liability or expense suffered or incurred by Tenant, Tenant shall allow to Landlord as an offset against the amount thereof the net proceeds of any insurance collected by Tenant for or on account of such loss, cost, damage, liability or expense, provided that the allowance of such offset does not invalidate or prejudice the policy or policies under which such proceeds were payable.

ARTICLE XXXI

CHANGES IN DEBT SERVICE COSTS

31.1 Prior to the date of this lease, Landlord received a permanent loan commitment from Northwestern Mutual Life Insurance Company ("Northwestern") in the amount of $10,000,000. The term of the loan is to be ten (10) years from the date such loan is fully advanced (the "10 year period"), and Landlord is to pay interest on the outstanding principal balance at an annual rate of 13.625% in accordance with a 30 year amortization schedule.

In the event Landlord elects to obtain refinancing at the conclusion of the 10 year period, whether from Northwestern or any other institutional lender, then Landlord shall be responsible for the payment of points and all fees incurred in connection with obtaining the loan (the "Loan Fees"), and Tenant shall have the following rights and obligations:

(a) If Landlord obtains a loan which requires the payment of interest at an annual rate greater than 13.625%, then Tenant shall be obligated to pay each month as Additional Rent to Landlord an amount equal to (i) the monthly debt service payment which Landlord is required to make, less (ii) the monthly debt service payment which Landlord would be required to make in the event the annual interest rate was 13.625%.

(b) If Landlord obtains a loan which requires the payment of interest at an annual rate less than 13.625%, then Tenant shall receive a monthly credit against its payments of Additional Rent pursuant to this lease in an amount equal to (i) the monthly debt service payment which Landlord would be required to make in the event the annual interest rate was 13.625%, less (ii) the monthly debt service payment which Landlord is required to make. Tenants credit, however, shall be reduced by the amount of the Loan Fees, and shall not apply to that portion of the difference between (i) and (ii), if any, which results from Landlord obtaining a loan at an annual interest rate of less than 12.125% (the "1.5% Limitation").

In the event Landlord elects to refinance its loan prior to the conclusion of the 10 year period, whether from Northwestern or any other institutional lender, then Landlord shall be responsible for the payment of all Loan Fees and any prepayment of all Loan Fees and any prepayment fees, and Tenant shall have the following rights and obligations:

(c) If Landlord, in the expectation that interest rates will be higher at the conclusion of the 10 year period, obtains a loan which requires the payment of interest at an annual rate greater than 13.625%, then Tenant shall not be obligated to pay Additional Rent prior to the conclusion of the 10 year period as a result of the increased debt service. However, following the 10 year period, Tenant shall be obligated to pay the amounts described above in (a).

(d) If Landlord obtains a loan which requires the payment of interest at an annual rate less than 13.625%, then Tenant shall receive no credit against its payments of Additional Rent pursuant to this lease prior to the conclusion of the 10 year period as a result of the decreased debt service. However, following the 10 year period, Tenant shall receive the credit (as adjusted by the Loan Fees and the 1.5% Limitation) described above in (b), provided that Tenant's credit shall be further reduced by an amount equal to any prepayment fees paid by Landlord which Landlord did not recover as a result of debt service savings generated by the lower interest rate prior to the conclusion of the 10 year period.

31.2 Landlord shall attempt with reasonable diligence to obtain the best available interest rate and terms for a refinancing loan of such amount, term and amortization schedule as Landlord shall choose. Landlord shall not obtain a loan with a term that is longer than twenty-five (25) years without Tenant's consent. In the event that Landlord intends to accept a loan which requires interest payments at an annual rate of 16.625% or higher at any time during its first five (5) years, then Landlord shall serve Tenant with notice of Landlord's intention to obtain the loan. In such event, Tenant shall have

the right for a period of thirty (30) days to find an institutional lender willing to make a substantially similar loan upon more favorable terms. If Tenant informs Landlord within the thirty (30) day period of the availability of a more favorable loan, Landlord shall seek to obtain such loan, provided that the terms and conditions of the loan are reasonably satisfactory to Landlord. If Tenant is unable to find a more favorable loan, then Landlord may proceed to obtain the loan which it originally proposed.

31.3 In the event the principal amount of any refinancing loan obtained by Landlord exceeds $10,000,000, then all calculations pursuant to Section 31.1 shall be appropriately adjusted as though the loan was for the sum of $10,000,000.

31.4 Under no circumstances shall Tenant be required to pay Additional Rent pursuant to Section 31.1, subsections (b) and (d). The Loan Fees and prepayment fees described therein shall be deemed never to exceed the amount of Tenant's credits (as adjusted by the 1.5% Limitation) described therein.

31.5 Any dispute arising pursuant to this Article XXXI shall be resolved in accordance with the arbitration provisions of Article XXIV.

ARTICLE XXXII

MISCELLANEOUS

32.1 If an excavation or other substructure work shall be made on land adjacent to the Demised Premises, or shall be authorized to be made, Tenant shall afford the person causing or authorized to cause such excavation a license to enter upon the Demised Premises for the purpose of doing such work as shall be necessary to preserve the Demised Premises from injury or damage and to support the same by proper foundations, without any claim for damage or indemnity against Landlord, or diminution or abatement of rent; provided, however, that any such work caused by Landlord shall be performed in such manner as shall cause the least practicable amount of interference with Tenant's use and occupancy of the Demised Premises.

32.2 Tenant shall be permitted to name the Building subject to the consent of Landlord, which consent shall not be unreasonably withheld. Tenant shall also have the right to place on the exterior of the Building and on the Demised Premises a sign or signs which are permitted by the applicable laws of public authority and are in keeping with the character and quality of the Demised Premises as a first class commercial office project. Tenant shall remove such sign or signs on the Expiration Date or sooner termination of this lease.

32.3 Tenant may install and utilize, and once installed modify, a microwave, satellite or other antenna communications system on the roof of the Building. Tenant shall furnish detailed plans and specifications for such system (or modification) to Landlord for its approval, which approval shall not be unreasonably withheld or delayed. Upon approval, such system shall be installed, at Tenant's expense, by a contractor selected by Tenant. Tenant shall be responsible for procuring whatever licenses or permits may be required for the use of such system or operation of any equipment served thereby, but Landlord agrees to join with Tenant, to the extent necessary, in any such applications. Tenant's antenna system shall not constitute a nuisance or materially interfere with the operation of the basic Building systems or with the normal use of the area surrounding the Building by occupants thereof. Landlord makes no warranties whatsoever as to the permissibility of such a system under the laws of public authorities.

32.4 The Article headings in this lease and in the Index to this lease are inserted only as a matter of convenience and shall have no effect whatsoever in construing this lease.

32.5 Landlord agrees that Tenant shall be owner of and shall be entitled to receive any and all investment tax credits in connection with the construction of the Building, and Landlord agrees to cooperate to the extent required by Tenant and at the sole expense of Tenant in order to enable Tenant to receive the investment tax credits.

32.6 Landlord or its agents shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or snow or leaks from any part of the Building or from pipes, appliances or plumbing works or from the roof, street or subsurface, or from any other place or by dampness or by any other cause of whatsoever nature, unless caused by or due to the act or neglect of Landlord, its agents, servants or employees or caused by or due to Landlord's failure to comply with its obligations under this lease. Tenant shall give prompt notice to Landlord in case of fire or other casualty or accidents occurring in the Demised Premises or if Tenant becomes aware of any damage or defective condition requiring repair in any Mechanical System or any other portion of the Demised Premises.

32.7 Tenant agrees to fully cooperate with Landlord in providing such financial information concerning Tenant and the Demised Premises as any superior mortgagee(s) may reasonably require.

32.8 This lease contains the entire agreement between the parties and all prior negotiations and agreements are merged herein. Tenant acknowledges that neither Landlord nor any agent

or representative of Landlord has made any statement or promise upon which Tenant has relied with respect to any matter or thing relating to the Demised Premises, except as is expressly set forth in this lease.

32.9 Tenant shall not place a floor load upon any floor of the Building exceeding the floor load per square foot area which it was designed to carry and which is allowed by the laws of public authorities.

32.10 Any review by Landlord of plans and specifications or alterations to be performed by Tenant shall not be deemed to be a representation or warranty by Landlord that the same is properly designed to perform the function for which it is intended or complies with the laws of public authorities.

IN WITNESS WHEREOF, the parties hereto have duly executed this lease agreement as of the day and year first above written.

SPG PARTNERS. Landlord

WITNESS: /s/ Linda Pauls

By: /s/ Thomas F. Pyle

Thomas F. Pyle

RAYOVAC CORPORATION, Tenant

WITNESS: /s/ Lori L. Alderden

By: /s/ Thomas F. Pyle

Thomas F. Pyle, President

Attest: /s/ Glynn M. Rossa

Glynn M. Rossa, Vice President

..

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this 14th day of May, 1985, the above-named Thomas F. Pyle known to me to be one of the general partners of SPG Partners, a Wisconsin general partnership, who executed the above instrument and acknowledged the same on behalf of said partnership.

/s/ E.J. Selle

Notary Public, State of Wisconsin
My commission: 12-15-85

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this 14th day of May, 1985 the above-named Thomas F. Pyle and Glynn M. Rossa, known to me to be the President and Vice President, respectively, of RAYOVAC Corporation, a Delaware corporation, who executed the above instrument and acknowledged the same on behalf of said corporation.

/s/ E.J. Selle

Notary Public, State of Wisconsin
My commission: 12-15-85

THIS INSTRUMENT DRAFTED BY:

Raymond Karlin, Esq.
Brattle, Fowler, Jaffin & Kheel
280 Park Avenue
New York, NY 10017

FIRST AMENDMENT TO AGREEMENT OF LEASE

THIS FIRST AMENDMENT TO AGREEMENT OF LEASE, made as of this 24th day June, 1986, by and between SPG PARTNERS, a Wisconsin general partnership having an office at 601 Rayovac Drive, Madison, Wisconsin 53711 ("Landlord") and RAYOVAC CORPORATION, having an office at 601 Rayovac Drive, Madison, Wisconsin 53711 ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant have entered into an agreement of lease dated May 14, 1985 and covering certain lands located in the City of Madison, Dane County, Wisconsin, all as more particularly described therein (the "Lease"); and

WHEREAS, the parties hereto desire to amend the Lease in accordance with the terms hereof.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant do hereby agree as follows:

1. Section 1.3 of the Lease is hereby deleted in its entirety.

2. Section 2.1(d) of the Lease is hereby amended to read in full as follows:

(d) The term "Commencement Date" shall mean December 15, 1985. For the period from the Commencement Date through December 31, 1985, the Fixed Rent and Additional Rent shall be 16/31 of the amount of Fixed Rent and Additional Rent that would have been due had the Commencement Date occurred on December 1, 1985.

3. Section 4.1(a) is hereby amended to read in full as follows:

(a) Fixed Rent amounting to $2,600,000.00 per annum, 60% of which amount (i.e., $1,560,000.00) shall be subject to adjustment based upon changes in the Consumer Price Index (the "CPI Adjustments") as provided in Section 4.2 (herein referred to as "Fixed Rent"); and

4. Section 4.2 is hereby amended to read in full as follows:

4.2 CPI Adjustments to the Fixed Rent shall be made on the seventh (7th) and fourteenth (14th) anniversaries of the Commencement Date and at such other times as are described in Article XXLI of this lease (the "CPI Adjustment Dates"). The base for computing the CPI Adjustments is the

"Consumer Price Index for all Urban Consumers, Milwaukee, Wisconsin. All Items (1967 = 100)" issued by the Bureau of Labor Statistics of the United States Department of Labor (the "Index") in effect for the month immediately prior to the month in which the Commencement Date occurs (the "Beginning Index"). The Index published for the month immediately preceding the CPI Adjustment Date in question (the "Adjustment Index") is to be compared to the Beginning Index in determining the amount of the adjustment in Fixed Rent. Notwithstanding anything contained herein to the contrary, Fixed Rent shall never be reduced as a result of this Section 4.2 to an amount less than $2,600,000.00 per annum. Thus, if the Adjustment Index has increased over the Beginning Index, the initial Fixed Rent specified in Section 4.1(a) shall increase commencing with the CPI Adjustment Date in question by 60% of $2,600,000.00 multiplied by the percentage increase of the Adjustment Index over the Beginning Index. If the Adjustment Index has remained constant, or has decreased, in comparison to the Beginning Index, the initial Fixed Rent specified in Section 4.1(a) shall remain unchanged. If the Adjustment Index with respect to the second or any subsequent CPI Adjustment Date is increased over the Beginning Index but has decreased from the Adjustment Index in effect for the month immediately preceding the next preceding CPI Adjustment Date, then the Fixed Rent as of such second or subsequent CPI Adjustment Date shall be adjusted to be equal to 60% of $2,600,000.00 multiplied by the percentage increase of the Adjustment Index over the Beginning Index, notwithstanding the fact that this may lead to a decrease in Fixed Rent established upon the previous Adjustment Date.

(a) Example 1: Assume that the Beginning Index (i.e., the Index in effect for November, 1985) is 333.9. Assume that the Index for November, 1992 is equal to 500. Thus, as of December 15, 1992, 60% of the Fixed Rent (or, $1,560,000.00) will increase by the percentage of increase in the Index (i.e., 500 less 333.9, or 166.1, which, when expressed as a percentage of 333.9, is equal to 49.75%). Thus, the Fixed Rent for the period commencing on December 15, 1992 would equal ($2,600,000.00 plus [49.75% of $1,560,000.00]), or $3,376,100.00.

(b) Example 2: Assume the same facts as set forth in Example 1, above, except that the Index for November, 1992 has decreased to 300. Under these circumstances, the Fixed Rent would remain unchanged for the period commencing on December 15, 1992 and would be equal to $2,600,000.00 per annum.

(c) Example 3: Assume the same facts as set forth in Example 1, above. Further assume that the Index for November, 1999 is equal to 400. To compute the Fixed Rent for the period beginning on December 15, 1999, 60% of the initial Fixed Rent (or, $1,560,000.00) will increase by the percentage of increase in the Index, measured from the Beginning Index (i.e., 400 less 333.9, or 66.1, which, when expressed as a percentage of 333.9 is equal to 19.8%). Thus, the Fixed Rent for the period commencing on December 15, 1999 would be equal to ($2,600,000.00 plus [19.8% of $1,560,000]) or $2,908,880 per annum. Note that in this example, the rent has actually decreased from the rent in effect for the period commencing on December 15, 1992 as set forth in Example 1.

5. Section 4.9 of the Lease is hereby amended to read in full as follows:

4.9 Prior to the Commencement Date of the Permanent Loan as that term is defined in the Promissory Note dated February 8, 1985, executed by Landlord as Obligor to Northwestern Mutual Life Insurance Company ("NML") (NML or any replacement lender being hereinafter referred to as the "Lender") and amended by Amendment of Terms of Note dated May 1, 1986 (as amended the "Note") which Note is secured by a mortgage to NML bearing the dame date (the "NML Mortgage"). Tenant shall deposit the sum of $1,000,000 into an escrow account held by an escrow agent which is acceptable to the Lender. Tenant shall have the exclusive right to direct the investment (including reinvestment) of the funds deposited, subject to limitations as to the categories of permissible investments and as to the liquidity of such investments. In the event of Tenant's default beyond any applicable grace period in the payment of Fixed Rent or Additional Rent due and payable pursuant to this Lease, the deposit, together with all interest or other income then on deposit in the escrow account, shall be made available to Landlord in such amounts as are necessary to cure Tenant's default. If at the time of such default by Tenant, either (a) Landlord is simultaneously in default beyond any applicable grace period under the Note and NML Mortgage or under any replacement mortgage loan and Lender has accelerated the balance due under its note, or (b) the Note is at maturity and Landlord is in default in its payment of the outstanding principal balance then due and owing, then the entire deposit, including all interest or other income then on deposit in the escrow account, shall be made available to Lender in reduction of the outstanding principal balance payable by Landlord to Lender. Tenant shall be entitled to withdraw from the escrow account, within thirty (30) days after June 30 of each year, an amount equal to the amount of income

(interest, dividends and the like) and the net gain (the aggregate of gains over losses) realized upon the investments held in the escrow account if, and only if, there is at the time of such withdrawal no default by Tenant in the payment of Fixed Rent or Additional Rent due under this Lease and the balance remaining in the escrow account is not less than $1,000,000. In the event NML at any time subsequent hereto consents to, or in the event replacement financing obtained from a lender other than NML permits the escrow account balance to be less than the escrow account balance presently required under the NML Mortgage and this Section 4.9. Tenant shall be permitted on the effective date of such consent or refinancing, to reduce the escrow account balance to such lesser amount, but in no event at any time shall the escrow account balance be less than $750,000.

All of the above terms shall be incorporated in an Escrow Agreement which shall be acceptable to Lender and which shall be substantially in the form of Exhibit F annexed hereto and which replaces the Exhibit F originally annexed to this Lease. In the event that the escrow account is, at some time subsequent hereto, not required by NML or is not required under the terms of replacement financing obtained from a lender other than NML, Tenant shall then be required to maintain a security deposit of $750,000, to be held by an escrow agent chosen by the Landlord and reasonably acceptable to Tenant pursuant to an Escrow Agreement, which shall be substantially the same as the form of Exhibit F annexed hereto, excepting that all provisions relating to or in favor of a Lender, which include, but may not be limited to, paragraphs 2, 6, and that portion of paragraph 7 relating to foreclosure, shall be removed from such Escrow Agreement.

6. A new Section 4.10 is hereby added to the Lease, to read in full as follows:

4.10 Within fifteen (15) days of the end of each Complete Lease Year or Partial Lease Year, as the case may be, Landlord shall deliver to Tenant a statement clearly itemizing Landlord's expenditures during such Complete Lease Year or Partial Lease Year to fulfill its obligations pursuant to Sections 6.2, 6.3, 9.1 and 10.1. The first $1,101,381.00 expended by Landlord to fulfill such obligations during any Complete Lease Year is referred to herein as the "Base Amount." (In the case of a Partial Lease Year, the Base Amount shall be reduced pro rata based on the number of days contained in such Partial Lease Year). If, during any Complete or Partial Lease Year, Landlord's expenditures to fulfill such obligations exceed the Base Amount, then Tenant shall pay Landlord, the amount by which such expenditures exceed the Base Amount as Additional Rent. Landlord may, at its option, either: (a) if the Landlord

has advanced funds to pay the expenditure, it may bill the amount that such expenditure is in excess of the Base Amount to Tenant, who shall pay Landlord such amount within fifteen (15) days after Landlord's giving of notice to Tenant of the amount to be paid by Tenant, or (b) if Landlord has not advanced the funds to pay the expenditure, it may: (i) bill the amount that such expenditure is in excess of the Base Amount to Tenant, who shall pay Landlord such amount as Additional Rent at least ten (10) days prior to the date when payment of the expenditure is due; or (ii) send the bill (or bills) for such excess expenditures directly to Tenant, who shall pay such bill (or bills) directly on or before the date when payment of such bill (or bills) is due. Landlord may bill Tenant monthly when Landlord has incurred obligations in excess of the Base Amount.

7. Section 6.4 of the Lease is hereby amended to read in full as follows.

6.4 Tenant's obligation to pay for a portion of the costs incurred by Landlord to fulfill Landlord's obligations under Sections 6.2 and 6.3 are set forth in Section 4.10.

8. The second sentence of Section 6.6 is hereby amended to read in full as follows:

Landlord, upon receipt of notice thereof from Tenant during the time periods specified herein, shall correct any such defect to the reasonable satisfaction of Tenant, and the cost of such repairs shall not be included in calculations of the amounts expended by Landlord pursuant to Section 4.10.

9. Section 8.4 of the Lease is hereby amended to read in full as follows:

8.4 Any of Tenant's property (excluding money, securities or like valuables) which shall remain in the Building in excess of thirty (30) days following an involuntary termination of this lease, or in excess of five (5) business days after the Expiration Date or the early termination of the Lease, may, at the option of Landlord, be deemed to have been abandoned and either may be retained by Landlord as its property or be disposed of, without accountability, in such manner as Landlord may deem appropriate, at Tenant's expense.

10. Section 9.1 of the Lease is hereby amended to read in full as follows:

9.1 Landlord shall be responsible for the payment of all Impositions subject, however, to Section 4.10.

11. Section 10.1 of the Lease is hereby amended to read in full as follows:

10.1 From and after the Commencement Date, Landlord shall pay when due all charges for water, sewer, gas, electricity, and fuel on or about the Demised Premises, subject, however, to Section 4.10.

12. The second sentence of Section 12.1 of the Lease is hereby amended to read in full as follows:

Tenant shall not be permitted to proceed with the proposed assignment or subletting until it receives Landlord's written confirmation, which confirmation shall not be unreasonably withheld or delayed, that conditions (a), (b) and (c), above have been met and until Tenant complies with all other requirements specified in this Article XII.

13. Section 31.2 of the Lease is hereby amended to read in full as follows:

31.2 Landlord shall attempt, with reasonable diligence, to obtain the best available interest rate and terms for a refinancing loan of such amounts, term and amortization schedule as Landlord shall choose. In the event that Landlord intends to accept a loan which requires interest payments at an annual rate of 13.875% or higher at any time during its first five (5) years, then Landlord shall serve Tenant with notice of Landlord's intention to obtain the loan. In such event, Tenant shall have the right for a period of sixty (60) days to find an institutional lender willing to make a substantially similar loan upon more favorable terms. If Tenant informs Landlord within the sixty (60)-day period of the availability of a more favorable loan, Landlord shall seek to obtain such loan, provided that the terms and conditions of the loan are reasonably satisfactory to Landlord. If Tenant is unable to find a more favorable loan, then Landlord may proceed to obtain the loan which it originally proposed.

14. Section 31.3 of the Lease is hereby amended to read in full as follows:

31.3 In the event the principal amount of any refinancing loan obtained by Landlord exceeds $10,000,000, and/or provides for payments which are based on an amortization less than a thirty (30)-year basis, then all calculations of Additional Rent made pursuant to Section 31.1 shall be appropriately adjusted as though the loan was for the sum of $10,000,000 with equal monthly payments of principal and interest being based on a 30-year amortization schedule.

15. This Amendment shall take effect only upon its execution by Landlord and Tenant, and upon obtaining the written consent of the superior mortgagee as required under Section 13.5.

16. Except as modified herein, all remaining terms and conditions of the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the date first above written.

SPG PARTNERS, a Wisconsin general partnership ("Landlord")

By: /s/ Lionel N. Sterling

Lionel N. Sterling,
General Partner

By: /s/ Robert B. Goergen

Robert B. Goergen,
General Partner

By: /s/ Thomas F. Pyle

Thomas F. Pyle,
General Partner

RAYOVAC CORPORATION, a Delaware corporation ("Tenant")

By: /s/ Thomas F. Pyle

Thomas F. Pyle,
Chairman and Chief Executive Officer

Attest: /s/ Marvin G. Siegert

Marvin G. Siegert
Vice President/Controller

STATE OF Wisconsin)
) ss.
COUNTY OF Dane)

Personally came before me this 23rd day of June , 1986, Lionel N. Sterling, Robert B. Goergen, and Thomas F. Pyle who acknowledge that they are all general partners of SPG Partners, a Wisconsin general partnership, who executed and acknowledged the above instrument on behalf of said partnership.

/s/ Marie L. Larson

Notary Public, State of WI
My commission: April 9, 1989

STATE OF Wisconsin)
) ss.
COUNTY OF Dane)

Personally came before me this 23rd day of June , 1986, Thomas F. Pyle and Marvin G. Siegert, known to me to be the Chairman and Chief Executive Officer and Vice President/Controller, respectively, of RAYOVAC Corporation, a Delaware corporation, who executed the above instrument and acknowledged the same on behalf of said corporation.

/s/ Marie L. Larson

Notary Public, State of WI
My commission: April 9, 1989

This instrument drafted by:

MICHAEL, BEST & FRIEDRICH
One South Pinckney Street
Post Office Box 1806
Madison, WI 53701-1806
(608) 257-3501

AMENDMENT TO BUILDING LEASE

THIS AMENDMENT TO BUILDING LEASE (the "Amendment") is entered into this 22nd day of February, 1996, by and between WELTON PROPERTIES, LLC ("Landlord") and RAYOVAC CORPORATION ("Tenant").

R E C I T A L S:

A. Madison Real Estate Properties ("MREP") and Tenant entered into a building lease dated March 31, 1988, covering certain real property located at 2115 Pinehurst Drive in the City of Middleton, Dane County, Wisconsin (the "Lease").

B. The landlord's interest in the Lease was transferred by MREP to Welton Partners Limited, a Wisconsin general partnership. Landlord has succeeded to the interest of Welton Partners Limited in and to the Lease.

C. Landlord and Tenant desire to amend the Lease in the accordance with the terms of this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant do hereby agree as follows:

1. Definitions. All terms that are capitalized but not defined in this Amendment and that are defined in the Lease shall have the meaning assigned to such terms by the Lease.

2. Construction of Addition. Tenant hereby exercises its Option to cause to be constructed an Addition to the Premises. The Addition shall be constructed by Landlord at its sole expense pursuant to the plans and specifications that are more particularly described on Exhibit A attached hereto and made a part hereof, and shall consist of approximately sixty thousand (60,000) square feet.

3. Calculation of Rent for Addition. The construction budget for the Addition is attached hereto as Exhibit B and made a part hereof. Landlord hereby guarantees to Tenant that the cost of the building set forth on Exhibit B is a guaranteed maximum price, subject to change only in accordance with change orders approved by Landlord and Tenant. Any excess in cost to the Landlord over the amount stated in Exhibit B (except as caused by approved change orders) shall not result in any increase of the Minimum Annual Rent. The list of soft costs and the landscaping allowance that are set forth on Exhibit B are subject to adjustment based upon the actual amount of such costs once construction is complete. To the extent that the costs set forth on Exhibit B for the following items:

(a) prepayment penalty;
(b) points--refinance;
(c) points--construction loan; or
(d) landscaping (allowance)

increase or decrease above or below the amounts set forth in the budget, such increases or decreases shall be passed through to Tenant in the form of a changed price, which shall result in a changed rent pursuant to the formula set forth in Exhibit C attached hereto and made a part hereof. For illustration, assuming that the cost of the Addition is equal to One Million Seven Hundred Seven Thousand Dollars ($1,707,000), then the amount of the Minimum Annual Rent for the Addition shall be equal to Two Hundred Three Thousand Five Hundred Fifty-Nine and 75/100 Dollars ($203,559.75).

5. Completion Date. Landlord agrees to substantially complete construction of the Addition on or before July 1, 1996. The Minimum Annual Rent for the Addition shall commence upon the earlier of the date on which the Addition is substantially complete, as certified by Landlord's architect, or upon the date that Tenant commences use of the Addition by moving freight into the same.

6. No Other Changes. Except as modified hereby, all terms and conditions of the Lease are hereby ratified and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

WELTON PROPERTIES, LLC

By: /s/ Kenneth R. Welton

Kenneth R. Welton, Member

RAYOVAC CORPORATION

By: /s/ Glynn M. Rossa

Name: Glynn M. Rossa
Title: Vice President & Treasurer

Statement Regarding Computation of
Ratio of Earnings to Fixed Charges

	For the years ended June 30,					Transition Period ended September 30, 1996	September 30, 1995
	1992	1993	1994	1995	1996		
	(in thousands, except ratio)						
Ratio of earnings to fixed charges							
Income (loss) before income taxes	$17,888	$24,055	$3,774	$22,655	$21,290	$ (28,178)	$2,108
Interest	14,026	5,848	7,624	8,541	8,382	2,821	2,379
Interest portion of rental expense	2,400	2,562	2,668	2,728	2,739	665	682
Amortization of debt expenses	78	108	101	103	53	1,609	34
Earnings	$34,392	$32,573	$14,167	$34,027	$32,464	$ (23,083)	$5,203
Fixed charges	$16,504	$ 8,518	$10,393	$11,372	$11,174	$ 5,095	$3,095
Ratio	2.1	3.8	1.4	3.0	2.9	-(1)	1.7

(1) Since the earnings during the Transition Period ended September 30, 1996, are inadequate to cover fixed charges by $28,178, such ratio is not included herein.

EXHIBIT 21.1

Subsidiaries

ROV Holding, Inc.
Ray-O-Vac Europe BV
Rayovac Far East Limited
Rayovac Canada, Inc.
Rayovac Europe Limited
Rayovac (UK) Limited
Wrenford Insurance Company Limited

[Coopers & Lybrand letterhead]

Consent of Independent Accountants

We hereby consent to the inclusion in this registration statement on form S-1 (File No. _____) of our report dated November 22, 1996, with respect to the combined consolidated financial statements and financial statement schedule of Rayovac Corporation and Subsidiaries. We also consent to the reference to our Firm under the caption "Experts".

Milwaukee, Wisconsin
December 11, 1996

Conformed Copy

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1
STATEMENT OF ELIGIBILITY UNDER THE TRUST
INDENTURE ACT OF 1939 OF A CORPORATION
DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2)

Marine Midland Bank
(Exact name of trustee as specified in its charter)

New York	16-1057879
(Jurisdiction of incorporation or organization if not a U.S. national bank)	(I.R.S. Employer Identification No.)
140 Broadway, New York, N.Y.	10005-1180
(212) 658-1000	(Zip Code)
(Address of principal executive offices)	

Eric Parets
Senior Vice President
Marine Midland Bank
140 Broadway
New York, New York 10005-1180
Tel: (212) 658-6560
(Name, address and telephone number of agent for service)

Rayovac Corporation
(Exact name of obligor as specified in its charter)

Wisconsin	22-2423556
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
601 Rayovac Drive	
Madison, Wisconsin	53711-2497
(608) 275-3340	(Zip Code)
(Address of principal executive offices)	

10 1/4% Series B Senior Subordinated Notes due 2006
(Title of Indenture Securities)

General

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervisory authority to which it is subject.

State of New York Banking Department.

Federal Deposit Insurance Corporation, Washington, D.C.

Board of Governors of the Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None

Item 16. List of Exhibits.

Exhibit			
T1A(i)	*	-	Copy of the Organization Certificate of Marine Midland Bank.
T1A(ii)	*	-	Certificate of the State of New York Banking Department dated December 31, 1993 as to the authority of Marine Midland Bank to commence business.
T1A(iii)		-	Not applicable.
T1A(iv)	*	-	Copy of the existing By-Laws of Marine Midland Bank as adopted on January 20, 1994.
T1A(v)		-	Not applicable.
T1A(vi)	*	-	Consent of Marine Midland Bank required by Section 321(b) of the Trust Indenture Act of 1939.
T1A(vii)		-	Copy of the latest report of condition of the trustee (September 30, 1996), published pursuant to law or the requirement of its supervisory or examining authority.
T1A(viii)		-	Not applicable.
T1A(ix)		-	Not applicable.

* Exhibits previously filed with the Securities and Exchange Commission with Registration No. 33-53693 and incorporated herein by reference thereto.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the Trustee, Marine Midland Bank, a banking corporation and trust company organized under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York on the 10th day of December 1996.

MARINE MIDLAND BANK

By: /s/ Frank J. Godino

Frank J. Godino
Assistant Vice President

Exhibit T1A (vii)

Board of Governors of the
Federal Reserve System
OMB Number: 7100-0036

Federal Deposit Insurance
Corporation
OMB Number: 3064-0052

Office of the Comptroller
of the Currency
OMB Number: 1557-0081

Federal Financial Institutions Examination Council Expires March 31, 1999

/1/

This financial information has not been reviewed, or confirmed for accuracy or relevance, by the Federal Reserve System.

Please refer to page i, Table of Contents, for the required disclosure of estimated burden.

Consolidated Reports of Condition and Income for
A Bank With Domestic and Foreign Offices--FFIEC 031

Report at the close of business September 30, 1996 (950630)
(RCRI 9999)

This report is required by law; 12 U.S.C. ss.324 (State member banks); 12 U.S.C. ss. 1817 (State nonmember banks); and 12 U.S.C. ss.161 (National banks).

This report form is to be filed by banks with branches and consolidated subsidiaries in U.S. territories and possessions, Edge or Agreement subsidiaries, foreign branches, consolidated foreign subsidiaries, or International Banking Facilities.

NOTE: The Reports of Condition and Income must be signed by an authorized officer and the Report of Condition must be attested to by not less than two directors (trustees) for State nonmember banks and three directors for State member and National Banks.

I, Gerald A. Ronning, Executive VP & Controller
Name and Title of Officer Authorized to Sign Report

of the named bank do hereby declare that these Reports of Condition and Income (including the supporting schedules) have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and believe.

/s/ Gerald A. Ronning
Signature of Officer Authorized to Sign Report

10/28/96
Date of Signature

The Reports of Condition and Income are to be prepared in accordance with Federal regulatory authority instructions. NOTE: These instructions may in some cases differ from generally accepted accounting principles.

We, the undersigned directors (trustees), attest to the correctness of this Report of Condition (including the supporting schedules) and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

/s/ James H. Cleave
Director (Trustee)

/s/ Bernard J. Kennedy
Director (Trustee)

/s/ Northrup R. Knox
Director (Trustee)

For Banks Submitting Hard Copy Report Forms:

State Member Bank: Return the original and one copy to the appropriate Federal Reserve District Bank.

State Nonmember Banks: Return the original only in the special return address envelope provided. If express mail is used in lieu of the special return address envelope, return the original only to the FDIC, c/o Quality Data Systems, 2127 Espey Court, Suite 204, Crofton, MD 21114.

National Banks: Return the original only in the special return address envelope provided. If express mail is used in lieu of the special return address envelope, return the original only to the FDIC, c/o Quality Data Systems, 2127 Espey Court, Suite 204, Crofton, MD 21114.

FDIC Certificate Number / 0 / 0 / 5 / 8 / 9 /

NOTICE

This form is intended to assist institutions with state publication requirements. It has not been approved by any state banking authorities. Refer to your appropriate state banking authorities for your state publication requirements.

REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the

Marine Midland Bank — Name of Bank
of Buffalo — City

in the state of New York, at the close of business September 30, 1996

ASSETS

		Thousands of dollars
Cash and balances due from depository institutions:		
Noninterest-bearing balances currency and coin		$924,069
Interest-bearing balances		1,269,750
Held-to-maturity securities		0
Available-for-sale securities		3,096,772
Federal Funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		785,600
Securities purchased under agreements to resell		306,969
Loans and lease financing receivables:		
Loans and leases net of unearned income	14,428,376	
LESS: Allowance for loan and lease losses	440,075	
LESS: Allocated transfer risk reserve	0	
Loans and lease, net of unearned income, allowance, and reserve		13,988,301
Trading assets		791,225
Premises and fixed assets (including capitalized leases)		180,892
Other real estate owned		5,104
Investments in unconsolidated subsidiaries and associated companies		0
Customers' liability to this bank on acceptances outstanding		19,791
Intangible assets		161,326
Other assets		459,739
Total assets		21,989,538

LIABILITIES		
Deposits:		
In domestic offices		14,736,857
Noninterest-bearing	3,198,971	
Interest-bearing	11,537,886	
In foreign offices, Edge, and Agreement subsidiaries, and IBFs		3,676,395
Noninterest-bearing	0	
Interest-bearing	3,676,395	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		385,430
Securities sold under agreements to repurchase		212,177
Demand notes issued to the U.S. Treasury		300,000
Trading Liabilities		293,523
Other borrowed money:		
With original maturity of one year or less		28,701
With original maturity of more than one year		0
Mortgage indebtedness and obligations under capitalized leases		33,613
Bank's liability on acceptances executed and outstanding		19,791
Subordinated notes and debentures		100,000
Other liabilities		305,078
Total liabilities		20,091,565
Limited-life preferred stock and related surplus		0
EQUITY CAPITAL		
Perpetual preferred stock and related surplus		0
Common Stock		185,000
Surplus		1,633,279
Undivided profits and capital reserves		77,442
Net unrealized holding gains (losses) on available-for-sale securities		2,252
Cumulative foreign currency translation adjustments		0
Total equity capital		1,897,973
Total liabilities, limited-life preferred stock, and equity capital		21,989,538

LETTER OF TRANSMITTAL
RAYOVAC CORPORATION
Offer for all Outstanding
10-1/4% Senior Subordinated Notes Due 2006
in exchange for
10-1/4% Series B Senior Subordinated Notes Due 2006
Pursuant to the Prospectus, dated []

- - ---

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON [], 1997 UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

- - ---

Delivery to:
Marine Midland Bank, Exchange Agent
By Mail or by Hand:
Marine Midland Bank
Corporate Trust Operations
140 Broadway-A Level
New York, New York 10005-1180
By Facsimile:
(212) 658-2292
Confirm Facsimile by Telephone:
(212) 658-5931

Delivery of these instructions to an address other than as set forth above, or transmission of instructions via facsimile other than as set forth above, will not constitute a valid delivery.

The undersigned acknowledges that he or she has received and reviewed the Prospectus dated [ ], 1997 (the "Prospectus") of Rayovac Corporation, a Wisconsin corporation (the "Company"), and this Letter of Transmittal (the "Letter"), which together constitute the Company's offer (the "Exchange Offer") to exchange an aggregate principal amount of up to $100,000,000 of 10-1/4% Series B Senior Subordinated Notes Due 2006 of the Company (the "New Notes") for a like principal amount of the issued and outstanding 10-1/4% Senior Subordinated Notes Due 2006 of the Company (the "Old Notes") from the holders thereof.

The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes or, if no interest has been paid on the Old Notes, from October 22, 1996. Accordingly, if the relevant record date for interest payment occurs after the consummation of the Exchange Offer, registered holders of New Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. If, however, the relevant record date for interest payment occurs prior to the consummation of the Exchange Offer, registered holders of Old Notes on such record date will receive interest accruing from the most recent date to which interest has been paid or, if no interest has been paid, from October 22, 1996. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer, except as set forth in the immediately preceding sentence. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment in respect of interest on such Old Notes otherwise payable on any interest payment date the record date for which occurs on or after consummation of the Exchange Offer. The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term "Expiration Date" shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension by means of a press release or other public announcement no later than 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Old Notes either if certificates are to be forwarded herewith or if a tender of certificates for Old Notes, if available, is to be made by book-entry transfer to the account maintained by the Exchange Agent at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in the Prospectus under "The Exchange Offer--Book-Entry Transfer." Holders of Old Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Notes into the Exchange Agent's account to the Book-Entry Transfer Facility (a "Book-Entry Confirmation") and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration date, must tender their Old Notes according to the guaranteed delivery procedures set forth in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures." See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Notes should be listed on a separate signed schedule affixed hereto.

- - ---

DESCRIPTION OF OLD NOTES	1	2	3
Name(s) and Address(es) of Registered Holder(s)	Certificate	Aggregate Principal Amount of	Principal Amount

(Please fill in, if blank)	Number(s)*	Old Note(s)	Tendered**
Total			

*Need not be completed if Old Notes are being tendered by book-entry transfer.
**Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Old Notes represented by the Old Notes indicated in column 2. See Instruction 2.

/ / CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:
Name of Tendering Institution _____

Account Number _____ Transaction Code Number _____

/ / CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:
Name(s) of Registered Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which Guaranteed Delivery _____

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number _____ Transaction Code Number _____

/ / CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any advance claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Old Notes nor any such other person has, or had at the commencement of the Exchange Offer, an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder of such Old Notes nor any such other person is an "affiliate" of the Company as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act").

The undersigned also acknowledges that this Exchange Offer is being made in reliance on an interpretation by the staff of the Securities and Exchange Commission (the "SEC") that the New Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such New Notes. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes, it represents that the Old Notes to be exchanged for New Notes were acquired for its own account as a result of market-making activities or other trading activities, and it acknowledges that it will deliver the Prospectus in connection with any resale of such New Notes; however, by so acknowledging and by delivering the Prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. The Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with any resale of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making

activities or other trading activities. The Company has agreed that, for a period of 90 days after the date of the Prospectus, it will make the Prospectus available to any broker-dealer for use in connection with any such resale.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer--Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions" below, please deliver the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" below, please send the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled "Description of Old Notes."

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

[box on left]

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be issued in the name of and sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.
Issue: New Notes and/or Old Notes to:

Name(s): _____
(Please Type or Print)

_____
(Please Type or Print)

Address: _____

_____
(Zip Code)

(Complete Substitute Form W-9)
/ / Credit unexchanged Old Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

_____
(Book-Entry Transfer Facility
Account Number, if applicable)

[end left box]

[box on right]

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter above or to such person or persons at an address other than shown in the box entitled "Description of Old Notes" on this Letter above.

Mail: New Notes and/or Old Notes to:

Name(s): _____
(Please Type or Print)

_____
(Please Type or Print)

Address: _____

_____
(Zip Code)

[end right box]

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

[start box]

PLEASE SIGN HERE
(TO BE COMPLETED BY ALL TENDERING HOLDERS)
(Complete Accompanying Substitute Form W-9)

Date: _____ _____, 1997

x _____ _____, 1997

x _____ _____, 1997
Signature(s) of Owner Date

Area Code and Telephone Number _____

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s): _____

_____
(Please Type or Print)

Capacity: _____

Address: _____

_____

(Including Zip Code)

SIGNATURE GUARANTEE
(If required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution: _____

(Authorized Signature)

_____

(Title)

_____

(Name and Firm)

Dated: _____, 1997

INSTRUCTIONS

Forming Part of the Terms and Conditions of the Exchange Offer for all Outstanding 10-1/4% Senior Subordinated Notes Due 2006 of Rayovac Corporation in Exchange for 10-1/4% Series B Senior Subordinated Notes Due 2006 of Rayovac Corporation

1. Delivery of this Letter and Notice, Guaranteed Delivery Procedures.

This Letter is to be completed by noteholders either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in the Prospectus under "The Exchange Offer--Book-Entry Transfer." Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile hereof) and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below.

Holders whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures." Pursuant to such procedures, (i) such tender must be made through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within five New York Stock Exchange ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, or a Book-Entry Confirmation, and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, are received by the Exchange Agent within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

The method of delivery of this Letter, the Old Notes and all other required documents is at the election and risk of the tendering holders, but the delivery will be deemed made only when actually received or confirmed by the Exchange Agent. If Old Notes are sent by mail, it is suggested that the mailing, return receipt requested, be made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See the Prospectus under "The Exchange Offer."

2. Partial Tenders (not applicable to holders who tender by book-entry transfer).

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount of Old Notes to be tendered in the box above entitled "Description of Old Notes--Principal Amount Tendered." A reissued certificate representing the balance of nontendered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. ALL of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures on this Letter; Bond Powers and Endorsements, Guarantee of Signatures.

If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, New Notes are to be issued, or any untendered Old Notes are to be released, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s), and signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a firm which is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution").

Signatures on this Letter need not be guaranteed by an Eligible Institution, provided the Old Notes are tendered: (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Old Notes) tendered who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on this Letter or (ii) for the account of an Eligible Institution.

4. Special Issuance and Delivery Instructions.

Tendering holders of Old Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such holder may designate herein. If no such instructions are given, such Old Notes not exchanged will be returned to the name or address of the person signing this Letter.

5. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If however, New Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 5, it will not be necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter.

6. Waiver of Conditions.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

7. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Neither the Company, the Exchange Agent nor any other person is obligated to give notice of any defect or irregularity with respect to any tender of Old Notes nor shall any of them incur any liability for failure to give any such notice.

8. Mutilated, Lost, Stolen or Destroyed Old Notes.

Any holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter, may be directed to the Exchange Agent at the address and telephone number indicated above.

GUIDELINES OF CERTIFICATE OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00- 0000000. The table below will help determine the number to give the payer.

For this type of account:	Give the SOCIAL SECURITY number of--
1. An individual's account	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, the first individual on the account(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)

For this type of account:	Give the EMPLOYER IDENTIFICATION number of--
9. A valid trust, estate, or pension trust	Legal entity(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee
15. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show your individual name. You may also enter your business name. You may use your SSN or EIN.

(5) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

Name

If you are an individual, you must generally provide the name shown on your social security card. However, if you have changed your last name, for instance, due to marriage, without informing the Social Security Administration of the name change, please enter your first name, the last name shown on your social security card, and your new last name.

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on ALL payments including the following:
A corporation.

- A financial institution.

- An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under section 403(b)(7).

- The United States or any agency or instrumentality thereof.

- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.

- A foreign government, a political subdivision of a foreign government, or agency or instrumentality thereof.

- An international organization or any agency, or instrumentality thereof.

- A registered dealer in securities or commodities registered in the U.S. or a possession of the U.S.

- A real estate investment trust.

- A common trust fund operated by a bank under section 584(a).

- A trust exempt under section 664, or a non-exempt trust described in section 4947(a)(1).

An entity registered at all times under the Investment Company Act of 1940.

- A foreign central bank of issue.

- Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under Section 1441.

- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.

- Payments of patronage dividends where the amount received is not paid in money.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

- Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.

Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payor's trade or business and you have not provided your correct taxpayer identification number to the payor.

- Payments of tax-exempt interest (including exempt interest dividends under section 852).

- Payment described in section 6049(b)(5) to nonresident aliens.

- Payments on tax-free covenant bonds under section 1451.

- Payments made by certain foreign organizations.

- Mortgage interest paid by you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER, IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE

DIVIDENDS. ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A(a), 6045, and 6050A and the regulations thereunder.

Privacy Act Notice--

Section 6109 requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payors must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Penalty for Failure to Furnish Taxpayer Identification Number--If you fail to furnish your taxpayer identification number to a payor, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) Civil Penalty for False Information With Respect to Withholding--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a $500 penalty.

(3) Criminal Penalty for Falsifying Information--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

NOTICE OF GUARANTEED DELIVERY FOR
RAYOVAC CORPORATION

This form or one substantially equivalent hereto must be used to accept the Exchange Offer of Rayovac Corporation (the "Company") made pursuant to the Prospectus, dated [ ], 1997 (the "Prospectus"), if certificates for Old Notes of the Company are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 5:00 P.M., New York City time, on the Expiration Date of the Exchange Offer. Such form may be delivered or transmitted by telegram, telex, facsimile transmission, mail or hand delivery to Marine Midland Bank (the "Exchange Agent") as set forth below. In addition, in order to utilize the guaranteed delivery procedures to tender Old Notes pursuant to the Exchange Offer, a completed, signed and dated Letter of Transmittal (or facsimile thereof) must also be received by the Exchange Agent prior to 5:00 P.M., New York City time, on the Expiration Date. Capitalized terms not defined herein are defined in the Prospectus.

Delivery to:
Marine Midland Bank, Exchange Agent

By Mail or by Hand:
Marine Midland Bank
Corporate Trust Operations
140 Broadway-A Level
New York, New York 10005-1180

By Facsimile:
(212) 658-2292
Confirm Facsimile by Telephone:
(212) 658-5931

Delivery of this instrument to an address other than as set forth above, or transmission of instruments via facsimile other than as set forth above, will not constitute a valid delivery.

Ladies and Gentlemen:

Upon the terms and conditions set forth in the Prospectus and the accompanying Letter of Transmittal, the undersigned hereby tenders to the Company the principal amount at maturity of Old Notes set forth below, pursuant to the guaranteed delivery procedure described in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures.". By so tendering, the undersigned hereby does make, at and as of the date hereof, the representations and warranties of a tendering holder of Old Notes set forth in the Letter of Transmittal.

Principal Amount of Old Notes Tendered:

$_____

Certificate Nos. (if available):

_____

If Old Notes will be delivered by book-entry transfer to The Depository Trust Company, provide account number.

Total Principal Amount Represented by Old Notes Certificate(s):

$_____

Account Number _____

- - ---

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

- - ---

PLEASE SIGN HERE

X _____ _____

X _____ _____
Signatures of Owner(s) or Authorized Signatory — Date

Area Code and Telephone Number _____

Must be signed by the holder(s) of Old Notes as their name(s) appear(s) on certificates for Old Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below.

Please print name(s) and address(es)

Name(s): _____

_____

_____

Capacity: _____

Address(es): _____

_____

_____

GUARANTEE

The undersigned, a member of a registered national securities exchange, or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States, hereby guarantees that the certificates representing the principal amount of Old Notes tendered hereby in proper form for transfer, or timely confirmation of the book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company pursuant to the procedures set forth in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures," together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) with any required signature guarantee and any other documents required by the Letter of Transmittal, will be received by the Exchange Agent at the address set forth above, no later than five New York Stock Exchange trading days after the date of execution hereof.

_____ _____

Name of Firm Authorized Signature

_____ _____

Address Title

_____ Name _____

Zip Code (Please Type or Print)

Area Code and Tel. No. _____ Dated: _____

NOTE: DO NOT SEND CERTIFICATES FOR OLD NOTES WITH THIS FORM. CERTIFICATES FOR OLD NOTES SHOULD ONLY BE SENT WITH YOUR LETTER OF TRANSMITTAL.

RAYOVAC CORPORATION

Offer for all Outstanding

10-1/4% Senior Subordinated Notes Due 2006

in Exchange for

10-1/4% Series B Senior Subordinated Notes Due 2006

To: Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees

Rayovac Corporation (the "Company") is offering, upon and subject to the terms and conditions set forth in the Prospectus, dated [ ], 1997 (the "Prospectus"), and the enclosed Letter of Transmittal (the "Letter of Transmittal"), to exchange (the "Exchange Offer") its 10-1/4% Series B Senior Subordinated Notes Due 2006 for its outstanding 10-1/4% Senior Subordinated Notes Due 2006 (the "Old Notes"). The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated as of October 17, 1996, among the Company and the other signatories thereto.

We are requesting that you contact your clients for whom you hold Old Notes regarding the Exchange Offer. For your information and for forwarding to your clients for whom you hold Old Notes registered in your name or in the name of your nominee, or who hold Old Notes registered in their own names, we are enclosing the following documents:

1. The Prospectus;

2. The Letter of Transmittal for your use and for the information of your clients;

3. A Notice of Guaranteed Delivery to be used to accept the Exchange Offer if certificates for Old Notes are not immediately available or time will not permit all required documents to reach the Exchange Agent prior to the Expiration Date (as defined below) or if the procedure for book-entry transfer cannot be completed on a timely basis;

4. A form of letter which may be sent to your clients for whose account you hold Old Notes registered in your name or the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Exchange Offer;

5. Guidelines for Certificates of Taxpayer Identification Number on Substitute Form W-9; and

6. Return envelopes addressed to Marine Midland Bank, the Exchange Agent for the Old Notes.

Your prompt action is requested. The Exchange offer will expire at 5:00 p.m., New York City time, on [], 1997 unless extended by the Company (the "Expiration Date"). The Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

To participate in the Exchange Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, together with certificates representing the Old Notes, should be sent or delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

If holders of Old Notes wish to tender, but it is impracticable for them to forward their certificates for Old Notes prior to the expiration of the Exchange Offer or to comply with the book-entry transfer procedures on a timely basis, a tender may be offered by following the guaranteed delivery procedure described in the Prospectus under "The Exchange Offer--Guaranteed Delivery Procedures."

The Company will, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the Prospectus and the related documents to the beneficial owners of Old Notes held by them as nominee or in a fiduciary capacity. The Company will pay or cause to be paid transfer taxes applicable to the exchange of Old Notes pursuant to the Exchange Offer, except as set forth in Instruction 5 of the Letter of Transmittal.

Any inquiries you may have with respect to the Exchange Offer, or requests for additional copies of the enclosed materials, should be directed to Marine Midland Bank, the Exchange Agent for the Old Notes, at its address and telephone number set forth on the front of the Letter of Transmittal.

Very truly yours,

Rayovac Corporation

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE COMPANY OR THE EXCHANGE AGENT OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE EXCHANGE OFFER, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL.

RAYOVAC CORPORATION

Offer for all Outstanding

10-1/4% Senior Subordinated Notes Due 2006

in Exchange for

10-1/4% Series B Senior Subordinated Notes Due 2006

To Our Clients:

Enclosed for your consideration is a Prospectus, dated [ ], 1997 (the "Prospectus"), and the related Letter of Transmittal (the "Letter of Transmittal"), relating to the offer (the "Exchange Offer") of Rayovac Corporation (the "Company") to exchange its 10-1/4% Series B Senior Subordinated Notes Due 2006 (the "New Notes") for its outstanding 10-1/4% Senior Subordinated Notes Due 2006 (the "Old Notes"), upon the terms and subject to the conditions described in the Prospectus. The Exchange Offer is being made in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement dated as of October 17, 1996, among the Company and the other signatories thereto.

This material is being forwarded to you as the beneficial owner of the Old Notes carried by us in your account but not registered in your name. A tender of such Old Notes may only be made by us as the holder of record and pursuant to your instructions.

Accordingly, we request instructions as to whether you wish us to tender on your behalf the Old Notes held by us for your account pursuant to the terms and conditions set forth in the enclosed Prospectus and Letter of Transmittal.

Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Old Notes on your behalf in accordance with the provisions of the Exchange Offer. The Exchange Offer will expire at 5:00 p.m., New York City time, on [], unless extended by the Company. Any Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time before the Expiration Date.

Your attention is directed to the following:

1. The Exchange Offer is for any and all Old Notes.

2. The Exchange Offer is subject to certain conditions set forth in the Prospectus under "The Exchange Offer--Certain Conditions to the Exchange Offer."

3. Any transfer taxes incident to the transfer of Old Notes from the holder to the Company will be paid by the Company, except as otherwise provided in the Instructions in the Letter of Transmittal.

4. The Exchange Offer expires at 5:00 p.m., New York City time, on [], unless extended by the Company.

If you wish to have us tender your Old Notes, please so instruct us by completing, executing and returning to us the instruction form on the back of this letter. The Letter of Transmittal is furnished to you for information only and may not be used directly by you to tender Old Notes.

INSTRUCTIONS WITH RESPECT TO
THE EXCHANGE OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed material referred to therein relating to the Exchange Offer made by RAYOVAC CORPORATION with respect to its Old Notes.

This will instruct you to tender the Old Notes held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Prospectus and the related Letter of Transmittal.

Please tender the Old Notes held by you for my account at indicated below:

Aggregate Principal Amount of Old Notes

Dated: ----------, 1997. ---

Signature(s)

Please print name(s) here

Address(es)

Area Code and Telephone Number

Tax Identification or Social Security No(s).

None of the Old Notes held by us for your account will be tendered unless

we receive written instructions from you to do so. Unless a specific contrary instruction is given in the space provided, your signature(s) hereon shall constitute an instruction to us to tender all the Old Notes held by us for your account.

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

12-MOS
JUN-30-1992
JUL-01-1991
JUN-30-1992
1.00
3,497
0
42,089
681
44,405
97,705
82,441
33,119
156,047
80,709
50,231
0
0
505
25,109
156,047
332,156
332,156
0
192,053
106,963
1,148
14,104
17,888
5,786
12,102
0
0
6,651
5,451
0.11
0.00

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

12-MOS
JUN-30-1993
JUL-01-1992
JUN-30-1993
1.00
2,806
0
42,384
829
55,341
108,827
108,331
38,230
189,048
77,488
74,082
0
0
505
36,200
189,048
353,443
353,443
0
201,409
120,932
1,091
5,956
24,055
9,016
15,039
0
0
0
15,039
0.30
0.00

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

12-MOS
JUN-30-1994
JUL-01-1993
JUN-30-1994
1.00
2,530
0
50,993
831
74,544
139,044
119,492
47,356
222,436
75,448
108,978
0
0
505
37,417
222,436
386,176
386,176
0
234,870
139,403
404
7,725
3,774
(582)
4,356
0
0
0
4,356
0.09
0.00

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

12-MOS
JUN-30-1995
JUL-01-1994
JUN-30-1995
1.00
2,645
0
53,400
702
65,540
132,202
135,046
57,083
220,590
76,320
88,293
0
0
505
53,082
220,590
390,988
390,988
0
237,126
121,849
714
8,644
22,655
6,247
16,408
0
0
0
16,408
0.33
0.00

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

12-MOS
JUN-30-1996
JUL-01-1995
JUN-30-1996
1.00
2,190
0
58,938
786
66,941
138,119
140,427
66,489
221,885
75,656
81,349
0
0
505
61,119
221,885
399,384
399,384
0
239,343
129,771
545
8,435
21,290
7,002
14,288
0
0
0
14,288
0.29
0.00

5
0001028985
RAYOVAC CORPORATION
1
U.S. DOLLARS

3-MOS
SEP-30-1996
JUL-01-1996
SEP-30-1996
1.00
4,255
0
67,198
722
70,121
155,674
143,181
73,784
245,248
92,479
233,663
0
0
500
(86,220)
245,248
94,981
94,981
0
59,242
59,340
147
4,430
(28,178)
(8,904)
(19,274)
0
(1,647)
0
(20,921)
(0.48)
0.00