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

FORM 10Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 29, 1997

OR

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

For the transition period from _____ to _____

Commission File Number 333-17895

Rayovac Corporation
(Exact name of registrant as specified in its charter)

Wisconsin	22-2423556
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

601 Rayovac Drive, Madison, Wisconsin 53711
(Address of principal executive offices) (Zip Code)

(608) 275-3340
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes (X) No ( )

The number of shares outstanding of the Registrant's common stock, $.01 par value, as of August 12, 1997, the most recent practicable date, was 20,581,431.

Item 1. Financial Statements

RAYOVAC CORPORATION
Condensed Consolidated Balance Sheets
As of June 29, 1997 and September 30, 1996
(In thousands, except per share amounts)

-ASSETS-

	June 28, 1997 (Unaudited)	September 30, 1996 (Audited)
Current assets:		
Cash and cash equivalents	$4,756	$4,255
Receivables	66,293	66,476
Inventories	52,116	70,121
Prepaid expenses and other	12,975	14,822
Total current assets	136,140	155,674
Property, plant and equipment, net	64,407	69,397

Deferred charges and other	17,493	20,177
Total assets	$218,040	$245,248
-LIABILITIES AND SHAREHOLDER'S DEFICIT-		
Current liabilities:		
Current maturities of long-term debt	$8,806	$8,818
Accounts payable	37,839	46,921
Accrued liabilities:		
Wages, benefits and other	33,294	21,798
Recapitalization and other special charges	5,744	14,942
Total current liabilities	85,683	92,479
Long-term debt, net of current maturities	197,809	224,845
Employee benefit obligations, net of current portion	14,268	12,138
Other	1,497	1,506
Shareholders' deficit		
Common stock, $.01 par value, authorized 90,000 shares; issued 50,000 shares; outstanding 20,581 shares and 20,470 shares, respectively	500	500
Additional paid-in capital	15,974	15,970
Foreign currency translation adjustment	2,608	1,689
Note receivable officer/shareholder	(715)	(500)
Retained earnings	28,455	25,143
	46,822	42,802
Less treasury stock, at cost, 29,419 shares and 29,530 shares, respectively	(128,039)	(128,522)
Total shareholders' deficit	(81,217)	(85,720)
Total liabilities and shareholders' deficit	$218,040	$245,248

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

RAYOVAC CORPORATION
Condensed Consolidated Statements of Operations
For the three month and nine month periods ended June 29, 1997 and June 29, 1996
(Unaudited)
(In thousands, except per share amounts)

	THREE MONTHS		NINE MONTHS	
	1997	1996	1997	1996
Net sales	$89,007	$91,882	$299,151	$298,758
Cost of goods sold	52,217	55,236	178,359	178,615
Gross profit	36,790	36,646	120,792	120,143
Selling	19,378	19,165	65,240	69,339
General and administrative	7,332	7,582	22,599	24,388
Research and development	1,351	1,432	4,781	4,081
Other special charges	226	-	4,940	-
Total operating expenses	28,287	28,179	97,560	97,808
Income from operations	8,503	8,467	23,232	22,335
Other expense:				
Interest expense	5,438	1,911	18,884	6,023
Other expense (income)	(107)	115	207	514
	5,331	2,026	19,091	6,537
Income before income taxes	3,172	6,441	4,141	15,798
Income tax expense	520	2,080	829	5,068
Net income	$2,652	$4,361	$3,312	$10,730
Net income per share	$0.13	$0.09	$0.16	$0.22
Weighted average shares of common stock outstanding	20,581	49,500	20,513	49,524

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

RAYOVAC CORPORATION
Condensed Consolidated Statements of Cash Flows
For the nine month periods ended June 29, 1997 and June 29, 1996
(Unaudited)
(In thousands, except per share amounts)

	NINE MONTHS	
	1997	1996
Cash flows from operating activities:		
Net income	$3,312	$10,730
Non-cash adjustments to net income:		
Amortization	3,171	40
Depreciation	8,678	8,744
Net changes in other assets and liabilities	17,465	8,658
Net cash provided by operating activities	32,626	28,172
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,074)	(7,151)
Other	(165)	298
Net cash used in investing activities	(5,239)	(6,853)
Cash flows from financing activities:		
Reduction of debt	(140,624)	(87,778)
Proceeds from debt financing	113,573	70,350
Distribution from Rayovac International Corporation, a domestic international sales company	--	(3,587)
Other	161	(533)
Net cash used in financing activities	(26,890)	(21,548)
Effect of exchange rate changes on cash and cash equivalents	4	(12)
Net increase (decrease) in cash and cash equivalents	501	(241)
Cash and cash equivalents, beginning of period	4,255	2,431
Cash and cash equivalents, end of period	$4,756	$2,190

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

RAYOVAC CORPORATION
Notes to Condensed Consolidated Financial Statements (Unaudited)

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These financial statements have been prepared by Rayovac Corporation (the "Company"), without audit, 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 of the Company at June 29, 1997, results of operations for the three month and nine month periods ended June 29, 1997, and June 29, 1996, and cash flows for the nine month periods ended June 29, 1997, and June 29, 1996. 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.

The condensed consolidated balance sheet at September 30, 1996, has been derived from the annual audited financial statements. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto as of September 30, 1996, and interim financial statements filed.

Derivative Financial Instruments: Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures.

The Company uses interest rate swaps to manage its interest rate risk. The net amounts to be paid or received under interest rate swap agreements designated as hedges are accrued as interest rates change and are recognized over the life of the swap agreements, as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the counter-parties are included in accrued liabilities or accounts receivable.

The Company enters into forward foreign exchange contracts relating to the anticipated settlement in local currencies of intercompany purchases and sales. The contracts are marked to market, and the related adjustment is recognized in other (income) expense. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

The Company is exposed to risk from fluctuating prices for commodities used in the manufacturing process. The Company hedges some of this risk through the use of commodity calls and puts. The Company is buying calls, which allow the Company to purchase a specified quantity of zinc through a specified date for a fixed price, and writing puts, which allow the buyer to sell to the Company a specified quantity of zinc through a specified date at a fixed price. The maturity of, and the quantities covered by, the contracts highly correlate to the Company's anticipated purchases of the commodity. The cost of the calls, and the premiums received from the puts, are amortized over the life of the agreements and are recorded in cost of goods sold, along with the effect of the put and call agreements.

2 INVENTORIES

Inventories consist of the following (in thousands):

	June 29,1997	Sept. 30, 1996
Raw material	$16,735	$21,325
Work-in-process	16,627	19,622
Finished goods	18,754	29,174
	$52,116	$70,121

3 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 $2,539,000 related to this equipment, $345,000 for other tooling at unspecified dates in the future, and $200,000 of manganese ore 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 $1.7 million, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity or cash flows of the Company.

4 OTHER SPECIAL CHARGES

During the previous quarter, the Company recorded a pre-tax charge of $1,751,000 related to the closing of certain manufacturing and distribution operations. The charge includes severance, out-placement services, other employee benefits and the reduction in carrying value of certain equipment. Additional expenses of $226,000 related to these closings were recognized in the current quarter.

5 SUBSEQUENT EVENTS

On August 1, 1997, the Company issued 340,819 shares of Common Stock, $0.01 par value for $6.01 per share, to certain members of management pursuant to the exercise of option granted under the 1997 Stock Option Plan. In addition, on the same date, the Company funded a rabbi trust under its Deferred Compensation Plan with an aggregate of 160,049 shares of the $0.01 par value Common Stock. The proceeds of the exercise of the options were used to redeem a like number of shares from existing shareholders at $6.01 per share.

6 GUARANTOR SUBSIDIARY

The following condensed consolidating financial data illustrate the composition of the consolidated financial statements. Investments in subsidiaries are accounted for by the Company 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 inter-company 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.

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
As of June 29, 1997
(Unaudited)
(In thousands)

-ASSETS-					
Current assets:					
Cash and cash equivalents	$4,111	$49	$596	$ --	$4,756
Receivables	56,874	501	16,324	(7,406)	66,293
Inventories	40,704	--	12,360	(948)	52,116
Prepaid expenses and other	11,373	179	1,423	--	12,975
Total current assets	113,062	729	30,703	(8,354)	136,140
Property, plant and equipment, net	59,423	--	4,984	--	64,407
Deferred charges and other	18,182	--	643	(1,332)	17,493
Investment in subsidiaries	15,140	14,785	--	(29,925)	--
Total assets	$205,807	$15,514	$36,330	$(39,611)	$218,040
-LIABILITIES AND SHAREHOLDERS' DEFICIT-					
Current liabilities:					
Current maturities of long-term debt	$5,500	$ --	$3,306	$ --	$8,806
Accounts payable	32,139	163	12,877	(7,340)	37,839
Accrued liabilities:					
Wages, benefits and other	29,392	5	4,550	(653)	33,294
Recapitalization and other special charges	5,491	--	253	--	5,744
Total current liabilities	72,522	168	20,986	(7,993)	85,683
Long-term debt, net of current maturities	197,250	--	559	--	197,809
Employee benefit obligations, net of current portion	14,268	--	--	--	14,268
Other	1,291	206	--	--	1,497
Shareholders' deficit:					
Common stock	500	--	12,072	(12,072)	500
Additional paid-in capital	15,974	3,525	750	(4,275)	15,974
Foreign currency translation adjustment	2,608	2,608	2,608	(5,216)	2,608
Note receivable officer/shareholder	(715)	--	--	--	(715)
Retained earnings	30,148	9,007	(645)	(10,055)	28,455
Less treasury stock	(128,039)	--	--	--	(128,039)
Total shareholders' deficit	(79,524)	15,140	14,785	(31,618)	(81,217)
Total liabilities and shareholders' deficit	$205,807	$15,514	$36,330	$(39,611)	$218,040

RAYOVAC CORPORATION
Condensed Consolidated Statements of Operations
For the three-month period ended June 29, 1997
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$79,017	$ --	$17,190	$(7,200)	$89,007
Cost of goods sold	47,745	--	11,676	(7,204)	52,217
Gross profit	31,272	--	5,514	4	36,790
Selling	16,178	--	3,200	--	19,378
General and administrative	6,279	(188)	1,770	(529)	7,332
Research and development	1,351	--	--	--	1,351
Other special charges	226	--	--	--	226
Total operating expenses	24,034	(188)	4,970	(529)	28,287
Income from operations	7,238	188	544	533	8,503
Other expense:					
Interest expense	5,345	--	93	--	5,438
Equity in profit of subsidiary	(638)	(507)	--	1,145	--
Other expense	(124)	(14)	31	--	(107)
	4,583	(521)	124	1,145	5,331
Income before income taxes	2,655	709	420	(612)	3,172
Income taxes	536	71	(87)	--	520
Net income	$2,119	$638	$507	$(612)	$2,652

RAYOVAC CORPORATION
Condensed Consolidated Statements of Operations
For the nine-month period ended June 29, 1997
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$260,666	$ --	$58,246	$(19,761)	$299,151
Cost of goods sold	158,306	--	39,827	(19,774)	178,359
Gross profit	102,360	--	18,419	13	120,792
Selling	55,302	--	9,938	--	65,240
General and administrative	18,320	(595)	3,528	1,346	22,599
Research and development	4,781	--	--	--	4,781
Other special charges	3,477	--	1,463	--	4,940
Total operating expenses	81,880	(595)	14,929	1,346	97,560
Income from operations	20,480	595	3,490	(1,333)	23,232
Other expense:					
Interest expense	18,484	--	400	--	18,884
Equity in profit of subsidiary	(2,166)	(1,768)	--	3,934	--
Other expense	(651)	(17)	875	--	207
	15,667	(1,785)	1,275	3,934	19,091
Income before income taxes	4,813	2,380	2,215	(5,267)	4,141
Income taxes	821	214	447	(653)	829
Net income	$3,992	$2,166	$1,768	$(4,614)	$3,312

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the nine-month period ended June 29, 1997
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided by operating activities	$31,134	$(8)	$1,500	$ --	$32,626
Cash flows from investing activities:					
Purchases of property, plant and equipment	(4,585)	--	(489)	--	(5,074)
Other	(165)	--	--	--	(165)
Net cash used in investing activities	(4,750)	--	(489)	--	(5,239)
Cash flows from financing activities:					
Reduction of debt	(134,639)	--	(5,985)	--	(140,624)
Proceeds from debt financing	108,900	--	4,673	--	113,573
Other	483	--	(322)	--	161
Net cash used in financing activities	(25,256)	--	(1,634)	--	(26,890)
Effect of exchange rate changes on cash and cash equivalents	--	--	4	--	4
Net increase (decrease) in cash and cash equivalents	1,128	(8)	(619)	--	501
Cash and cash equivalents, beginning of period	2,983	57	1,215	--	4,255
Cash and cash equivalents, end of period	$4,111	$49	$596	$ --	$4,756

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

Fiscal Quarter and Nine Months Ended June 29, 1997 Compared to
Fiscal Quarter and Nine Months Ended June 29, 1996

Management's Discussion and Analysis of Financial Condition and Results of Operations, with the exception of historical matters, contains forward-looking statements (such as statements including the terms "believe," "expect," "anticipate," and similar concepts) which involve risks and uncertainties. Actual results may differ materially from these statements as a result of various factors, including those discussed herein.

Net Sales. The net sales of Rayovac Corporation (the "Company") were $89.0 million in the fiscal quarter ended June 29, 1997, (the "1997 Fiscal Quarter"), a decrease of $2.9 million, or 3.2%, from approximately $91.9 million in the fiscal quarter ended June 29, 1996 (the "1996 Fiscal Quarter"), primarily due to decreased sales of general battery products.

For the nine months ended June 29, 1997, net sales were approximately $299.2 million, an increase of $0.4 million, or 0.1%, from approximately $298.8 million for the nine months ended June 29, 1996. Decreases in sales of general battery products were offset by increased sales of battery powered lighting devices and specialty battery products.

Gross Profit. Gross profit increased $0.2 million, or 0.5%, to approximately $36.8 million in the 1997 Fiscal Quarter, from approximately $36.6 million in the 1996 Fiscal Quarter, primarily as a result of increased sales of hearing aid batteries and a favorable effect on margins from a May price increase on the alkaline segment of general battery products. Gross profit increased as a percentage of net sales to 41.3% in the 1997 Fiscal Quarter from 39.9% in the 1996 Fiscal Quarter.

For the nine months ended June 29, 1997, gross profit increased approximately $0.7 million, or 0.6%, to approximately $120.8 million from approximately $120.1 million for the nine months ended June 29, 1996. Gross profit increased as a percentage of net sales to 40.4% in the nine months ended 1997 from 40.2% in the nine months ended 1996, primarily due to improved margins on general battery products.

Selling Expense. Selling expense increased $0.2 million, or 1.0%, to approximately $19.4 million in the 1997 Fiscal Quarter from approximately $19.2 million in the 1996 Fiscal Quarter. Selling expense increased as a percent of net sales to 21.8% in the 1997 Fiscal Quarter from 20.9% in the 1996 Fiscal Quarter.

For the nine months ended June 29, 1997, selling expense decreased $4.1 million, or 5.9%, to approximately $65.2 million from approximately $69.3 million for the nine months ended June 29, 1996, due primarily to decreased advertising expense partially offset by increased marketing expense. Selling expense decreased as a percentage of net sales to 21.8% in the nine months ended 1997 from 23.2% in the nine months ended 1996.

General and Administrative Expense.General and administrative expense decreased $0.3 million, or 3.9%, to approximately $7.3 million in the 1997 Fiscal Quarter from approximately $7.6 million in the 1996 Fiscal Quarter, primarily due to a gain on the sale of excess manufacturing equipment in the 1997 Fiscal Quarter.

For the nine months ended June 29, 1997, general and administrative expense decreased $1.8 million, or 7.4%, to approximately $22.6 million from approximately $24.4 million for the nine months ended June 29, 1996. This decrease occurred primarily as a result of the settlement of a lawsuit for which the Company had accrued approximately $0.8 million in 1996 and as a result of the equipment sale mentioned above.

Research and Development Expense. Research and development expense was approximately $1.4 million in the 1997 Fiscal Quarter approximately equal to the 1996 Fiscal Quarter. For the nine months ended June 29, 1997, research and development expense increased $0.7 million, or 17.1%, to approximately $4.8 million from approximately $4.1 million for the nine months ended June 29, 1996. This increase was primarily a result of the assignment of increased development resources to the development of an on-the-label battery tester which management has now decided to discontinue.

Other Special Charges. In the 1997 Fiscal Quarter the Company recorded additional charges of approximately $0.2 million in connection with the discontinuation of certain manufacturing and distribution operations at its North Carolina facility. For the nine months ended June 29, 1997, the Company recorded charges of approximately $4.9 million for organizational restructuring in the United States, the discontinuation of certain manufacturing operations in the United Kingdom, and the discontinuation of operations in North Carolina.

Income from Operations. Income from operations was approximately $8.5 million in the 1997 Fiscal Quarter, approximately equal to the 1996 Fiscal Quarter.

For the nine months ended June 29, 1997, income from operations increased $0.9 million, or 4.0%, to approximately $23.2 million from approximately $22.3 million for the nine months ended June 29, 1996. The Company's increased

gross profit and lower operating expenses were partially offset by the special charges discussed under other special charges above.

Interest Expense. Interest expense in the 1997 Fiscal Quarter increased $3.5 million to approximately $5.4 million from approximately $1.9 million in the 1996 Fiscal Quarter as a result of increased indebtedness incurred in connection with the recapitalization of the Company.

For the nine months ended June 29, 1997, interest expense increased $12.9 million to approximately $18.9 million from approximately $6.0 million for the nine months ended June 29, 1996, due primarily to increased indebtedness associated with the recapitalization and a write-off of $2.0 million of unamortized debt issuance costs related to the senior subordinated increasing rate notes of the Company issued in September 1996 (the "Bridge Notes").

Income before Income Taxes. Income before income taxes decreased $3.2 million, or 50.0%, to approximately $3.2 million in the 1997 Fiscal Quarter from approximately $6.4 million in the 1996 Fiscal Quarter primarily as a result of the increased interest expense discussed above.

For the nine months ended June 29, 1997, income before income taxes decreased $11.7 million to approximately $4.1 million from approximately $15.8 million for the nine months ended June 29, 1996. Higher interest expense and special charges were partially offset by increased income from operations.

Net Income. Net income for the 1997 Fiscal Quarter decreased $1.7 million, or 38.6%, to approximately $2.7 million from approximately $4.4 million in the 1996 Fiscal Quarter while net income per share increased 4 cents per share to 13 cents per share. The Company's effective tax rate for the 1997 Fiscal Quarter was 16.4% compared to 32.3% for the 1996 Fiscal Quarter due primarily to an adjustment to the tax provision related to the 1996 tax return.

For the nine months ended June 29, 1997, net income decreased $7.4 million to approximately $3.3 million, or 16 cents per share, from approximately $10.7 million, or 22 cents per share, for the nine months ended June 29, 1996, primarily as a result of increased interest expense and special charges discussed above. The Company's effective tax rate for the nine months ended June 29, 1997 was 20.0% compared to 32.1% for the nine months ended June 29, 1996 due primarily to the tax provision adjustment discussed above.

Liquidity and Capital Resources

For the nine months ended June 29, 1997, net cash provided by operating activities increased $4.4 million to approximately $32.6 million from

approximately $28.2 million for the nine months ended June 29, 1996, primarily as a result of reductions in working capital.

Capital expenditures during the nine months ended June 29, 1997, were approximately $5.1 million, reflecting maintenance level spending, which allowed the Company to use the majority of cash provided by operating activities to reduce borrowings under its revolving credit facility.

The Company currently expects that capital expenditures for the remainder of fiscal 1997 will be consistent with historical levels. The Company believes that cash flow from operating activities and periodic borrowings under its existing credit facilities will be adequate to meet the Company's short-term and long-term liquidity requirements prior to the maturity of those credit facilities, although no assurance can be given in this regard. The Company's current credit facilities include a revolving credit facility of $65.0 million of which no amounts were borrowed at June 29, 1997, and approximately $0.6 million was utilized for outstanding letters of credit.

Impact of Recently Issued Accounting Standards

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

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

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a)Exhibits

Exhibit	Description
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 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 dated as of October 23, 1996.
4.6*	The Security Agreement dated as of September 12, 1996 by and among the Company, ROV Holding, Inc. and BofA.
4.7*	The Company Pledge Agreement dated as of September 12, 1996 by and between the Company and BofA.
4.8	Shareholders Agreement dated as of September 12, 1996, by and among the Company and the shareholders of the Company referred to therein.
4.9	Amendment to Rayovac Shareholders Agreement dated 1 August 1997 by and among the Company and the shareholders of the Company referred to therein.
10.1*	Management Agreement, dated as of September 12, 1996, by and between the Company and Thomas H. Lee Company.
10.2*	Confidentiality, Non-Competition and No-Hire Agreement dated as of September 12, 1996 by and between the Company and Thomas F. Pyle.
10.3*	Employment Agreement, dated as of September 12, 1996, by and between the Company and David A. Jones, including the Full Recourse Promissory Note, dated September 12, 1996 by David A. Jones in favor of the Company.
10.4*	Severance Agreement by and between Company and Trygve Lonnebotn.
10.5*	Severance Agreement by and between Company and Kent J. Hussey.
10.6*	Severance Agreement by and between Company and Roger F. Warren.
10.7	Severance Agreement by and between Company and Stephen P. Shanesy.
10.8	Severance Agreement by and between Company and Merrell M. Tomlin.
10.9*	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993 and December 31, 1995.
10.10*	Building Lease between the Company and SPG Partners, dated May 14, 1985, as amended June 24, 1986 and June 10, 1987.
10.11	Rayovac Corporation 1996 Stock Option Plan.
10.12	Rayovac Corporation 1997 Stock Option Plan.
27	Financial Data Schedule

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

(b) The following reports on Form 8-K were filed during the fiscal quarter ended June 29, 1997:

Form 8-K regarding change in registrant's certifying accountant filed with the Securities and Exchange Commission on June 11, 1997.

Form 8-K/A regarding change in registrant's certifying accountant filed with the Securities and Exchange Commission on June 20, 1997.

Signatures

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

DATE: August 13, 1997

RAYOVAC CORPORATION

By /s/ Kent J. Hussey

Kent J. Hussey
Chief Financial Officer

By /s/ James A. Broderick

James A. Broderick
Vice President

RAYOVAC CORPORATION

SHAREHOLDERS AGREEMENT

Dated as of September 12, 1996

RAYOVAC CORPORATION

SHAREHOLDERS AGREEMENT

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SHAREHOLDERS AGREEMENT

This Shareholders Agreement (this "Agreement") is entered into as of the 12th day of September, 1996, by and among Rayovac Corporation, a Wisconsin corporation (the "Company"), those persons listed as Lee Group Shareholders on the signature pages hereof, including Thomas H. Lee Equity Fund III, L.P., a Delaware limited partnership ("Equity Fund") (collectively, the "Lee Group Shareholders"), those persons listed as Management Shareholders on the signatures pages hereof (the "Management Shareholders") and those persons listed as Non-Management Shareholders on the signatures pages hereof (the "Non-Management Shareholders"). The Management Shareholders and the Non-Management Shareholders are sometimes collectively referred to herein as the "Existing Shareholders". The Lee Group Shareholders and the Existing Shareholders are sometimes collectively referred to herein as the "Shareholders".

WHEREAS, upon consummation of the transactions (including a 5 for 1 stock split) contemplated by that certain Stock Purchase and Redemption Agreement dated as of September 12, 1996 (the "Stock Purchase and Redemption Agreement"), by and among the Company, the Existing Shareholders and the Lee Group Shareholders, the Shareholders will own the number of shares of Common Stock set forth opposite their respective names on Exhibit A hereto; and

WHEREAS, each of the Shareholders desires to enter into this Agreement for the purpose of regulating certain aspects of the Shareholders' relationships with regard to the Company and certain restrictions on, and rights and obligations with respect to, the Common Stock owned by the Shareholders.

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

Definitions

For the purposes of this Agreement, the following terms shall be defined as follows:

1933 Act. The "1933 Act" shall mean the Securities Act of 1933, as amended.

1934 Act. The "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

Affiliate. An "Affiliate" of a specified person, corporation or other entity shall mean a person, corporation or other entity which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the corporation or other entity specified and, when used with respect to the Company or any Subsidiary of the Company, shall include any holder of at least 5% of the capital stock, or any officer or director, of the Company.

Anniversary Date. "Anniversary Date" shall mean September 12, 1997.

Associate. "Associate," (a) when used to indicate a relationship with any Person shall mean, (i) any corporation or organization of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of equity securities, (ii) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as a trustee or in a similar fiduciary capacity and (iii) any relative of such Person who has the same home as such Person, is a parent, aunt or uncle, sibling, spouse, in-law, child, niece or nephew or grandchild of such Person, or the spouse of any of them, or (b) when used to indicate a relationship with the Company, shall also mean a director or officer of the Company or any Subsidiary. Neither the Company nor any of its Subsidiaries shall be deemed an Associate of any Shareholder.

Board. The "Board" shall mean the Board of Directors of the Company as the same shall be constituted from time to time.

Cause. "Cause" shall mean (a) the commission 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), (b) a conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude, (c) willful misconduct or (d) willful failure or refusal 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 thirty (30) days after receipt of a written notice from the Company detailing such failure or refusal to perform.

Common Stock. "Common Stock" shall mean the Company's common stock, $.01 par value, that the Company may be authorized to issue from time to time, any other securities of the Company into which such Common Stock may hereafter be changed or for which such Common Stock may be exchanged after giving effect to the terms of such change or exchange (by way of reorganization, recapitalization, merger, consolidation or otherwise) and shall also include any common stock of the Company hereafter authorized and any capital stock of the Company of any other class hereafter authorized which is not preferred as to dividends or distribution of assets in liquidation over any other class of capital stock of the Company and which has ordinary voting power for the election of directors of the Company.

The Company. The "Company" shall mean Rayovac Corporation, a Wisconsin corporation, and its successors and assigns.

Lee Group Shareholder Representative. "Lee Group Shareholder Representative" shall have the meaning set forth in Section 4.9 hereof.

Permitted Transfer. A "Permitted Transfer" shall mean:

(a) a Transfer of Shares by any Shareholder who is a natural person to such Shareholder's spouse, children, grandchildren, parents or siblings or a trust for the benefit of any of them;

(b) a bona fide pledge of Shares by a Shareholder to a bank, financial institution or other lender;

(c) a Transfer of Shares between any Shareholder who is a natural person and such Shareholder's guardian or conservator;

(d) a bona fide gift of Shares by a Shareholder to a charitable institution as defined in Section 501(c) of the Internal Revenue Code of 1986, as amended, provided such Transfer is reasonably acceptable to the Company;

(e) a Transfer of Shares from any Shareholder which is a partnership to its partners, provided such Transfer is reasonably acceptable to the Company;

(f) a Transfer of Shares from any Shareholder which is a corporation or partnership to any Affiliate of such Shareholder, provided such Transfer is reasonably acceptable to the Company; or

(g) a Transfer of Shares by a Lee Group Shareholder to another Lee Group Shareholder or other employee of Thomas H. Lee Company, or by a Non-Management Shareholder to another Non-Management Shareholder.

No Permitted Transfer shall be effective unless and until the transferee of the Shares so transferred, if such transferee is not already a party to this Agreement, executes and delivers to the Company an executed counterpart of this Agreement in accordance with the terms of Section 4.13 hereof. No Permitted Transfer shall conflict with or result in any violation of a judgment, order, decree, statute, law, ordinance, rule or regulation.

Permitted Transferee. A "Permitted Transferee" shall mean any Person who shall have acquired and who shall hold Shares pursuant to a Permitted Transfer described above.

Person. "Person" shall mean an individual, corporation, partnership, trust, or unincorporated association, or a government or any agency or political subdivision thereof.

Prior Shareholders Agreement. "Prior Shareholders Agreement" shall mean, collectively, the Amended and Restated Shareholder's Agreements, dated as of December 1991, entered into by the Company, Thomas F. Pyle and certain shareholders of the Company.

Public Offering. A "Public Offering" shall mean the completion of a sale of Common Stock, resulting in gross cash proceeds of not less than $20 million, pursuant to a registration statement which has become effective under the 1933 Act, excluding registration statements on Form S-4, S-8 or similar limited purpose forms and also excluding the registration of any equity security issued to non-Affiliates of the Company as part of a bona fide debt offering of units comprised of such equity security and a debt security of the Company.

Registrable Securities. "Registrable Securities" shall mean all shares of Common Stock held from time to time by any party hereto and any other securities of the Company or any of its Subsidiaries issued in exchange for, upon a reclassification of, or in a distribution with respect to, such Common Stock. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the 1933 Act and such securities shall have been disposed of in accordance with such registration statement, (b) such securities shall have been sold under a Rule 144 Transaction or (c) such securities shall have ceased to be outstanding.

Rule 144 Transaction. "Rule 144 Transaction" shall mean a transfer of Shares (a) complying with Rule 144 under the 1933 Act as such Rule or a successor thereto is in effect on the date of such transfer (but only a sale pursuant to a "brokers transaction" as defined in clauses (i) and (ii) of paragraph (g) of Rule 144 as in effect on the date hereof) and (b) occurring at a time when Shares are registered pursuant to Section 12 of the 1934 Act.

Schedule. "Schedule" shall refer to the Schedule of Shareholders attached hereto as Exhibit A.

Shares. "Shares" shall mean (a) all shares of Common Stock held by Shareholders from time to time, (b)

all shares of Common Stock subsequently held by Permitted Transferees who acquire them in one or more Permitted Transfers and (c) securities of the Company issued in exchange for, upon reclassification of, or as a distribution in respect of, any of the foregoing.

Shareholder. "Shareholder" shall have the meaning set forth in the first paragraph of this Agreement.

Stock Purchase and Redemption Agreement. "Stock Purchase and Redemption Agreement" shall have the meaning set forth in the recitals set forth on the first page of this Agreement.

Subsidiary. "Subsidiary," with respect to any entity (the "parent"), shall mean any corporation, firm, association or trust of which such parent, at the time in respect of which such term is used, (a) owns directly or indirectly more than fifty percent (50%) of the equity or beneficial interest, on a consolidated basis, and (b) owns directly or controls with power to vote, indirectly through one or more Subsidiaries, shares of capital stock or beneficial interest having the power to cast a majority of the votes entitled to be cast for the election of directors, trustees, managers or other officials having powers analogous to that of directors of a corporation. Unless otherwise specifically indicated, when used herein the term Subsidiary shall refer to a direct or indirect Subsidiary of the Company.

Synthetic Sale. "Synthetic Sale" shall mean any hedge, sale or purchase of any derivative security or other action (other than Transfers expressly permitted by the terms hereof) having the effect of reducing a Shareholder's economic interest in Shares or reducing a Shareholder's exposure to a decrease in fair market value of Shares.

Third Party. "Third Party" shall mean any Person other than the Company.

Transaction Price. "Transaction Price" shall mean $4.39 per Share (as equitably adjusted for stock dividends, stock splits, reverse stock splits and other similar reclassifications), which is the price originally paid for each Share by the Lee Group Shareholders at the time of initial purchase thereof and giving effect to the

5 for 1 stock split referred to in the first preamble to this Agreement.

Transfer. "Transfer" shall mean to transfer, sell, assign, pledge, hypothecate, give, create a security interest in or lien on, place in trust (voting or otherwise), assign or in any other way encumber or dispose of, directly or indirectly and whether or not by operation of law or for value, any Shares.

ARTICLE II

Covenants and Conditions

Section 2.1 Restrictions on Transfers. No Shareholder may Transfer all or any part of the Shares owned by such Shareholder other than a Transfer of Shares which is (i) a Permitted Transfer, (ii) pursuant to a Public Offering, (iii) for any Lee Group Shareholder or Management Shareholder, made after a Public Offering, pursuant to a Rule 144 Transaction; provided that no Management Shareholder shall Transfer, pursuant to any Rule 144 Transaction, an aggregate number of Shares that, together with all prior Transfers by such Management Shareholder pursuant to one or more Rule 144 Transactions and Public Offerings, represents more than (A) the aggregate number of Shares Transferred by the Lee Group Shareholders other than pursuant to a Permitted Transfer multiplied by (B) such Management Shareholders' Proportionate Equity Interest, (iv) for any Non-Management Shareholder, made after a Public Offering, (v) a Transfer by a Management Shareholder to another Management Shareholder (a "Management Transfer"); provided that each Management Transfer shall be made in accordance with the procedures set forth in Sections 2.1(a)-(f), or (vi) pursuant to another section of this Article II. For purposes of this Section 2.1, "Proportionate Equity Interest" shall mean the number of Shares set forth on the Schedule opposite the Management Shareholder's name plus the number of Shares underlying options granted to such Management Shareholder on the date hereof (to the extent exercisable) divided by the aggregate number of Shares set forth on the Schedule opposite the names of the Lee Group Shareholders, in each case as equitably adjusted to account for stock dividends, stock splits, reverse stock splits or other similar reclassifications.

(a) If, at any time after the Anniversary Date, a Management Shareholder (each, an "Offeror") desires to Transfer Shares to another Management Shareholder, such Offeror shall give notice of such offer (the "Transfer Notice") to the Company. The Transfer Notice shall state the terms and conditions of such offer, including the name of the prospective purchaser, the proposed purchase price per share of such Shares (the "Offer Price"), payment terms (including a description of any proposed non-cash consideration), the type of disposition and the number of such Shares to be transferred ("Offered Shares"). The Transfer Notice shall further state (i) that the Company may acquire, in accordance with the provisions of this Agreement, any of the Offered Shares for the price and upon the other terms and conditions, including deferred payment (if applicable), set forth therein, and (ii) that the Company may not purchase any of such Offered Shares unless the Company purchases all of such Offered Shares.

(b) For a period of thirty (30) business days after receipt of the Transfer Notice (the "Option Period"), the Company may, by notice in writing to the Offeror delivering such Transfer Notice, elect in writing to purchase all, but not less than all, of the Offered Shares at the Offer Price. The closing of the purchase of Offered Shares pursuant to Section 2.1(b) or Section 2.1(c), as the case may be, shall take place at the principal office of the Company on the tenth (10th) day after the expiration of the Option Period. At such Closing, the Company shall deliver to the Offeror, against delivery of certificates duly endorsed and stock powers representing the Offered Shares being acquired by the Company, the Offer Price, on the same terms as set forth in the Transfer Notice (including any non-cash consideration described therein), payable in respect of the Offered Shares being purchased by the Company. All of the foregoing deliveries will be deemed to be made simultaneously, and none shall be deemed completed until all have been completed.

(c) Notwithstanding anything set forth in this Section 2.1 to the contrary, prior to the termination of the Option Period, the Board of Directors of the Company (the "Board") may, in its sole discretion, elect to assign the Company's right to purchase all, but not less than all, of the Offered Shares pursuant to this

Section 2.1 to the Lee Group Shareholders. If the Board so elects, the Company shall give notice of such assignment to each Lee Group Shareholder (the "Assignment Notice"), indicating the number of Shares each Lee Group Shareholder is entitled to purchase (including the right to over-allotment of Offered Shares, if any), the Offer Price of such Shares, and any other relevant payment terms. Within five (5) business days of the Assignment Notice, those Lee Group Shareholders who intend to purchase the Offered Shares pursuant to this Section 2.1(c) (the "Offered Shares Electing Shareholders") shall notify the Company in writing of such intention, indicating the number of Offered Shares (including over-allotments, if any) they intend to purchase. The right to purchase such Offered Shares shall be allocated to the Lee Group Shareholders pro rata (based on the number of Shares each Lee Group Shareholder (together with each such Lee Group Shareholder's Permitted Transferees) owns in relation to the total number of Shares owned by all of the Lee Group Shareholders); provided, however, that if any Lee Group Shareholder does not elect to purchase the number of Offered Shares which such Lee Group Shareholder (and its Permitted Transferees) may purchase pursuant to this Section 2.1(c), then the Offered Shares Electing Shareholders (and their Permitted Transferees) may elect to purchase the remaining Offered Shares. The right to purchase the remaining Offered Shares shall be allocated to the Offered Shares Electing Shareholders pro rata (based on the number of Shares each Offered Shares Electing Shareholder (together with their Permitted Transferees) owns in relation to the total number of Shares owned by all of the Offered Shares Electing Shareholders).

(d) If the Company or the Lee Group Shareholders, as the case may be, do not elect to purchase all of the Offered Shares, all, but not less than all, of the Offered Shares may be Transferred, but only in accordance with Sections 2.1(e) and 2.1(f) and the terms of the Transfer Notice, within sixty (60) days after expiration of the Option Period, after which, if the Offered Shares have not been Transferred, all restrictions contained herein shall again be in full force and effect.

(e) Five (5) days prior to the closing of the purchase of any Offered Shares pursuant to Section 2.1(d) hereof (the "Closing"), the Offeror shall notify

the Company of the disposition of the Offered Shares, including the name of each purchaser and the number of Shares bought by each purchaser. The Closing shall take place no later than sixty (60) days after the expiration of the Option Period. At such Closing, each purchaser of Offered Shares shall deliver to the Offeror, against delivery of certificates duly endorsed and stock powers representing the Offered Shares being acquired by such purchaser, the Offer Price, on the same terms as set forth in the Transfer Notice (including any non-cash consideration described therein), payable in respect of the Offered Shares being purchased by such purchaser. All of the foregoing deliveries will be deemed to be made simultaneously, and none shall be deemed completed until all have been completed.

(f) Any Transfer of Shares pursuant to this Section 2.1 (other than pursuant to Sections 2.1 (ii), (iii) and (iv)) shall remain subject to the Transfer restrictions of this Agreement, and each intended transferee pursuant to this Section shall execute and deliver to the Company a counterpart of this Agreement, which shall evidence such transferee's agreement that the Shares intended to be Transferred shall continue to be subject to this Agreement and that as to such Shares the transferee shall be bound by the restrictions of this Agreement as a Shareholder hereunder.

Section 2.2 Call by the Company.

(a) If the employment of a Management Shareholder by the Company or any of its Subsidiaries shall terminate (a "Call Event") prior to the completion of the Company's initial Public Offering, the Company shall have the right to purchase (the "Call Option"), by delivery of a written notice (the "Call Notice") to such terminated Management Shareholder no later than ninety (90) days after the date of such Call Event, and such Management Shareholder and such Management Shareholder's Permitted Transferees (the "Call Group") shall be required to sell all (but not less than all) of the Shares which are owned by the members of the Call Group on the date of such Call Event (collectively, the "Call Securities") at a price per share equal to the Call Price (as defined in Section 2.2(c) below) applicable to such Shares.

(b) Notwithstanding anything set forth in this Section 2.2 to the contrary, prior to the exercise of the Call Option by the Company, the Board may, in its sole discretion, elect to assign the Company's right to exercise the Call Option to purchase all, but not less than all, of the Call Securities to the Lee Group Shareholders. If the Board so elects, the Company shall give notice of such assignment to each Lee Group Shareholder (the "Call Assignment Notice"), indicating the number of Call Securities each Lee Group Shareholder is entitled to purchase (including the right to over-allotment of Call Securities, if any), the Call Price applicable to such Shares and the date of the closing of such purchase under this Section 2.2. Within five (5) business days of the Call Assignment Notice, those Lee Group Shareholders who intend to purchase Call Securities pursuant to this Section 2.2(b) (the "Call Securities Electing Shareholders") shall notify the Company in writing of such intention, indicating the number of Call Securities (including over-allotments, if any) they intend to purchase; provided that, with respect to any Call Assignment Notice given by the Company to the Lee Group Shareholders on or prior to the Anniversary Date, the Lee Group Shareholders shall notify the Company of such intention to purchase Call Securities no later than five (5) business days after the Anniversary Date. The right to purchase such Call Securities shall be allocated to the Lee Group Shareholders pro rata (based on the number of Shares each Lee Group Shareholder (together with each such Lee Group Shareholder's Permitted Transferees) owns in relation to the total number of Shares owned by all of the Lee Group Shareholders); provided, however, that if any Lee Group Shareholder does not elect to purchase the number of Call Securities which such Lee Group Shareholder (and its Permitted Transferees) may purchase pursuant to this Section 2.2(b), then the Call Securities Electing Shareholders (and their Permitted Transferees) may elect to purchase the remaining Call Securities. The right to purchase the remaining Call Securities shall be allocated to the Call Securities Electing Shareholders pro rata (based on the number of Shares each Call Securities Electing Shareholder (together with their Permitted Transferees) owns in relation to the total number of Shares owned by all of the Call Securities Electing Shareholders).

(c) For purposes of this Section 2.2, the term "Call Price" shall mean (i) if the employment of the

Management Shareholder is terminated for Cause (A) within one (1) year of the date of this Agreement, the Transaction Price, and (B) subsequent to the date which is one (1) year from the date of this Agreement, the lower of the Transaction Price and the fair market value (as determined by the Board) of each Share; and (ii) if the employment of the Management Shareholder is terminated other than for Cause or the Management Shareholder voluntarily terminates his or her employment with the Company or one of its Subsidiaries (A) within one (1) year of the date of this Agreement, the Transaction Price, and (B) subsequent to the date which is one (1) year from the date of this Agreement, the fair market value (as determined by the Board) of each Share. Notwithstanding the foregoing, in the event that a Management Shareholder who owns at least 91,116 Shares on the date hereof is entitled to receive the Call Price for his Shares pursuant to clause (i)(B) or (ii)(B) of this Section 2.2(c) and such Management Shareholder disputes the Board's determination of fair market value, such Management Shareholder shall be entitled to have the fair market value of such Shares determined by an independent appraiser selected by the Company and reasonably acceptable to such Management Shareholder. Fair market value of Shares shall be determined in each case without deduction for the fact that the Shares represent a minority interest in the Company. All costs of any appraisal under this Section 2.2(c) shall be paid equally by the Company and such Management Shareholder.

(d) The closing of any purchase of Call Securities pursuant to Section 2.2(a) or 2.2(b) shall take place at the principal office of the Company (i) with respect to purchases by the Company or a Designated Employee (as defined below), on the tenth (10th) business day after the date of the Call Notice and (ii) with respect to any Lee Group Shareholder, on the tenth (10th) business day after notifying the Company in writing of its intention to exercise its right to purchase pursuant to Section 2.2(b). At such closing, the Company, the Lee Group Shareholders or the Designated Employee, as the case may be, shall deliver to the Call Group, against delivery of certificates duly endorsed and stock powers representing the Call Securities, a certified check or checks payable to the Management Shareholder and/or the Permitted Transferees, as the case may be, in an amount equal to the aggregate Call Price payable in respect of such Call Securities. All of the foregoing deliveries

will be deemed to be made simultaneously and none shall be deemed completed until all have been completed.

(e) Notwithstanding anything set forth in this Section 2.2 to the contrary, prior to the exercise by the Company of its Call Option to purchase Call Securities pursuant to this Section 2.2, one or more new or existing employees of the Company or any of its Subsidiaries may, in the sole discretion of the Board, be designated by the Board (individually a "Designated Employee" and collectively, "Designated Employees") who shall have the right, but not the obligation, to exercise the Call Option and to acquire, in lieu of the Company, some or all (as determined by the Company) of the Call Securities that the Company is entitled to purchase from the Call Group hereunder, for cash and on the same terms and conditions as set forth in Section 2.2(d) which apply to the repurchase of Call Securities by the Company. Concurrently with any such purchase of Call Securities by any such Designated Employee, such Designated Employee who is not already a Management Shareholder shall execute a counterpart of this Agreement whereupon such Designated Employee shall be deemed a "Management Shareholder" and shall have the same rights and be bound by the same obligations as a Management Shareholder hereunder.

(f) Subject to Section 2.2(b), if neither the Company nor any Designated Employee elect to exercise the Call Option and deliver a Call Notice within ninety (90) days of a Call Event, then the Call Option provided in this Section 2.2 shall terminate, but the Management Shareholder or his Permitted Transferees shall continue to hold such Call Securities pursuant to all of the other provisions of this Agreement.

Section 2.3 Come Along. Except as provided in Section 2.3(c) hereof, the Lee Group Shareholders shall not Transfer Shares to a Third Party who is not a Permitted Transferee without complying with the terms and conditions set forth in Sections 2.3(a) and 2.3(b) below.

(a) Any Lee Group Shareholder, when desiring to Transfer Shares (the "Transferor"), shall give not less than seven (7) days prior written notice of such intended Transfer to each other Shareholder and to the Company. Such notice (the "Participation Notice") shall set forth the terms and conditions of such proposed Transfer, including the name of the prospective transferee,

the number of Shares proposed to be transferred (the "Participation Securities") by the Transferor, the purchase price per Share proposed to be paid therefor and the payment terms and type of transfer to be effectuated. Within five (5) days following the delivery of the Participation Notice by the Transferor to each other Shareholder and to the Company, each Shareholder desiring to participate in such proposed Transfer (each, a "Participating Offeree") shall, by notice in writing to the Transferor and to the Company, have the opportunity and right to sell to the purchasers in such proposed Transfer (upon the same terms and conditions as the Transferor) up to that number of Shares owned by such Participating Offeree as shall equal the product of (i) a fraction, the numerator of which is the number of Shares owned by such Participating Offeree as of the date of such proposed Transfer and the denominator of which is the aggregate number of Shares actually owned as of the date of such Participation Notice by the Transferor and by all Participating Offerees, multiplied by (ii) the number of Participation Securities. The amount of Participation Securities to be sold by the Transferor shall be reduced to the extent necessary to provide for such sales of Shares by Participating Offerees.

(b) At the closing of any proposed Transfer in respect of which a Participation Notice has been delivered, the Transferor, together with all Participating Offerees, shall deliver to the proposed transferee certificates evidencing the Shares to be sold thereto duly endorsed with stock powers and shall receive in exchange therefor the consideration to be paid or delivered by the proposed transferee in respect of such Shares as described in the Participation Notice.

(c) The provisions of this Section 2.3 shall not apply to (i) any Permitted Transfer, (ii) any Transfer pursuant to or following a Public Offering or (iii) any Transfer pursuant to Section 2.2 or 2.4.

(d) The provisions of this Section 2.3 shall be construed in accordance with Section 14(e) of the Warrant Agreement dated as of the date hereof among the Company, RC Funding, Inc. and Bank of America National Trust and Savings Association (the "Warrant Agreement").

Section 2.4 Take Along.

(a) If a Lee Group Shareholder or group of Lee Group Shareholders holding more than 50% of the then outstanding Shares (the "Take Along Group") determine to sell or exchange (in a business combination or otherwise), in one or a series of bona fide arms-length transactions to a Third Party who is not an Affiliate of the Take Along Group, 50% or more of the aggregate number of Shares owned by the Lee Group Shareholders on the date hereof (as equitably adjusted to account for stock dividends, stock splits, reverse stock splits or other similar reclassifications), then, upon five (5) days written notice by the Take Along Group to each other Shareholder, which notice shall include reasonable details of the proposed sale or exchange including the proposed time and place of closing and the consideration to be received by the Take Along Group (such notice being referred to as the "Sale Request"), each other Shareholder (each, a "Seller") shall be obligated to, and shall sell, transfer and deliver, or cause to be sold, transferred and delivered, to such Third Party on the same terms as the Take Along Group, that number of Shares owned by such Seller as shall equal the product of (A) a fraction, the numerator of which is the number of Shares proposed to be transferred by the Take Along Group as of the date of such Sale Request and the denominator of which is the aggregate number of Shares actually owned as of the date of such Sale Request by the Take Along Group, multiplied by (B) the number of Shares actually owned as of the date of such Sale Request by such Seller. Each Seller shall (i) deliver certificates for all of its Shares at the closing of the proposed Transfer, free and clear of all claims, liens and encumbrances and (ii) if shareholder approval of the transaction is required, vote his or its Shares in favor thereof.

(b) The provisions of this Section 2.4 shall not apply to (i) any Transfer pursuant to or following a Public Offering or (ii) a Permitted Transfer.

(c) The provisions of this Section 2.4 shall be construed in accordance with Section 14(f) of the Warrant Agreement.

Section 2.5 Preemptive Rights.

(a) Preemptive Rights. The Company hereby grants to each Shareholder so long as it shall own any Shares or, if sooner, until a Public Offering, the right to purchase up to a pro rata portion of New Securities (as defined in paragraph (b) below) which the Company, from time to time, proposes to sell or issue following the date hereof. A Shareholder's pro rata portion, for purposes of this Section 2.5, is the product of (i) a fraction, the numerator of which is the number of outstanding Shares 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 Company proposes to sell or issue.

(b) Definition of New Securities. "New Securities" shall mean any Common Stock of the Company, whether now authorized or not, any rights, options or warrants to purchase Common Stock and any indebtedness or preferred stock of the Company 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 Company; (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 Company 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 Company; (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 the Anniversary Date to newly hired officers (but not the chief executive officer) or employees of the Company for a per share price no less than the Transaction Price; provided that such officers or employees shall execute a counterpart of this Agreement as Management Shareholders;

or (vii) the issuance of any equity security issued to non-Affiliates of the Company as part of a bona fide debt offering of investment units comprised of such equity security and a debt security of the Company or the issuance of Common Stock upon the conversion of such equity security pursuant to its terms.

(c) Notice from the Company. In the event the Company proposes to issue New Securities, the Company shall give each Shareholder who has a preemptive right under this Section 2.5 written notice of such proposal, describing the type of New Securities and the price and the terms upon which the Company proposes to issue the same. For a period of five (5) days following the delivery of such notice by the Company, the Company 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 Company and stating therein the quantity of New Securities to be purchased.

(d) Sale by the Company. In the event any Shareholder who has a preemptive right under this Section 2.5 fails to exercise in full its preemptive right within said five (5) day period, the Company 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 Company's notice given pursuant to Section 2.5(c).

(e) Closing. The closing for any such issuance shall take place as proposed by the Company with respect to the Shares to be issued, at which closing the Company shall deliver certificates for the shares in the respective names of the purchasing Shareholders against receipt of payment therefor.

Section 2.6 Restrictions on Other Agreements. Until the completion of a Public Offering by the Company, no Shareholder shall grant any proxy or enter into or agree to be bound by any voting trust with respect to the Shares, nor shall any Shareholder enter into any shareholders agreements or arrangements of any kind with any person with respect to the Shares on terms which conflict with the provisions of this Agreement (whether

or not such agreements and arrangements are with other Shareholders), including, but not limited to, agreements or arrangements with respect to the acquisition, disposition or voting of Shares inconsistent herewith.

Section 2.7 Synthetic Sales. Any Synthetic Sales by a Management Shareholder then employed by the Company or any of its Subsidiaries shall require the prior written approval of the Board.

ARTICLE III

Registration Rights

Section 3.1 General. For purposes of Article III: (a) the terms "register", "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the 1933 Act and the declaration or ordering of effectiveness of such registration statement; and (b) the term "Holder" means any Shareholder or Permitted Transferee thereof.

Section 3.2 Demand Registrations.

(a) If the Company shall receive a written request (specifying that it is being made pursuant to this Section 3.2) from the Lee Group Shareholders, made at a time when the Lee Group Shareholders and their Permitted Transferees own in the aggregate at least 10% of the Purchased Shares (as that term is defined in the Stock Purchase and Redemption Agreement), that the Company file a registration statement under the 1933 Act, or a similar document pursuant to any other statute then in effect corresponding to the 1933 Act, covering the registration of Common Stock, then the Company shall, not later than ninety (90) days after receipt by the Company of a written request for a demand registration pursuant to this Section 3.2, file a registration statement with the Securities and Exchange Commission (the "SEC") relating to such Registrable Securities as to which such request for a demand registration relates (the "Requested Shares"), and the Company shall use its best efforts to cause the offering of such Requested Shares to be registered under the 1933 Act. The Company shall be obligated to effect only three (3) registrations of Registrable Securities pursuant to this Section 3.2; provided, however, that if the Lee Group Shareholders and their Permit-

ted Transferees own at least 10%, but not more than 25%, of the Purchased Shares, then the Company shall be obligated to effect only one (1) such registration of Registrable Securities.

(b) If, pursuant to Section 3.3, the total amount of securities that all Holders and all other holders of securities which have applicable registration rights request to be included in an offering made pursuant to this Section 3.2 exceeds the amount of securities that the underwriters reasonably believe compatible with the success of the offering, then the Company will include in such registration only the number of securities which, in the good faith opinion of such underwriters, can be sold, selected from the securities requested to be included by all Holders and such other holders pro rata based on the number of securities which each of them owns.

Section 3.3 Piggyback Registration. If, at any time, the Company determines to register, whether for its own account or pursuant to a request by the Lee Group Shareholders pursuant to Section 3.2, any of its equity securities (including securities convertible into equity securities, but excluding equity securities being registered pursuant to a registration statement on Form S-8 and equity securities issued in connection with mezzanine debt or senior bank financing of the Company, whether pursuant to the Stock Purchase and Redemption Agreement or placed or sold in the future, or equity securities issued upon conversion or exchange thereof), for its own account or for the account of others under the 1933 Act in connection with the public offering of such securities (other than the first Public Offering), the Company shall, at each such time, promptly give each Holder written notice of such determination no later than ten (10) days before the effective date of any such registration. Upon the written request of any Holder received by the Company within five (5) days after the giving of any such notice by the Company, the Company shall use its best efforts to cause to be registered under the 1933 Act all of the Registrable Shares of each Holder that such Holder has requested be registered. If the total amount of securities that are to be included by either the Company (or other person (including any Shareholder) for whose account the registration is made) for its own account and at the request of Holders pursuant to this Section 3.3 and all other holders of securities which

have applicable registration rights exceeds the amount of securities that the underwriters reasonably believe compatible with the success of the offering, then the Company will include in such registration only the number of securities which in the opinion of such underwriters can be sold, selected from the securities requested to be included by all Holders and all such other holders pro rata based on the number of securities which each of them owns. The rights afforded to the Holders pursuant to this Section 3.3 are subject to the provisions of Section 14(b) of the Warrant Agreement.

Section 3.4 Obligations of the Company.

(a) Whenever required under Section 3.2 or 3.3 hereof to use its best efforts to effect the registration of any Registrable Securities, the Company shall:

(1) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become and remain effective, including, without limitation, filing of post-effective amendments and supplements to any registration statement or prospectus necessary to keep the registration statement current; provided, however, that if such registration statement does not become effective, then any demand registration pursuant to Section 3.2 prompting such undertaking by the Company shall be deemed to be rescinded and retracted and shall not be counted as, or deemed or considered to be or to have been, a demand registration pursuant to Section 3.2 for any purpose;

(2) as expeditiously as reasonably possible, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the 1933 Act with respect to the disposition of all securities covered by such registration statement and to keep each registration and qualification under this Agreement effective (and in compliance with the 1933 Act)

by such actions as may be necessary or appropriate for a period of up to 180 days (if, in the reasonable discretion of the Holders owning securities covered by such registration statement, such period of time is necessary for the successful completion of the offering of such securities) after the effective date of such registration statement, all as requested by such Holders;

(3) as expeditiously as reasonably possible, furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the 1933 Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(4) as expeditiously as reasonably possible, use its best efforts to register and qualify the securities covered by such registration statement under such securities or "blue sky" laws of such jurisdictions as shall be reasonably appropriate for the distribution of the securities covered by the registration statement, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such jurisdiction, and further provided that (anything in this Agreement to the contrary notwithstanding with respect to the bearing of expenses) if any jurisdiction in which the securities shall be qualified shall require that expenses incurred in connection with the qualification of the securities in that jurisdiction be borne by selling shareholders, then such expenses shall be payable by selling shareholders pro rata to the extent required by such jurisdiction;

(5) use its best efforts to cause all Registrable Securities covered by such 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 to consum-

mate the disposition or such Registrable Securities;

(6) notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the 1933 Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of any such seller or Holders promptly prepare to furnish to such seller or Holders a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(7) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, and will furnish to each such seller at least two (2) business days prior to the filing thereof a copy of any post-effective amendment or supplement to such registration statement or prospectus and shall not file any thereof to which any such seller shall have reasonably objected, except to the extent required by law, on the grounds that such amendment or supplement does

not comply in all material respects with the requirements of the 1933 Act or of the rules or regulations thereunder;

(8) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement; and

(9) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange on which any class of Registrable Securities is then listed.

(b) The Company will furnish to each Holder on whose behalf Registrable Securities have been registered pursuant to this Agreement a signed counterpart, addressed to such Holder, of an opinion of counsel for the Company dated the effective date of such registration statement, and such opinion of counsel shall cover those matters which are customarily covered in opinions of issuer's counsel delivered to underwriters in connection with underwritten public offerings of securities.

(c) Except as otherwise set forth in Section 3.3, if the Company at any time proposes to register any of its securities under the 1933 Act, whether or not for sale for its own account, and such securities are to be distributed by or through one or more underwriters, then the Company will make reasonable efforts, if requested by any Holder of Registrable Securities who requests registration of Registrable Securities in connection therewith pursuant to Section 3.2 or 3.3 hereof, to arrange for such underwriters to include such Registrable Securities among the securities to be distributed by or through such underwriters.

(d) In connection with the preparation and filing of each registration statement registering Registrable Securities under this Agreement, the Company will give the Holders of Registrable Securities on whose behalf such Registrable Securities are to be so registered and their underwriters, if any, and their respective counsel and accountants, the opportunity to partici-

pate in the preparation of such registration statement, each prospectus included therein or filed with the SEC, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers, its counsel and the independent public accountants who have certified its financial statements, as shall be necessary, in the opinion of such Holders or such underwriters or their respective counsel, in order to conduct a reasonable and diligent investigation within the meaning of the 1933 Act.

Section 3.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Article III that the Holders shall furnish to the Company such information regarding them, the Registrable Securities held by them, and the intended method of disposition of such securities as the Company shall reasonably request and as shall be required in connection with the action to be taken by the Company.

Section 3.6 Expenses of Registration. All expenses incurred in connection with a registration pursuant to Section 3.2 or 3.3 hereof (excluding underwriters' discounts and commissions, which shall be borne by the sellers), including without limitation all registration and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders (which counsel shall be selected by a majority in interest of such Holders) shall be borne by the Company.

Section 3.7 Underwriting Requirements. In connection with any registration of Registrable Securities under this Agreement, the Company will, if requested by the underwriters for any Registrable Securities included in such registration, enter into an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company, and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, provisions relating to indemnification and contribution. The Holders on whose behalf Registrable Securities are to be distributed by such underwriters shall be parties to any such underwrit-

ing agreement, and the representations and warranties by the Company and the other agreements on the part of the Company to and for the benefit of such underwriters shall be also made to and for the benefit of such Holders of Registrable Securities. The Company shall use its reasonable best efforts to cause the underwriting agreement to comply with Section 3.8. Such underwriters shall be selected (i) by the Company, in the case of a registration pursuant to Section 3.3, or (ii) by the Holders requesting a demand registration, in the case of a registration pursuant to Section 3.2.

Section 3.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Article III:

(a) To the fullest extent permitted by law, the Company will indemnify and hold harmless each Holder requesting or joining in a registration, any underwriter (as defined in the 1933 Act) for it, and each person, if any, who controls such Holder or such underwriter within the meaning of the 1933 Act, from and against any losses, claims, damages, expenses (including reasonable attorneys' fees and expenses and reasonable costs of investigation) or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based on any untrue or alleged untrue statement of any material fact contained in such registration statement including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or arise out of any alleged violation by the Company of any rule or regulation promulgated under the 1933 Act applicable to the Company and relating to action or inaction required of the Company in connection with any such registration; provided, however, that the indemnity agreement contained in this Section 3.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to anyone for any such loss claim,

damage, liability or action to the extent that it arises out of or is based upon an untrue statement or omission made in connection with such registration statement, preliminary prospectus, final prospectus or amendments or supplements thereto in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, underwriter or control person. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder, underwriter or control person and shall survive the transfer of such securities by such Holder.

(b) To the fullest extent permitted by law, each Holder requesting or joining in a registration will indemnify and hold harmless the Company, as the case may be, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the 1933 Act, and each agent and any underwriter for the Company and any person who controls any such agent or underwriter and each other Holder and any person who controls such Holder (within the meaning of the 1933 Act) against any losses, claims, damages or liabilities to which the Company or any such director, officer, control person, agent, underwriter, or other Holder may become subject, under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon an untrue statement of any material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission was made in such registration statement, preliminary or final prospectus, or amendments or supplements thereto, in reliance upon and in conformity with written information furnished by such Holder with respect to such Holder expressly for use in connection with such registration; and such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, control person, agent, underwriter, or other Holder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity obligation

of each such Holder hereunder shall be limited to and shall not exceed the proceeds actually received by such Holder upon a sale of Registrable Securities pursuant to a registration statement hereunder; and provided, further, that the indemnity agreement contained in this Section 3.8(b) shall not apply to amounts paid in settlements effected without the consent of such Holder (which consent shall not be unreasonably withheld). Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer, Holder, underwriter or control person and shall survive the transfer of such securities by such Holder.

(c) Any person seeking indemnification under this Section 3.8 will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification (but the failure to give such notice will not affect the right to indemnification hereunder, unless the indemnifying party is materially prejudiced by such failure) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest may exist between such indemnified and indemnifying parties with respect to such claim, permit such indemnifying party, and other indemnifying parties similarly situated, jointly to assume the defense of such claim with counsel reasonably satisfactory to the parties. In the event that the indemnifying parties cannot mutually agree as to the selection of counsel, each indemnifying party may retain separate counsel to act on its behalf and at its expense. The indemnified party shall in all events be entitled to participate in such defense at its expense through its own counsel. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include 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 or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist

between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel.

(d) If for any reason the foregoing indemnification is unavailable to any party or insufficient to hold it harmless as and to the extent contemplated by the preceding paragraphs of this Section 3.8, then each indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage, expense or liability in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the applicable indemnified party, as the case may be, on the other hand, and also the relative fault of the Company and any applicable indemnified party, as the case may be, as well as any other relevant equitable considerations.

Section 3.9 Lock-Up Agreement. If required by the underwriter, each Shareholder agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Shareholder (other than securities included in the applicable registration statement or shares purchased in the public market after the effective date of registration) or any interest or future interest therein during such period (not to exceed 180 days) as is acceptable to the underwriter following the effective date of each registration statement of the Company filed under the 1933 Act which includes securities to be sold to the public in an underwritten offering. The Company may impose stop transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said period.

Section 3.10 No Inconsistent Agreements. The Company agrees that it has not entered into, and it will not hereafter enter into, any agreement with respect to the registration of its securities that is inconsistent with (or superior to) the rights granted to the Holders of Registrable Securities in this Agreement.

Section 3.11 Stock Split and Reverse Stock Split. If, on or after the receipt by the Company of a request for registration of a public offering pursuant to Section 3.2 hereof, the proposed managing underwriter or underwriters of such offering reasonably believes that the number of shares to be registered is not the number necessary for the success of such offering, the Company shall use its best efforts to cause each share of its outstanding Common Stock to be converted into such number of shares of such Common Stock so that the number of shares of Registrable Securities to be registered is equal to the number which such managing underwriter or underwriters reasonably believes is necessary for the success of such offering. If necessary in connection therewith, the Company shall use its best efforts to cause to be recommended, approved and adopted by its Board of Directors and approved and adopted by its shareholders, and, if so approved and adopted, file and cause to become effective, an amendment to its articles of incorporation increasing the number of shares of Common Stock which the Company is authorized to issue. Each Shareholder, together with its Permitted Transferees, hereby agrees to vote the Shares held by it in favor of adopting such amendment.

ARTICLE IV

Miscellaneous

Section 4.1 Remedies. The parties to this Agreement acknowledge and agree that the covenants of the Company and the Shareholders set forth in this Agreement may be enforced in equity by a decree requiring specific performance. In the event of a breach of any material provision of this Agreement, the aggrieved party will be entitled to institute and prosecute proceedings in any court of competent jurisdiction to enforce specific performance of such provision, as well as to obtain damages for breach of this Agreement. Without limiting the foregoing, if any dispute arises concerning the sale or other disposition of any of the Shares subject to this Agreement or concerning any other provisions hereof or the obligations of the parties hereunder, the parties to this Agreement agree that an injunction may be issued in connection therewith (including, without limitation, restraining the sale or other disposition of such Shares or rescinding any such sale or other disposition). Such remedies shall be cumulative and non-exclusive and shall be in addition to any other rights and remedies the parties may have under this Agreement or otherwise.

Section 4.2 Entire Agreement; Amendment; Waiver. This Agreement, together with the Schedule hereto, sets forth the entire understanding of the parties, and as of the closing contemplated by the Stock Purchase and Redemption Agreement supersedes all prior agreements and all other arrangements and communications, whether oral or written, with respect to the subject matter hereof, including, without limitation, the rights and obligations of the Existing Shareholders under the Prior Shareholders Agreement, and each Existing Shareholder hereby waives all of its rights under the Prior Shareholders Agreement and hereby cancels the Prior Shareholders Agreement. The Schedule may be amended to reflect changes in the composition of the Shareholders and changes in stock ownership that may occur from time to time as a result of Permitted Transfers or Transfers permitted under Article II hereof. Amendments to the Schedule reflecting Permitted Transfers or Transfers permitted under Article II hereof shall become effective when a copy of this Agreement, as executed by any new transferee, is filed with the Company, except as other-

wise provided in Section 4.13 hereof. Any other amendments to, or the termination of, this Agreement shall require the prior written consent of a majority in interest of the Shareholders. Notwithstanding the preceding sentence, no amendment may adversely affect the Lee Group Shareholders, the Non-Management Shareholders or the Management Shareholders at any time, unless consented to in writing by a majority in interest of such adversely affected group. Notwithstanding any provisions to the contrary contained herein, any party may waive any rights with respect to which such party is entitled to the benefits under this Agreement. No waiver of or consent to any departure from any provision of this Agreement shall be effective unless signed in writing by the party entitled to the benefit thereof.

Section 4.3 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

Section 4.4 Notices. All notices and other communications necessary or contemplated under this Agreement shall be in writing and shall be delivered in the manner specified herein or, in the absence of such specification, shall be deemed to have been duly given three (3) business days after mailing by certified mail, when delivered by hand, upon confirmation of receipt by telecopy, or one (1) day after sending by overnight delivery service, to the respective addresses of the parties set forth below:

(a) For notices and communications to the Existing Shareholders, to the respective addresses set forth in the Schedule;

(b) for notices and communications to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, Wisconsin 53711-2497
Attn: President
Facsimile No.: (608) 278-6666

(c) for notices and communications to the Lee Group Shareholders, to the respective addresses set forth in the Schedule, with a copy to:

Skadden, Arps, Slate,
Meagher & Flom
One Beacon Street
Boston, MA 02108
Attention: Louis A. Goodman, Esq.
Facsimile No.: (617) 573-4822

By notice complying with the foregoing provisions of this Section 4.4, each party shall have the right to change the mailing address for future notices and communications to such party.

Section 4.5 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective transferees, successors and assigns; provided, however, that the rights under this Agreement may not be assigned except as expressly provided herein, it being understood that the Company's rights hereunder may be assigned by the Company to any corporation which is the surviving entity in a merger, consolidation or like event involving the Company. No such assignment shall relieve an assignor of its obligations hereunder.

Section 4.6 Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

Section 4.7 Termination. Without affecting any other provision of this Agreement requiring termination of any rights in favor of any Shareholder, Permitted Transferee or any other transferee of Shares, the provisions of Articles II and III of this Agreement shall terminate as to such Shareholder, Permitted Transferee or other transferee, when, pursuant to and in accordance with this Agreement such Shareholder, Permitted Transferee or other transferee as the case may be, no longer own any Shares; provided that termination pursuant to this Section 4.7 shall only occur in respect of a Shareholder after all Permitted Transferees in respect thereof also

no longer own any Shares. As provided above, the provisions of Sections 2.3, 2.4, 2.5 and 2.6 shall not apply to the Shares owned by Shareholders following a Public Offering.

Section 4.8 Recapitalization, Exchanges, Etc. The provisions of this Agreement shall apply, to the full extent set forth herein with respect to Shares, to any and all shares of capital stock of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for, or in substitution of the Shares, by reason of a stock dividend, stock split, stock issuance, reverse stock split, combination, recapitalization, reclassification, merger, consolidation or otherwise.

Section 4.9 Lee Group Shareholder Representative. Each Lee Group Shareholder hereby designates and appoints (and each Permitted Transferee of each such Lee Group Shareholder is hereby deemed to have so designated and appointed) each of Scott A. Schoen and Warren C. Smith, Jr., as his attorney-in-fact with full power of substitution for each of them (the "Lee Group Shareholder Representative"), to serve as the representative of each such person to perform all such acts as are required, authorized or contemplated by this Agreement to be performed by such person and hereby acknowledges that the Lee Group Shareholder Representative shall be the only person authorized to take any action so required, authorized or contemplated by this Agreement by each such person. Each such person further acknowledges that the foregoing appointment and designation shall be deemed to be coupled with an interest and shall survive the death or incapacity of such person. Each such person hereby authorizes (and each such Permitted Transferee shall be deemed to have authorized) the other parties hereby to disregard any notice or other action taken by such person pursuant to this Agreement except for the Lee Group Shareholder Representative. The other parties hereto are and will be entitled to rely on any action so taken or any notice given by the Lee Group Shareholder Representative and are and will be entitled and authorized to give notices only to the Lee Group Shareholder Representative for any notice contemplated by this Agreement to be given to any such person. A successor to the Lee Group Shareholder Representative may be chosen by a majority in interest of the Lee Group Shareholders, provided that

notice thereof is given by the new Lee Group Shareholder Representative to the Company and to each other Shareholder.

Section 4.10 Action Necessary to Effectuate the Agreement. The parties hereto agree to take or cause to be taken all such corporate and other action as may be necessary to effect the intent and purposes of this Agreement.

Section 4.11 Purchase for Investment; Legend on Certificate. Each of the parties acknowledges that all of the Shares held by such party are being (or have been) acquired for investment and not with a view to the distribution thereof and that no Transfer of Shares may be made except in compliance with applicable federal and state securities laws. Each of the certificates of Shares of the Company which are now or hereafter owned by the Shareholders and which are subject to the terms of this Agreement shall have endorsed in writing, stamped or printed, thereon the following legend:

"The shares represented by this stock certificate are subject to the terms and conditions, including restrictions on transfer, of a Shareholders Agreement dated as of September 12, 1996, as amended from time to time. A copy of the Shareholders Agreement is on file with the Secretary of the Company and will be mailed to any properly interested person without charge upon the Company's receipt of a written request therefor. Any sale or transfer in violation of said Agreement shall be null and void."

All certificates of Shares shall also bear all legends required by federal and state securities laws.

Section 4.12 Effectiveness of Transfers. All Shares Transferred by a Shareholder (other than pursuant to an effective registration statement under the 1933 Act or pursuant to a Rule 144 Transaction) shall, except as otherwise expressly stated herein, be held by the transferee thereof pursuant to this Agreement. Such transferee shall, except as otherwise expressly stated herein, have all the rights and be subject to all of the obligations of a Shareholder under this Agreement (as through such party had so agreed pursuant to Section 4.13 hereof) automatically and without requiring any further act by such transferee or by any parties to this Agreement.

Without affecting the preceding sentence, if such transferee is not a Shareholder on the date of such Transfer, then such transferee, as a condition to such Transfer, shall confirm such transferee's obligations hereunder in accordance with Section 4.13 hereof. No Shares shall be Transferred on the Company's books and records, and no Transfer of Shares shall be otherwise effective, unless any such Transfer is made in accordance with the terms and conditions of this Agreement, and the Company is hereby authorized by all of the Shareholders to enter appropriate stop transfer notations and its transfer records to give effect to this Agreement.

Section 4.13 Additional Shareholders. Subject to the restrictions on Transfers of Shares contained herein, any Person who is not already a Shareholder acquiring Shares (except for transferees acquiring Shares in an offering registered under the 1933 Act or in a Rule 144 Transaction and except as otherwise permitted by the Board), shall, on or before the Transfer or issuance to it of Shares, sign a counterpart signature page hereto in form reasonably satisfactory to the Company and shall thereby become a party to this Agreement to be bound hereunder as (a) a Management Shareholder if a Permitted Transferee or an employee of the Company or any of its Subsidiaries, (b) a Lee Group Shareholder if a Permitted Transferee or an employee or affiliate of Thomas H. Lee Company or Equity Fund or (c) a Non-Management Shareholder if such person or entity does not fall within either (i) or (ii) above; provided that a transferee which is a Permitted Transferee under clause (b) of the definition of Permitted Transferee shall not be obligated to so agree until foreclosure on its pledge.

Section 4.14 No Waiver. No course of dealing and no delay on the part of any party hereto in exercising any right, power or remedy conferred by this Agreement shall operate as waiver thereof or otherwise prejudice such party's rights, powers and remedies. No single or partial exercise of any rights, powers or remedies conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 4.15 Financial Statements. The Company will provide Thomas F. Pyle, Jr. with a copy of the regularly prepared monthly financial statements of the Company provided to the Company's principal lender at

the time provided to such lender and a copy of the quarterly and annual financial statements of the Company at the time filed with the SEC. The provisions of this Section 4.15 shall not apply (i) after a Public Offering or (ii) when Thomas F. Pyle, Jr. and his Associates cease to own 50% of the Shares owned by them on the date hereof (as equitably adjusted to account for stock dividends, stock splits, reverse stock splits or other similar reclassifications), whichever first occurs.

Section 4.16 Counterpart. This Agreement may be executed in two or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

Section 4.17 Headings. All headings and captions in this Agreement are for purposes of reference only and shall not be construed to limit or affect the substance of this Agreement.

Section 4.18 Number; Gender. When the context so requires, the singular shall include the plural and the plural shall include the singular and the gender of any pronoun shall include the other gender.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed as of the date and year first above written.

RAYOVAC CORPORATION

By: /s/ David A. Jones

Name: David A. Jones
Title: Director

Lee Group Shareholders:

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/ Warren 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/ Warren C. Smith, Jr.

Name: Warren C. Smith, Jr.
Title: Trustee

Lee Group Shareholders (continued):

THL-CCI LIMITED PARTNERSHIP

By: /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 of THL-CCI Limited Partnership

Management Shareholders:

Roger F. Warren
Trygve Lonnebotn
James A. Broderick
Gary E. Wilson
Kenneth V. Biller
Dale R. Tetzlaff
Russell E. Lefevre
Raymond L. Balfour
Arthur Homa

By: /s/ Thomas F. Pyle, Jr.

Thomas F. Pyle, Jr., as agent and attorney-in-fact under Shareholder Appointment of Agent and Power of Attorney dated March 1, 1996 executed by each of the Redemption Shareholders (as defined in the Stock Purchase and Redemption Agreement), and not in his individual capacity

Management Shareholders (continued):

/s/ David A. Jones

David A. Jones

Non-Management Shareholders:

Thomas F. Pyle, Jr.
Marvin G. Siegert
Robert W. Zimmerman

By: /s/ Marvin G. Siegert

Marvin G. Siegert, as agent and attorney-in-fact under Shareholder Appointment of Agent and Power of Attorney dated March 1, 1996 executed by each of the Redemption Shareholders (as defined in the Stock Purchase and Redemption Agreement), and not in his individual capacity

SCHEDULE OF SHAREHOLDERS

Shareholder	Number of Shares of Common Stock Owned
Thomas H. Lee Equity Fund III, L.P. c/o Thomas H. Lee Company 75 State Street Boston, MA 02109	13,864,135
Thomas H. Lee Foreign Fund III, L.P. c/o Thomas H. Lee Company 75 State Street Boston, MA 02109	858,950
THL-CCI Limited Partnership c/o Thomas H. Lee Company 75 State Street Boston, MA 02109	1,457,405
David A. Jones 2910 Coles Way Atlanta, GA 30350	227,895
Roger F. Warren 505 Summit Road Madison, WI 53704	569,735
Marvin G. Siegert 7518 Red Fox Trail Madison, WI 53717	205,105
Trygve Lonnebotn 1157 Amherst Drive Madison, WI 53705	410,210
James A. Broderick 102 Glen Thistle Road Madison, WI 53705	205,105
Gary E. Wilson W12035 Baltic Avenue Merrimac, WI 53561	113,945
Robert W. Zimmerman N2747 Brown Lane Waupaca, WI 54981	45,580
Kenneth V. Biller 7318 Old Sauk Road Middleton, WI 53562	91,160
Dale R. Tetzlaff 941 Lori Lane Sun Prairie, WI 53590	102,550
Russell E. Lefevre 5826 Schumann Drive Madison, WI 53711	170,920

Raymond L. Balfour 29 Blue Ridge Court Madison, WI 53705	125,000
Arthur Homa 18 Madeline Island Madison, WI 53719	40,000
Thomas F. Pyle, Jr. 3500 Corbin Court Madison, WI 53704	2,022,785

with a copy to:
Benjamin F. Garmer, III
Foley & Lardner
Firstar Center
777 East Wisconsin Avenue
Milwaukee, WI 53202-5367

AMENDMENT TO
RAYOVAC SHAREHOLDERS AGREEMENT

This Amendment (this "Amendment") to the Shareholders Agreement dated as of September 12, 1996, by and among Rayovac Corporation, a Wisconsin corporation (the "Company"), and the shareholders of the Company referred to therein (the "Initial Agreement") is entered into as of 1 August 1997 by and among the Company, those persons listed as Lee Group Shareholders on the signature pages hereof, those persons listed as Management Shareholders on the signature pages hereof, and those persons listed as Non-Management Shareholders on the signature pages hereof. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Initial Agreement.

Whereas, Thomas F. Pyle, Jr. ("Pyle") and Marvin G. Siegert, Judith A. Siegert, Kimberly A. Waterfield, Amy J. Carroll, and Kristen M. Siegert (collectively, the "Siegerts"), who are Non-Management Shareholders, may wish to sell some or all of their shares of Common Stock; and

Whereas, the Lee Group Shareholders or the Company may wish to purchase some or all of Pyle's and the Siegerts' shares of Common Stock; and

Whereas, the Initial Agreement does not permit such a transaction or transactions; and

Whereas, pursuant to Section 4.2 of the Initial Agreement, the Initital Agreement may be amended by a written instrument duly executed by a majority in interest of each of the Lee Group Shareholders, Management Shareholders, and Non-Management Shareholders; and

Whereas, the signatories hereto represent a majority in interest of each of the Lee Group Shareholders, Management Shareholders, and Non-Management Shareholders;

Now, therefore, in consideration of the foregoing, the Initial Agreement is hereby amended as follows:

1. Article I, Definition of "Permitted Transfer" is hereby amended by adding the following clause after clause (g):

   (h) A Transfer of Shares by each of Thomas F. Pyle, Jr., Marvin G. Siegert, Judith A. Siegert, Kimberly A. Waterfield, Amy J. Carroll, and Kristen M. Siegert to one or more Lee Group Shareholders or the Company.

2. Article I, Definition of "Transaction Price" is hereby restated to read as follows:

   Transaction Price. "Transaction Price" shall mean $4.39 per Share (as equitably adjusted for stock dividends, stock splits, reverse stock splits and other similar reclassifications), which is the price originally paid for each Share by the Lee Group Shareholders at the time of initial purchase thereof and giving effect to the 5 for 1 stock split referred to in the first preamble to the this Agreement; provided that as to any Shares that are issued to a Management Shareholder pursuant to the Company's 1997 Stock Option Plan, "Transaction Price" shall mean $6.01 per Share (as equitably adjusted for stock dividends, stock splits, reverse stock splits and other similar reclassifications).

3. Section 2.1 of the Initial Agreement is hereby amended by adding the following clause immediately after clause (f):

   (g) Notwithstanding anything set forth in this Agreement to the contrary, no Shareholder may Transfer all or any part of the Shares owned by such Shareholder if such Transfer of Shares constitutes a Prohibited Transaction. A "Prohibited Transaction" is any transaction which would, in the reasonable opinion of the Company or the Company's independent accountants, jeopardize the Company's ability to account for the transactions contemplated by the Recapitalization Agreement as a leveraged recapitalization.

4. Except as amended herein, the Initial Agreement shall remain in full force and effect.

In witness whereof, the parties hereto have executed this Amendment as of the date first written above.

Rayovac Corporation

By:

Lee Group Shareholders:
THOMAS H. LEE EQUITY FUND III, L.P.

By:

THOMAS H. LEE FOREIGN FUND III, L.P.

By:

THL-CCI INVESTORS LIMITED PARTNERSHIP

By:

Management Shareholders

- ---
David A. Jones

- ---
Roger F. Warren

- ---
Trygve Lonnebotn

- ---
James A. Broderick

- ---
Gary E. Wilson

- ---
Kent J. Hussey

- ---
Stephen P. Shanesy

Dale R. Tetzlaff

Russell E. Lefevre

Raymond L. Balfour

Arthur S. Homa

Kenneth V. Biller

Merrell M. Tomlin

Non-Management Shareholders

- ---------------------------------
Thomas F. Pyle, Jr.

- ---------------------------------
Robert W. Zimmermann

- ---------------------------------
Marvin G. Siegert

SEVERANCE AGREEMENT

This Agreement, dated 15 January 1997, 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 Stephen P. Shanesy, an individual residing at 7866 Black River Road, Verona, Wisconsin 53593 (the "Executive").

BACKGROUND

The Company considers it essential to the best interests of its shareholders to foster the continued employment of key managers.

The basic terms of the Executive's employment were set forth in an offer of employment from the Company's President, David A. Jones, dated 18 November 1996, a copy of which is attached as Exhibit A, which offer was accepted by the Executive on 21 November 1996.

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 through 14 January 1998; provided, however, that commencing on 15 January 1998 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 an class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "Non-Competition 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 Non-Competition 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 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.

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 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.

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 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	EXECUTIVE
By:	
----------	----------
Kent J. Hussey	Stephen P. Shanesy
Executive Vice President	

SEVERANCE AGREEMENT

This Agreement, dated 20 December 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 Merrell M. Tomlin, an individual residing at 332 Greenwich Street, Belvidere, New Jersey 07823 (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 1 October 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 through 19 December 1997; provided, however, that commencing on 20 December 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 an class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "Non-Competition 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 Non-Competition 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 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.

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 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.

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 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	EXECUTIVE
By:	
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David A. Jones	Merrell M. Tomlin
President	

RAYOVAC CORPORATION
1996 STOCK OPTION PLAN

1. Purpose: Restrictions on Amount Available under the Plan.

This Rayovac Corporation, 1996 Stock Option Plan ("Plan") is intended to afford an incentive to selected employees and directors of Rayovac Corporation ("Rayovac") or any Subsidiary (as defined in Section 2(l) hereof) (collectively referred to as the "Company"), to acquire a proprietary interest in the Company, to continue to perform services for the Company, to increase their efforts on behalf of the Company and to promote the success of the Company's business.

2. Definitions.

As used in this Plan, the following words and phrases shall have the meanings indicated:

(a) "Board" shall mean the Board of Directors of Rayovac.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Disability" shall mean a Participant's disability within the meaning of Section 22(e)(3) of the Code, or any successor provision.

(d) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(e) "Fair Market Value" per share as of a particular date shall mean (i) the closing sales price per share of Common Stock (as defined in Section 5 hereof) on the New York Stock Exchange for the last preceding date on which there was a sale of such Common Stock on such exchange, or (ii) if the shares of Common Stock are not then admitted for trading on the New York Stock Exchange, the closing price for the shares of Common Stock in such other national securities exchange or interdealer quotation system on which Common Stock is then traded for the last preceding date on which there was a sale of such Common Stock in such market, or (iii) if the shares of Common Stock are not then listed on a national securities exchange or interdealer quotation system, such value as the Committee in good faith may determine.

(f) "Option" shall mean the right, granted pursuant to this Plan, of a holder to purchase shares of Common Stock at a price and upon the terms to be specified by the Committee.

(g) "Option Agreement" shall mean any written agreement, contract, or other instrument or document between the Company and a Participant evidencing an Option.

(h) "Participant" shall mean an officer, employee or director of the Company who is, pursuant to Section 4 of the Plan, selected to participate herein.

(i) "Subsidiary" shall mean any corporation (other than Rayovac) in an unbroken chain of corporations beginning with Rayovac if, at the time of granting an Option, each of such corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. Administration.

Unless otherwise determined by the Board, the Plan shall be administered by a committee of the Board ("Compensation Committee"), which shall consist of two or more members of the Board. Following such time that Common Stock is registered pursuant to Section 12 of the Exchange Act, members of the Compensation Committee shall be "non-employee directors" as defined in Rule 16b-3 under the Exchange Act. The Compensation Committee may, in its discretion, delegate to a subcommittee its duties hereunder, including the grant of Options. The full Board shall also have the authority, in its discretion, to grant Options under the Plan and to administer the Plan. For all purposes under the Plan, any entity which performs the duties described herein, shall be referred to as the "Committee."

The Committee shall have the authority in its discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Options; to

determine the persons to whom and the time or times at which Options shall be granted; to determine the type and number of Options to be granted, the number of shares of Common Stock to which an Option may relate and the terms, conditions and restrictions relating to any Option; to determine whether, to what extent, and under what circumstances an Option may be settled, cancelled, forfeited, exchanged, or surrendered; to construe and interpret the Plan and any Option; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Option Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

No member of the Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Option granted hereunder.

4. Eligibility.

Options may be granted to employees and directors of the Company or a Subsidiary. In determining the persons to whom Options shall be granted and the number of shares to be covered by each Option, the Committee shall take into account the duties of the respective persons, their present and potential contributions to the success of the Company and such other factors as the Committee shall deem relevant in connection with accomplishing the purpose of the Plan.

5. Stock.

The stock subject to Options hereunder shall be shares of Rayovac common stock, par value $0.01 per share ("Common Stock"). Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or that may be reacquired by the Company. The aggregate number of shares of Common Stock as to which Options may be granted from time to time under the Plan shall not exceed [_____].(1) No person may be granted Options under the Plan during any calendar year representing an aggregate of more than [_____] shares of Common Stock. The limitations established by the preceding two sentences shall be subject to adjustment as provided in Section 7 hereof.

6. Stock Options.

The Committee shall have authority to grant Options to Participants on the following terms and conditions:

(a) Number of Shares. Each Option Agreement shall state the number of shares of Common Stock to which the Option relates.

(b) Type of Option. No Option granted pursuant to this Plan shall be an incentive stock option within the meaning of Section 422 of the Code.

(c) Exercise Price. Each Option Agreement shall state the Exercise Price. The Exercise Price per share of Common Stock purchasable under an Option shall be determined by the Committee. The date as of which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted.

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(1) The number shall equal 10% of the outstanding capital stock of Rayovac (on a fully diluted basis) immediately after the transactions contemplated by the Stock Purchase and Redemption Agreement.

(d) Method and Time of Payment. The Exercise Price shall be paid in full, at the time of exercise, in cash or in shares of Common Stock having a Fair Market Value equal to such Exercise Price or in a combination of cash and Common Stock or, in the sole discretion of the Committee, through a cashless exercise procedure.

(e) Term and Exercisability of Options. Options shall be exercisable over the exercise period (which, with respect to Incentive Stock Options, shall not exceed ten years from the date of grant), at such times and upon such conditions as the Committee may determine, as reflected in the Option Agreement; provided that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. An Option may be exercised, as to any or all full shares of Common Stock as to which the Option has become exercisable, by written notice delivered in person or by mail to the Compensation Committee or as it shall direct, specifying the number of shares of Common Stock with respect to which the Option is being exercised. The exercise period shall be subject to earlier termination as provided in Section 6(f) hereof. At the time any Option granted under the Plan is exercised, the Company shall be entitled to legend the certificates representing the shares of Common Stock purchased pursuant to the Option to clearly identify them as representing shares purchased upon exercise of an Option.

(f) Termination. If a Participant's employment by, or service as a director with, the Company terminates:

(i) Unless provided otherwise in the applicable Option Agreement, upon a Participant's termination of employment or service as a director with the Company or a Subsidiary by reason of death or Disability or by the Company without cause, all Options that are not then exercisable shall immediately terminate and all Options that are then exercisable shall remain exercisable for a period of one year following such termination and shall terminate thereafter;

(ii) Unless provided otherwise in the applicable Option Agreement, if a Participant's employment or service as a director with the Company is terminated by the Company for cause, all Options shall immediately terminate.

(iii) Unless provided otherwise in the applicable Option Agreement upon any termination of Participant's employment or service as a director with the Company other than for cause, without cause or by reason of death or Disability, all Options that are not then exercisable

shall immediately terminate and all Options that are then exercisable shall remain exercisable for a period of thirty days from the date of such termination and shall terminate thereafter.

(g) Other Provisions. Options may be subject to such other conditions including, but not limited to, restrictions on transferability of the shares acquired upon exercise of such Options, as the Committee may prescribe in the Option Agreement in its discretion.

7. Effect of Certain Changes.

If there is any change in the number of outstanding shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination, exchange of shares, merger, consolidation, liquidation, split-up, spin-off or other similar change in capitalization, any distribution to common shareholders, including a rights offering, other than cash dividends, or any like change, then the number of shares of Common Stock available for Options, the number of such shares covered by outstanding Options, and the Exercise Price of such Options shall be proportionately adjusted by the Committee to reflect such change or distribution; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. In the event of a change in the Common Stock of the Company as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive, provided that each Incentive Stock Option granted pursuant to this Plan shall not be adjusted in a manner that causes such Option to fail to continue to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.

8. General Provisions.

(a) Restrictions on Delivery and Sale of Shares. Each Option granted under the Plan is subject to the condition that if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the shares covered by such Option upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such Option or the purchase or delivery of shares thereunder, the delivery of any or all shares pursuant to such Option may be withheld unless and until such listing, registration or qualification shall have been effected. If a

registration statement is not in effect under the Securities Act of 1933, as amended (the "Act"), or any applicable state securities laws with respect to the shares of Stock purchasable or otherwise deliverable under Options then outstanding, the Committee may require, as a condition of exercise of any Option, that the Option holder or other recipient of an Option represent, in writing, that the shares received pursuant to the Option are being acquired for investment and not with a view to distribution and agree that the shares will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Act and any applicable state securities laws. The Company may endorse on certificates representing shares delivered pursuant to an Option such legends referring to the foregoing representation or restrictions or any other applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

(b) Nontransferability. Except to the extent provided otherwise in the applicable Option Agreement, Options shall not be transferable by a Participant except by will or the laws of descent and distribution and shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative.

(c) No Right To Continued Employment. Nothing in the Plan or in any Option granted or any Option Agreement or other agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or to be entitled to any remuneration or benefits not set forth in the Plan or such Option Agreement or other agreement or to interfere with or limit in any way the right of the Company to terminate such Participant's employment.

(d) Withholding Taxes. Where a Participant or other person is entitled to receive shares of Common Stock pursuant to an Option hereunder, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such shares. Unless otherwise prohibited by applicable law, a Participant may satisfy any such withholding tax obligation by either of the following methods, or by a combination of such methods: (a) tendering a cash payment; or (b) delivering to the Company previously acquired shares of Common Stock having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation.

(e) Amendment and Termination of the Plan. The Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided that, no amendment which requires stockholder approval under applicable law or in order for the Plan to continue to comply with Code Section 162(m) shall be effective unless the same shall be approved by the requisite vote of the stockholders of the Company. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Participant, without such Participant's consent, under any Option theretofore granted under the Plan. The power to grant Options under the Plan will automatically terminate ten years after the adoption of the Plan by the Board. If the Plan is terminated, any unexercised Option shall continue to be exercisable in accordance with its terms and the terms of the Plan in effect immediately prior to such termination.

(f) Participant Rights. No Participant shall have any claim to be granted any Option under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an Option shall have no rights as a stockholder with respect to any shares covered by any Option until the date of the issuance of a stock certificate to him for such shares.

(g) No Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Option. The Committee shall determine whether cash, other Options, or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(h) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Wisconsin without giving effect to the conflict of laws principles thereof.

(i) Headings. The section and subsection headings contained herein are for convenience only and shall not affect the construction hereof.

9. Effectiveness.

The Plan shall take effect upon its adoption by the Board.

RAYOVAC CORPORATION
1997 STOCK OPTION PLAN

Rayovac Corporation (the "Company") hereby adopts the Rayovac Corporation 1997 Stock Option Plan (the "Plan") as set forth herein. The purpose of the Plan is to provide an incentive to employees of the Company at the Director level and above to remain in such employ and to increase their efforts for the success of the Company by offering them an opportunity to increase their proprietary interest in the Company. The Plan shall be administered by David A. Jones (the "Administrator").

Pursuant to the Plan, the Company may offer to those of its employees at the Director level and above who are selected by the Administrator (each employee so selected, a "Participant") the right (the "Option") to purchase authorized but unissued shares of the Company's common stock, par value $.01 per share ("Common Stock").

The exercise price of an Option under the Plan shall be $6.01 per share. The Administrator may prescribe the minimum and maximum numbers of shares of Common Stock for which a Participant may exercise an Option, the expiration date of such Option and such other terms and conditions as the Administrator shall deem appropriate; provided, however, that the maximum aggregate number of shares of Common Stock with respect to which Options may be granted under the Plan shall be 665,000; and provided further that the Plan and each Option granted hereunder shall expire no later than November 30, 1997, 1997. Without limiting the generality of the foregoing, the Administrator may cause the Company to lend to a Participant the amount of cash necessary to exercise the Option granted to such Participant; provided, however, that no such loan shall be made unless such Participant simultaneously executes a promissory note in substantially the form annexed hereto.

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

Any Participant not otherwise a signatory to the Shareholders Agreement dated as of September 12, 1996 by and among the Company and the shareholders of the Company referred to therein, as amended (as so amended, the "Shareholders Agreement") shall be required to execute the Shareholders Agreement as a condition to the exercise by such Participant of any Option granted to such Participant under the Plan.

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1,000
U.S. Dollars

6-MOS
DEC-31-1996
JUN-29-1997
1
4,756
0
67,471
1,178
52,116
136,140
142,912
78,505
218,040
85,683
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0
500
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(218,040)
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0
2,652
0.13
0.13