Spectrum Brands, Inc.
Form 10-K
December 29, 2009


# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Fiscal Year Ended September 30, 2009.**

**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 No. 001-13615**

# SPECTRUM BRANDS, INC.

**(Exact name of registrant as specified in its charter)**

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

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

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**Securities registered pursuant to Section 12(g) of the Act:**

| **Title of each class** |
|---|
| Common Stock, Par Value $.01 |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $7,685,897 based upon the closing price on the last business day of the registrant s most recently completed second fiscal quarter (March 27, 2009).* As of December 21, 2009, there were outstanding 30,629,213 shares of the registrant s Common Stock, $0.01 par value.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

* For purposes of this calculation only, shares of Spectrum Brands, Inc. Common Stock held by directors and executive officers have been treated as owned by affiliates.

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**PART I**

ITEM 1. BUSINESS

**General**

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

As further described below, on February 3, 2009, Spectrum Brands, Inc., then a Wisconsin corporation, and each of its wholly owned United States ( U.S. ) subsidiaries (collectively, the Debtors ) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code ), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court ). On August 28, 2009 (the Effective Date ), the Debtors emerged from Chapter 11 of the Bankruptcy Code. Effective as of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, Spectrum Brands, Inc. converted from a Wisconsin corporation to a Delaware corporation.

Unless the context indicates otherwise, Spectrum Brands, Inc. is used interchangeably in this Annual Report on Form 10-K to refer both to the Delaware corporation and its Wisconsin predecessor, and the terms the Company, Spectrum, Spectrum Brands, we, our or us are used to r Spectrum Brands, Inc. and its subsidiaries both before and after the Effective Date. The terms Old Spectrum and Predecessor Company, however, refer only to Spectrum Brands, Inc., our Wisconsin predecessor, and its subsidiaries prior to the Effective Date. The term Successor Company refers only to Spectrum Brands, Inc., the Delaware corporation, and its subsidiaries after the Effective Date.

We manage our business in three reportable segments: (i) Global Batteries & Personal Care, which consists of our worldwide battery, shaving and grooming, personal care and portable lighting business ( Global Batteries & Personal Care ); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business ( Global Pet Supplies ); and (iii) the Home and Garden Business, which consists of home and garden control product offerings, including household insecticides, repellants and herbicides (the Home and Garden Business ).

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

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers ( OEMs ) and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Spectracide, Cutter and various other brands.

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

Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall

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product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors advertising and promotional activities and pricing strategies.

We historically pursued a strategy of strategic acquisitions in furtherance of our goal of being a diversified global consumer products company competing in high-growth markets. In August 1999, the Company acquired ROV Limited s battery business, which operations had an extensive network of distribution and production facilities in Central America, the Dominican Republic, Mexico and Venezuela. In 2002, the Company acquired substantially all of VARTA AG s consumer battery business. In September 2003, the Company acquired Remington Products Company, L.L.C. in order to expand its products portfolio and become a more diversified consumer products company that did not solely focus on the battery and lighting product markets. In 2004, the Company acquired Microlite, a Brazilian battery company, from VARTA AG and Tabriza Brasil Empreendimentos Ltd. In 2005, the Company acquired United Industries Corporation ( United ) and Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business ( Tetra ) to further diversify its business and leverage its distribution strengths through expansion into the home and garden and pet product markets. These acquisitions were financed in substantial part with debt from a variety of sources.

In July 2006, in response to our substantial leverage and operating performance, we engaged advisors to assist us in exploring possible strategic options, including divesting certain assets, in order to reduce its outstanding indebtedness. We also continued to pursue initiatives to reduce manufacturing and operating costs. In connection with this undertaking, during the first quarter of Fiscal 2007, we approved and initiated a plan to sell the Home and Garden Business, which at the time was organized into U.S. and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result of our decision to commence this process, we determined that all the criteria set forth within U.S. generally accepted accounting principles ( GAAP ) were met and in the first quarter of our fiscal year ended September 30, 2007 ( Fiscal 2007 ), we designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

During the first and second quarters of Fiscal 2007, we engaged in substantive negotiations with a potential purchaser as to definitive terms for the purchase of the Home and Garden Business; however, the potential purchaser ultimately determined not to pursue the acquisition. We continued to actively market the Home and Garden Business after such time, however, the Fiscal 2007 selling season for our lawn and garden and household insect control product offerings was significantly negatively impacted by extremely poor weather conditions throughout the U.S., resulting in poor operating performance of the Home and Garden Business. In addition, during the fourth quarter of Fiscal 2007 there was an unforeseen, rapid and significant tightening of liquidity in the U.S. credit markets. We believe that this tightening of liquidity in the credit markets had a direct impact on the expected proceeds that we would ultimately receive in connection with a sale of the Home and Garden Business. To address these issues, during the fourth quarter of Fiscal 2007 we reassessed the value of the Home and Garden Business to take into account the changes in the credit markets and the weaker than planned operating performance during the Fiscal 2007 selling season so as to ensure that the Home and Garden Business was being marketed at a price that was reasonable in relation to its current fair value. Our reassessment produced a lower range of expected sales values than was previously determined. As a result of the reassessment, we recorded an impairment charge against the Home and Garden Business during the fourth quarter of Fiscal 2007 to reflect its fair value as determined by us. Subsequent to taking the impairment charge, and thereby revising our expectations of the proceeds that would ultimately be received upon a sale of the Home and Garden Business, we continued to be in active discussions with various potential purchasers through December 30, 2007.

On November 1, 2007, we completed the sale of the Canadian division of the Home and Garden Business. See Note 10, Discontinued Operations of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on the sale of the Canadian division of the Home and Garden Business.

During the second quarter of our fiscal year ended September 30, 2008 ( Fiscal 2008 ), we determined that in view of the difficulty in predicting the timing or probability of a sale of the remaining U.S. portion of the

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Home and Garden Business the requirements of GAAP, necessary to classify the remaining U.S. portion of the Home and Garden Business as discontinued operations, were no longer met and that it was appropriate to present the remaining U.S. portion of the Home and Garden Business as held and used in the Company s continuing operations as of our second quarter of Fiscal 2008 and going forward. The presentation herein of the results of continuing operations includes the Home and Garden Business excluding the Canadian division, which, as indicated above, was sold on November 1, 2007, for all periods presented. In the third quarter of Fiscal 2008, we entered into a definitive agreement, subject to the consent of our lenders under our senior credit facilities, to sell the assets related to Global Pet Supplies. We were unable to obtain the consent of the lenders, and on July 13, 2008, we entered into a termination agreement regarding the agreement to sell the assets related to Global Pet Supplies. Pursuant to the termination agreement, as a condition to the termination, we paid the proposed buyer $3 million as a reimbursement of expenses.

In November 2008, our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing products portion of the Home and Garden Business for our fiscal year ended September 30, 2009 ( Fiscal 2009 ). We believe the shutdown was consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. As of March 29, 2009, we completed the shutdown of the growing products portion of the Home and Garden Business. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, to our Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

On December 15, 2008, we were advised that our common stock would be suspended from trading on the New York Stock Exchange (the NYSE ) prior to the opening of the market on December 22, 2008. We were advised that the decision to suspend our common stock was reached in view of the fact that we had recently fallen below the NYSE s continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than $25 million, the minimum threshold for listing on the NYSE. Our common stock was delisted from the NYSE effective January 23, 2009.

On February 2, 2009, the Company did not make a $25.8 million interest payment due February 2, 2009 on the Company s 7 7/8% Senior Subordinated Notes due 2015, triggering a default with respect to the notes.

As a result of its substantial leverage, the Company determined that, absent a financial restructuring, it would be unable to achieve future profitability or positive cash flows on a consolidated basis solely from cash generated from operating activities or to satisfy certain of its payment obligations as the same may become due and be at risk of not satisfying the leverage ratios to which it was subject under its senior secured term loan facility, which ratios become more restrictive in future periods. Accordingly, Spectrum Brands, inc. and its U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the Bankruptcy Filing ) to pursue such a restructuring. The Bankruptcy Filing is discussed in more detail under Chapter 11 Proceedings.

As a result of our Bankruptcy Filing, we were able to significantly reduce our indebtedness. However, we continue to have a significant amount of indebtedness relative to our competitors and continue to explore potential strategies that may be available to us to restructure this indebtedness.

***Chapter 11 Proceedings***

On February 3, 2009, we announced that we had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of our then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce our outstanding debt. On the

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same day, the Debtors filed the Bankruptcy Filing and filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan ) that detailed the Debtors proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455 (the Bankruptcy Cases ).

*Confirmation of the Proposed Plan*

The Proposed Plan provided for, among other things, reinstatement of our senior secured term credit facility under Section 1124 of the Bankruptcy Code. The agent under the senior secured term credit facility on behalf of the senior term lenders had challenged the Proposed Plan and alleged that the Proposed Plan did not leave the rights of the term lenders under the senior secured term credit facility unimpaired and therefore did not reinstate the senior secured term credit facility claims without alteration. Amended versions of the original Proposed Plan were filed with the Bankruptcy Court in advance of the hearing to consider confirmation of such plan.

The confirmation hearing commenced on June 15, 2009. At the confirmation hearing the agent under the senior secured term credit facility litigated its objection to the amended version of the Proposed Plan. Additional objections to such plan were pressed by the Official Committee of Equity Security Holders (the Equity Committee ), which objections centered around assertions that the Proposed Plan, as amended, placed too low a valuation on the reorganized Debtors.

On June 24, 2009, during the pendency of such hearing, the Company publicly disclosed that it had reached a settlement (the Settlement ) with the senior term lenders under its senior secured term credit facility agreement and amended the Proposed Plan to reflect the terms of the Settlement. The Bankruptcy Court thereafter overruled the Equity Committee s objections to the Proposed Plan, as amended, and on June 25, 2009, approved such plan on the record at the conclusion of the confirmation hearing. The Bankruptcy Court entered a written order (the Confirmation Order ) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan ).

*Equity Committee Appeal*

The Equity Committee, which represented the interests of the Debtors pre-petition equity holders whose equity interests were cancelled pursuant to the terms of the Plan, filed a notice of appeal of the Confirmation Order on July 15, 2009. On July 16, 2009, the Equity Committee filed a motion ( Stay Motion ) to stay the Confirmation Order pending appeal in the District Court in the United States District Court for the Western District of Texas ( District Court ) (Case No. 09-CV-0576). On July 23, 2009, the District Court concluded that the Equity Committee had not carried its burden of proof and denied the Stay Motion ( Order Denying Stay ). On July 27, 2009, the Equity Committee filed in the United States Court of Appeals for the Fifth Circuit ( Fifth Circuit ) an emergency motion for an expedited appeal of the Order Denying Stay and an emergency motion for stay pending appeal. The Fifth Circuit denied the Equity Committee s emergency motion for stay pending appeal on August 19, 2009. Because the District Court and the Fifth Circuit denied the stay motions pending before them, the Plan became effective on August 28, 2009 (the Effective Date ). After the Effective Date, the Equity Committee moved to withdraw its appeal of the Order Denying Stay in the Fifth Circuit. The Fifth Circuit entered an order dismissing the appeal on September 11, 2009. On September 21, 2009, the Equity Committee moved to withdraw its appeal of the Confirmation Order. The District Court granted the motion on September 23, 2009 and dismissed the Equity Committee s appeal without prejudice.

With the exception of Spectrum Jungle Labs Corporation, the related cases of the reorganized debtors were closed as of September 30, 2009.

*Plan Effective Date*

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Old

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Spectrum s existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Reorganized Spectrum Brands, Inc. filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 27,030,000 shares of common stock and $218,076,405 in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes ) to holders of allowed claims with respect to Old Spectrum s 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes ), 7 3/8% Senior Subordinated Notes due 2015 (the 7 3/8 Notes ) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes ), (together, the Senior Subordinated Notes ). Also on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 2,970,000 shares of common stock to supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors debtor-in-possession credit facility. The common stock is currently quoted on the OTC Bulletin Board and the Pink Sheet Electronic Quotation Service. However, there can be no assurances that a broker-dealer will make a market in the common stock.

On the Effective Date, pursuant to the Plan, the Company entered into Amendment No. 1 to its senior secured term credit facility agreement reflecting the terms of the Settlement as authorized by the Confirmation Order, including a new covenant restricting the Company from paying cash interest on the 12% Notes until the date that is 18 months from the Effective Date, or February 28, 2011. In addition, on the Effective Date, the Company entered into Amendment No. 2 to the senior secured term credit facility agreement to give effect to certain technical amendments to the senior secured term credit facility agreement. For a further description of the amendments see the *Debt Financing Activities Senior Term Credit Facility* section of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

In order to consummate the Plan, the Debtors also obtained a $242 million asset-based exit loan facility pursuant to a credit agreement among the Debtors, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto.

*Internal Restructuring Transactions*

The Plan contemplated that on, as of, or after the Effective Date, with the consent of its board of directors, each of the reorganized Debtors may take such actions as may be necessary or appropriate to effect a corporate or operational restructuring of their respective businesses, to otherwise simplify the overall corporate or operational structure of the reorganized Debtors, to achieve corporate or operational efficiencies, or to otherwise improve financial results. On the Effective Date, the board of directors of Spectrum Brands, Inc. approved an internal restructuring of the reorganized Debtors to consolidate the Company s legal structure within its three business segments, global batteries and personal care, global pet supplies and home and garden. The restructuring resulted in, among other things, that Aquaria, Inc.; Perfecto Manufacturing, Inc. and Aquarium Systems Inc., each a wholly owned subsidiary of Spectrum Brands, Inc. and a guarantor of the 12% Notes, merging with and into Tetra Holding (US), Inc. ( Tetra ), another wholly owned subsidiary guarantor, with Tetra surviving. In addition, Southern California Foam, Inc., a wholly owned subsidiary of Spectrum Brands, Inc., and guarantor, merged with and into United Pet Group, Inc. ( UPG ), another wholly owned subsidiary guarantor, with UPG surviving. The internal restructuring became effective on October 1, 2009.

***The Financial Accounting Standards Board ( FASB ) Accounting Standards Codification (the Codification or ASC )***

In June 2009, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162,* an accounting standard which established the Codification to become

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the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission (the SEC ) and its staff. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. We adopted this accounting standard in preparing the Consolidated Financial Statements for the period ended September 30, 2009 included in this Annual Report on Form 10-K. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105: *Generally Accepted Accounting Principles,* had no impact on retained earnings and will have no impact on our financial position, results of operations or cash flows.

**Our Products**

We compete in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care products; home and garden control products; and portable lighting. Our broad line of products includes:

- consumer batteries, including alkaline and zinc carbon batteries, rechargeable batteries and chargers and hearing aid batteries and other specialty batteries;
- pet supplies, including aquatic equipment and supplies, dog and cat treats, small animal foods, clean up and training aids, health and grooming products and bedding;
- electric shaving and grooming devices;
- electric personal care and styling devices;
- portable lighting; and
- home and garden control products such as household insect controls, insect repellants and herbicides.

Net sales of each product category sold, as a percentage of net sales of our consolidated operations, is set forth below.

| | Percentage of Total Company Net Sales for the Fiscal Year Ended September 30, | | |
|---|---|---|---|
| | **2009** | **2008** | **2007** |
| Consumer batteries | 37% | 38% | 38% |
| Pet supplies | 26 | 25 | 24 |
| Home and garden control products | 14 | 14 | 15 |
| Electric shaving and grooming | 10 | 10 | 11 |
| Electric personal care products | 9 | 9 | 8 |
| Portable lighting | 4 | 4 | 4 |
| | 100% | 100% | 100% |

*Consumer Batteries*

We market and sell a full line of alkaline batteries (AA, AAA, C, D and 9-volt sizes) to both retail and industrial customers. Our alkaline batteries are marketed and sold primarily under the Rayovac and VARTA brands. We also manufacture alkaline batteries for third parties who sell the batteries under their own private labels. Our zinc carbon batteries are also marketed and sold primarily under the Rayovac and VARTA brands and are designed for low- and medium-drain battery-powered devices.

We believe that we are currently the largest worldwide marketer and distributor of hearing aid batteries. We sell our hearing aid batteries through retail trade channels and directly to professional audiologists under several brand names and private labels, including Beltone, Miracle Ear and Starkey.

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We also sell Nickel Metal Hydride (NiMH) rechargeable batteries and a variety of battery chargers under the Rayovac and VARTA brands.

Our other specialty battery products include camera batteries, lithium batteries, silver oxide batteries, keyless entry batteries and coin cells for use in watches, cameras, calculators, communications equipment and medical instruments.

*Pet Supplies*

In the pet supplies product category we market and sell a variety of leading branded pet supplies for fish, dogs, cats, birds and other small domestic animals. We have a broad line of consumer and commercial aquatics products, including integrated aquarium kits, standalone tanks and stands, filtration systems, heaters, pumps, and other equipment, fish food and water treatment products. Our largest aquatics brands are Tetra, Marineland, Whisper, Jungle and Instant Ocean. We also sell a variety of specialty pet products, including dog and cat treats, small animal food and treats, clean up and training aid products, health and grooming aids, and bedding products. Our largest specialty pet brands include 8in1, Dingo, Firstrax, Nature s Miracle and Wild Harvest.

*Electric Shaving and Grooming*

We market and sell a broad line of electric shaving and grooming products under the Remington brand name, including men s rotary and foil shavers, beard and mustache trimmers, body trimmers and nose and ear trimmers, women s shavers and haircut kits.

*Electric Personal Care Products*

Our electric personal care products, marketed and sold under the Remington brand name, include hair dryers, straightening irons, styling irons and hair setters.

*Portable Lighting*

We offer a broad line of battery-powered, portable lighting products, including flashlights and lanterns for both retail and industrial markets. We sell our portable lighting products under the Rayovac and VARTA brand names, under other proprietary brand names and pursuant to licensing arrangements with third parties.

*Home and Garden Control Products*

In the home and garden control product category we currently sell and market several leading home and garden care products, including household insecticides, insect repellent, herbicides, garden and indoor plant foods and plant care treatments. We offer a broad array of household insecticides such as spider, roach and ant killer, flying insect killer, insect foggers, wasp and hornet killer, flea and tick control products and roach and ant baits. We also manufacture and market a complete line of insect repellent products that provide protection from insects, especially mosquitoes. These products include both personal repellents, such as aerosols, pump sprays and wipes as well as area repellents, such as yard sprays, citronella candles and torches. Our largest brands in the insect control category include Hot Shot, Cutter and Repel. Our herbicides, garden and indoor plant foods and plant care treatment brands include Spectracide, Real-Kill and Garden Safe. We have positioned ourselves as the value alternative for consumers who want products that are comparable to, but sold at lower prices than, premium-priced brands.

**Sales and Distribution**

We sell our products through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and OEMs. Our sales generally are made through the use of individual purchase orders, consistent with industry practice. Retail sales of the consumer products we market have been increasingly consolidated into a small number of regional and national mass merchandisers. This trend towards consolidation is occurring on a worldwide basis. As a result of this consolidation, a significant percentage of our sales are attributable to a very limited group of retailer customers, including, without limitation, Wal-Mart, The Home Depot, Carrefour, Target, Lowe s, PetSmart, Canadian Tire, PetCo and Gigante. Our sales to Wal-Mart Stores, Inc. represented approximately 23% of our consolidated net sales for Fiscal 2009. No other customer accounted for more than 10% of our consolidated net sales in Fiscal 2009.

Segment information as to revenues, profit and total assets as well as information concerning our revenues and long-lived assets by geographic location for the last three fiscal years is set forth in Note 12, Segment Results, in Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Segment information as to revenues, profit and total assets as well as information concerning our revenues and long-lived assets by geographic location is set forth in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Note 12, Segment Results, in Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Sales and distribution practices in each of our reportable segments are as set forth below.

*Global Batteries & Personal Care*

We manage our Global Batteries & Personal Care sales force by geographic region and product group. Our sales team is divided into three major geographic territories, North America, Latin America and Europe and the rest of the world ( Europe/ROW ). Within each major geographic territory, we have additional subdivisions designed to meet our customers needs.

We manage our sales force in North America by distribution channel. We maintain separate sales groups to service (i) our retail sales and distribution channel, (ii) our hearing aid professionals channel and (iii) our industrial distributors and OEM sales and distribution channel. In addition, we utilize a network of independent brokers to service participants in selected distribution channels.

We manage our sales force in Latin America by distribution channel and geographic territory. We sell primarily to large retailers, wholesalers, distributors, food and drug chains and retail outlets. In countries where we do not maintain a sales force, we sell to distributors who market our products through all channels in the market.

The sales force serving our customers in Europe/ROW is supplemented by an international network of distributors to promote the sale of our products. Our sales operations throughout Europe/ROW are organized by geographic territory and the following sales channels: (i) food/retail, which includes mass merchandisers, discounters and drug and food stores; (ii) specialty trade, which includes clubs, consumer electronics stores, department stores, photography stores and wholesalers/distributors; and (iii) industrial, government, hearing aid professionals and OEMs.

*Global Pet Supplies*

Our Global Pet Supplies sales force is aligned by customer, geographic region and product group. We sell pet supply products to mass merchandisers, grocery and drug chains, pet superstores, independent pet stores and other retailers.

*Home and Garden Business*

The sales force of the Home and Garden Business is aligned by customer. We sell primarily to home improvement centers, mass merchandisers, hardware stores, lawn and garden distributors, and food and drug retailers in the U.S.

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**Manufacturing, Raw Materials and Suppliers**

The principal raw materials used in manufacturing our products zinc powder, electrolytic manganese dioxide powder and steel are sourced either on a global or regional basis. The prices of these raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. We have regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage the raw material costs we expect to incur over the next 12 to 24 months. We discontinued the use of granular urea during the second quarter of Fiscal 2009 as a result of the shutdown of the growing products portion of the Home and Garden Business.

Substantially all of our rechargeable batteries and chargers, portable lighting products, hair care and other personal care products and our electric shaving and grooming products are manufactured by third party suppliers that are primarily located in the Asia/Pacific region. We maintain ownership of the tooling and molds used by most of our suppliers.

We continually evaluate our manufacturing facilities capacity and related utilization. As a result of such analyses, we have closed a number of manufacturing facilities during the past five years. In general, we believe our existing facilities are adequate for our present and foreseeable needs.

**Research and Development**

Our research and development strategy is focused on new product development and performance enhancements of our existing products. We plan to continue to use our strong brand names, established customer relationships and significant research and development efforts to introduce innovative products that offer enhanced value to consumers through new designs and improved functionality.

In our fiscal years ended September 30, 2009, 2008 and 2007, we invested $24.4 million, $25.3 million and $26.8 million, respectively, in product research and development.

**Patents and Trademarks**

We own or license from third parties a significant number of patents and patent applications throughout the world relating to products we sell and manufacturing equipment we use. We hold a license that expires in March 2022 for certain alkaline battery designs, technology and manufacturing equipment from Matsushita Electrical Industrial Co., Ltd. ( Matsushita ), to whom we pay a royalty.

We also use and maintain a number of trademarks in our business, including DINGO, JUNGLETALK, MARINELAND, RAYOVAC, REMINGTON, TETRA, VARTA, 8IN1, CUTTER, HOT SHOT, GARDEN SAFE, NATURE S MIRACLE, REPEL, SPECTRACIDE and SPECTRACIDE TERMINATE. We seek trademark protection in the U.S. and in foreign countries by all available means, including registration.

As a result of the October 2002 sale by VARTA AG of substantially all of its consumer battery business to us and VARTA AG s subsequent sale of its automotive battery business to Johnson Controls, Inc. ( Johnson Controls ), we acquired rights to the VARTA trademark in the consumer battery category and Johnson Controls acquired rights to the trademark in the automotive battery category. VARTA AG continues to have rights to use the trademark with travel guides and industrial batteries and VARTA Microbattery GmbH has the right to use the trade mark with micro batteries. We are party to a Trademark and Domain Names Protection and Delimitation Agreement that governs ownership and usage rights and obligations of the parties relative to the VARTA trademark.

As a result of the common origins of the Remington Products, L.L.C., ( Remington Products ) business we acquired in September 2003 and the Remington Arms Company, Inc. ( Remington Arms ), the REMINGTON

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trademark is owned by us and by Remington Arms each with respect to its principal products as well as associated products. Accordingly, we own the rights to use the REMINGTON trademark for electric shavers, shaver accessories, grooming products and personal care products, while Remington Arms owns the rights to use the trademark for firearms, sporting goods and products for industrial use, including industrial hand tools. In addition, the terms of a 1986 agreement between Remington Products and Remington Arms provides for the shared rights to use the REMINGTON trademark on products which are not considered principal products of interest for either company. We retain the REMINGTON trademark for nearly all products which we believe can benefit from the use of the brand name in our distribution channels.

**Competition**

In our retail markets, we compete for limited shelf space and consumer acceptance. Factors influencing product sales include brand name recognition, perceived quality, price, performance, product packaging, design innovation, and consumer confidence and preferences as well as creative marketing, promotion and distribution strategies.

The battery product category is highly competitive. Most consumer batteries manufactured throughout the world are sold by one of four global companies: Spectrum Brands (manufacturer/seller of Rayovac and VARTA brands); Energizer Holdings, Inc. ( Energizer ) (manufacturer/seller of the Energizer brand); The Procter & Gamble Company ( Procter & Gamble ) (manufacturer/seller of the Duracell brand); and Matsushita (manufacturer/seller of the Panasonic brand). We also face competition from the private label brands of major retailers, particularly in Europe. The offering of private-label batteries by retailers may create pricing pressure in the consumer battery market. Typically, private-label brands are not supported by advertising or promotion, and retailers sell these private label offerings at prices below competing name-brands. The main barriers to entry for new competitors are investment in technology research, cost of building manufacturing capacity and the expense of building retail distribution channels and consumer brands.

In the U.S. alkaline battery category, the Rayovac brand is positioned as a value brand, which is typically defined as a product that offers comparable performance at a lower price. In Europe, the VARTA brand is competitively priced with other premium brands. In Latin America, where zinc carbon batteries outsell alkaline batteries, the Rayovac brand is competitively priced.

The pet supply product category is highly fragmented with over 500 manufacturers in the U.S. alone, consisting primarily of small companies with limited product lines. Our largest competitors in this product category are Mars Corporation ( Mars ), The Hartz Mountain Corporation ( Hartz ) and Central Garden & Pet Company ( Central Garden & Pet ). Both Hartz and Central Garden & Pet sell a comprehensive line of pet supplies and compete with a majority of the products we offer. Mars sells primarily aquatics products.

Our primary competitors in the electric shaving and grooming product category are Norelco, a division of Koninklijke Philips Electronics NV ( Philips ), which sells and markets rotary shavers, and Braun, a division of The Procter & Gamble Company, which sells and markets foil shavers. Remington sells both foil and rotary shavers.

Our major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited ( Helen of Troy ).

Our primary competitors in the portable lighting product category are Energizer and Mag Instrument, Inc.

Products we sell in the lawn and garden product category through the Home and Garden Business face competition from The Scotts Miracle-Gro Company ( Scotts Company ), which markets lawn and garden products under the Scotts, Ortho, Roundup and Miracle-Gro brand names; Central Garden & Pet, which markets garden products under the AMDRO and Sevin brand names; and Bayer A.G., which markets lawn and garden products under the Bayer Advanced brand name.

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Products we sell in the household insect control product category through the Home and Garden Business, face competition from S.C. Johnson & Son, Inc. ( S.C. Johnson ), which markets insecticide and repellent products under the Raid and OFF! brands; Scotts Company, which markets household insect control products under the Ortho brand; and Henkel KGaA, which markets insect control products under the Combat brand.

Some of our major competitors have greater resources and greater overall market share than we do. They have committed significant resources to protect their market shares or to capture market share from us in the past and may continue to do so in the future. In some key product lines, our competitors may have lower production costs and higher profit margins than we do, which may enable them to compete more aggressively in advertising and in offering retail discounts and other promotional incentives to retailers, distributors, wholesalers and, ultimately, consumers.

**Seasonality**

On a consolidated basis our financial results are approximately equally weighted between quarters, however, sales of certain product categories tend to be seasonal. Sales in the consumer battery, electric shaving and grooming and electric personal care product categories, particularly in North America, tend to be concentrated in the December holiday season (Spectrum s first fiscal quarter). Demand for pet supplies products remains fairly constant throughout the year. Demand for home and garden control products sold though the Home and Garden Business typically peaks during the first six months of the calendar year (Spectrum s second and third fiscal quarters). For a more detailed discussion of the seasonality of our product sales, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Seasonal Product Sales.

**Governmental Regulations and Environmental Matters**

Due to the nature of our operations, our facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with the releases of hazardous substances at our facilities. We believe that compliance with the federal, state, local and foreign laws and regulations to which we are subject will not have a material effect upon our capital expenditures, financial condition, earnings or competitive position.

From time to time, we have been required to address the effect of historic activities on the environmental condition of our properties. We have not conducted invasive testing at all facilities to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, it is possible that material liabilities may arise in the future in connection with our current or former facilities. If previously unknown contamination of property underlying or in the vicinity of our manufacturing facilities is discovered, we could incur material unforeseen expenses, which could have a material adverse effect on our financial condition, capital expenditures, earnings and competitive position. Although we are currently engaged in investigative or remedial projects at some of our facilities, we do not expect that such projects, taking into account established accruals, will cause us to incur expenditures that are material to our business or financial condition; however, it is possible that our future liability could be material.

We have been, and in the future may be, subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are held responsible as a result of our relationships with such other parties. In the U.S., these proceedings are under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ( CERCLA ) or similar state laws that hold persons who arranged for the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible

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parties. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine whether our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state laws for other sites not currently known to us, and the costs and liabilities associated with these sites may be material.

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from such environmental matters, taking into account established accruals of $4.4 million for estimated liabilities at September 30, 2009 should not be material to our business or financial condition.

Electronic and electrical products that we sell in Europe, particularly products sold under the Remington brand name, VARTA battery chargers, certain portable lighting and all of our batteries, are subject to regulation in European Union ( EU ) markets under three key EU directives. The first directive is the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment ( RoHS ) which took effect in EU member states beginning July 1, 2006. RoHS prohibits companies from selling products which contain certain specified hazardous materials in EU member states. We believe that compliance with RoHS will not have a material effect on our capital expenditures, financial condition, earnings or competitive position. The second directive is entitled the Waste of Electrical and Electronic Equipment ( WEEE ). WEEE makes producers or importers of particular classes of electrical goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. WEEE assigns levels of responsibility to companies doing business in EU markets based on their relative market share. WEEE calls on each EU member state to enact enabling legislation to implement the directive. To comply with WEEE requirements, we have partnered with other companies to create a comprehensive collection, treatment, disposal and recycling program. As EU member states pass enabling legislation our compliance system should be sufficient to meet such requirements. Our current estimated costs associated with compliance with WEEE are not significant based on our current market share. However, we continue to evaluate the impact of the WEEE legislation as EU member states implement guidance and as our market share changes, and, as a result, actual costs to our company could differ from our current estimates. The third directive is the Directive on Batteries and Accumulators and Waste Batteries, which was adopted in September 2006 and went into effect in September 2008 (the Battery Directive ). The Battery Directive bans heavy metals in batteries by establishing maximum quantities of those heavy metals in batteries and mandates waste management of batteries, including collection, recycling and disposal systems. The Battery Directive places the costs of such waste management systems on producers and importers of batteries. The Battery Directive calls on each EU member state to enact enabling legislation to implement the directive. We currently believe that compliance with the Battery Directive will not have a material effect on our capital expenditures, financial condition, earnings or competitive position. However, until such time as the EU member states adopt enabling legislation, a full evaluation of these costs cannot be completed. We will continue to evaluate the impact of the Battery Directive and its enabling legislation as EU member states implement guidance.

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

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

Certain of our products and packaging materials are subject to regulations administered by the FDA. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated products, establishes ingredients and manufacturing procedures for certain products, establishes standards of identity for certain products, determines the safety of products and establishes labeling standards and requirements. In addition, various states regulate these products by enforcing federal and state standards of identity for selected products, grading products, inspecting production facilities and imposing their own labeling requirements.

**Employees**

We had approximately 5,700 full-time employees worldwide as of September 30, 2009. Approximately 20% of our total labor force is covered by collective bargaining agreements. There are three collective bargaining agreements that will expire during our fiscal year ending September 30, 2010, which cover approximately 68% of the labor force under collective bargaining agreements, or approximately 14% of our total labor force. We believe that our overall relationship with our employees is good.

**Available Information**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), are made available free of charge on or through our website at *www.spectrumbrands.com* as soon as reasonably practicable after such reports are filed with, or furnished to, the United States Securities and Exchange Commission (the SEC ). You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains our reports, proxy statements and other information at *www.sec.gov*. In addition, copies of our (i) Corporate Governance Guidelines, (ii) charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, (iii) Code of Business Conduct and Ethics and (iv) Code of Ethics for the Principal Executive Officer and Senior Financial Officers are available at our Internet site at *www.spectrumbrands.com* under Investor Relations Corporate Governance. Copies will also be provided to any stockholder upon written request to the Division Vice President, Investor Relations, Spectrum Brands, Inc. at Six Concourse Parkway, Suite 3300, Atlanta, Georgia 30328 or via electronic mail at *investorrelations@spectrumbrands.com*, or by contacting the Division Vice President, Investor Relations by telephone at 770-829-6200.

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ITEM 1A. RISK FACTORS

**Forward-Looking Statements**

We have made or implied certain forward-looking statements in this Annual Report on Form 10-K. All statements, other than statements of historical facts included in this Annual Report, including the statements under Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations regarding our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this Annual Report, the words anticipate, intend, plan, estimate, believe, expect, project, c should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

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

- the impact of our substantial indebtedness on our business, financial condition and results of operations;
- the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers willingness to advance credit;
- interest rate and exchange rate fluctuations;
- the loss of, or a significant reduction in, sales to a significant retail customer(s);
- competitive promotional activity or spending by competitors or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;

changes in consumer spending preferences and demand for our products;

our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;

our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;

the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);

public perception regarding the safety of our products, including the potential for environmental liabilities, product liability claims, litigation and other claims;

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- the impact of pending or threatened litigation;
- changes in accounting policies applicable to our business;
- government regulations;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity; and
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

Some of the above-mentioned factors are described in further detail in the section entitled Risk Factors set forth below. You should assume the information appearing in this Annual Report on Form 10-K is accurate only as of September 30, 2009 or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since that date. Except as required by applicable law, including the securities laws of the U.S. and the rules and regulations of the SEC, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise to reflect actual results or changes in factors or assumptions affecting such forward-looking statement.

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## RISK FACTORS

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

### Risks Related To Our Emergence From Bankruptcy

***Our actual financial results may vary significantly from the projections filed with the Bankruptcy Court.***

In connection with the Chapter 11 reorganization, the Debtors were required to prepare projected financial information to demonstrate to the Bankruptcy Court administering the Chapter 11 reorganization the feasibility of the Plan and the ability of the Debtors to continue operations upon emergence from bankruptcy. As part of the disclosure statement approved by the Bankruptcy Court and as otherwise furnished to the SEC, the projections reflected numerous assumptions concerning anticipated future performance and prevailing and anticipated market and economic conditions that were and continue to be beyond our and the other Debtors control and that may not materialize. Projections are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks. Our actual results may vary from those contemplated by the projections and the variations may be material. Neither these projections nor any form of the disclosure statement should be considered or relied upon in connection with the purchase of Spectrum Brands, Inc. s securities.

***Because our consolidated financial statements are required to reflect fresh-start reporting adjustments to be made upon emergence from bankruptcy, financial information in our financial statements prepared after August 30, 2009 will not be comparable to our financial information from prior periods.***

All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However, in light of the proximity of that date to our accounting period close immediately following the Effective Date, which was August 30, 2009, we elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting. We adopted fresh-start reporting in accordance with the Accounting Standards Codification ( ASC ) Topic 852: *Reorganizations,* formerly American Institute of Certified Public Accountants Statement of Position No. 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code,* pursuant to which our reorganization value, which is intended to reflect the fair value of the entity before considering liabilities and approximate the amount a willing buyer would pay for the assets of the entity immediately after the Reorganization, will be allocated to the fair value of assets in conformity with ASC Topic 805: Business Combinations, formerly Statement of Financial Accounting Standards No. 141, Business Combinations, using the purchase method of accounting for business combinations. We will state liabilities, other than deferred taxes, at a present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of identified tangible and intangible assets will be reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit will be eliminated. Thus, our future Statements of Financial Position and results of operations will not be comparable in many respects to statements of financial position and consolidated statements of operations data for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing Spectrum Brands, Inc. s securities. Additionally, the financial information included in this Annual Report on Form 10-K may not be indicative of future financial information.

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**Risks Related To Our Business**

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

We have, and we expect to continue to have, a significant amount of indebtedness. As of September 30, 2009, we had total indebtedness under our senior subordinated notes, senior credit facilities and other senior debt of approximately $1.7 billion.

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

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

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

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

Our senior secured term credit agreement and senior asset-based revolving credit agreement and the indenture governing our outstanding 12% Notes contain covenants that, among other things, limit our ability to:

- incur additional indebtedness;
- borrow money or sell preferred stock;
- create liens;

pay dividends on or redeem or repurchase stock;

make certain types of investments;

issue or sell stock in our subsidiaries;

restrict dividends or other payments from our subsidiaries;

issue guarantees of debt;

transfer or sell assets and utilize proceeds of any such sales;

enter into agreements that restrict our restricted subsidiaries from paying dividends, making loans or otherwise transferring assets to us or to any of our other restricted subsidiaries;

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- enter into or engage in transactions with affiliates;
- merge, consolidate or sell all or substantially all of our assets; or
- under the senior credit facility agreements, pay cash interest on our 12% Notes until the date that is 18 months from the effective date of the Plan, or February 28, 2011.

In addition, our senior secured term credit agreement and the senior asset-based revolving credit agreement each require us to meet a number of financial ratios and tests. Noncompliance with these covenants could materially and adversely affect our ability to finance our operations or capital needs and to engage in other business activities that may be in our best interest and may also restrict our ability to expand or pursue our business strategies. We may not be able to comply with all of our covenants and obligations in all our debt instruments.

***We face risks related to the current economic crisis.***

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

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

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

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

- We compete against many well established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than we do.

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In some key product lines, our competitors may have lower production costs and higher profit margins than we do, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.

Product improvements or effective advertising campaigns by competitors may weaken consumer demand for our products.

Consumer purchasing behavior may shift to distribution channels where we do not have a strong presence.

Consumer preferences may change to lower margin products or products other than those we market.

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

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

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

***Conflicts of interest might result in our not acting on opportunities we otherwise may have.***

In accordance with the Plan, certain of the significant holders of our senior subordinated notes became significant stockholders as of the Effective Date. Pursuant to the Plan, these holders designated certain persons who were nominated by Spectrum Brands, Inc.  s then existing directors and effective as of the Effective Date, were appointed, together with Kent J. Hussey, to the board of directors of Spectrum Brands, Inc. In the future, directors may be elected by such holders or their affiliates through exercise of their voting power. Such election of directors to our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and such stockholders that could have different implications for such stockholders than they do for us. We cannot assure you that the provisions in our governing documents will adequately address any potential conflicts of interest or that potential conflicts of interest will be resolved in our favor or that we will be able to take advantage of corporate opportunities presented to directors that were designated by such stockholders. As a result, we may be precluded from pursuing certain growth initiatives. Further, the interests of such stockholders and our other stockholders may diverge. In addition, in connection with the Chapter 11 reorganization, Spectrum Brands, Inc. adopted a new certificate of incorporation that waives certain causes of action that may arise with respect to potential conflicts of interest with eligible stockholders, which may include the significant stockholders or their affiliates. Under these circumstances, persons who might otherwise accept our invitation to join our board of directors may decline.

***Adverse weather conditions during our peak selling season for our home and garden control products could have a material adverse effect on our home and garden business.***

Weather conditions in U.S. have a significant impact on the timing and volume of sales of certain of our lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. In addition, an abnormally cold spring throughout U.S. could adversely affect insecticide sales and therefore have a material adverse effect on our home and garden business.

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

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

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

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

***We may not be able to fully utilize our United States net operating loss carryforwards.***

As of September 30, 2009, we have U.S. federal and state net operating loss carryforwards of approximately $598 and $643 million, respectively. These net operating loss carryforwards expire through years ending in 2029. As of September 30, 2009, management determined that it continues to be more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, would not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including the Company s net operating loss carryforwards. In addition, the Company has had changes of ownership, as defined under Internal Revenue Code Section 382, that continue to subject a significant amount of the Company s U.S. net operating losses and other tax attributes to certain limitations. We estimate that approximately $149 million of our federal and $311 million of our state net operating losses will expire unused due to Internal Revenue Code Section 382 limitation. If we are unable to fully utilize our net operating losses other than those restricted under Internal Revenue Code Section 382, as discussed above, to offset taxable income generated in the future, our results of operations could be materially and negatively impacted.

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

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

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

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

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

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

Our international sales and certain of our expenses are transacted in foreign currencies. During Fiscal 2009, approximately 43% of our net sales and 45% of our operating expenses were denominated in foreign currencies prior to translation into U.S. dollars. We expect that the amount of our revenues and expenses transacted in foreign currencies will increase as our Latin American, European and Asian operations grow and, as a result, our exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies could have a material effect on our business, financial condition and results of operations. Changes in currency exchange rates may also affect our sales to, purchases from and loans to our subsidiaries as well as sales to, purchases from and bank lines of credit with our customers, suppliers and creditors that are denominated in foreign currencies.

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

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

- changes in the economic conditions or consumer preferences or demand for our products in these markets;

- economic and political destabilization, governmental corruption and civil and labor unrest;

- restrictive actions by multi-national governing bodies, foreign governments or subdivisions thereof (e.g., duties, quotas and restrictions on transfer of funds);

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- changes in foreign labor laws and regulations affecting our ability to hire and retain employees;

- changes in U.S. and foreign laws regarding trade and investment;

- noncompliance by our business partners with, or a failure by our business partners to enforce, rules and regulations targeting fraudulent conduct; and

- difficulty in obtaining distribution and support for our products.

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

- Although contractually assured with our suppliers, we may be unable to procure appropriate Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment compliant material in sufficient quantity and quality and/or be able to incorporate it into our product procurement processes without compromising quality and/or harming our cost structure.

- We may face excess and obsolete inventory risk related to non-compliant inventory that we may continue to hold in Fiscal 2010 for which there is reduced demand and we may need to write down the carrying value of such inventories.

- We may be unable to sell certain existing inventories of our batteries in Europe.

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

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

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

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

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

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

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

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

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

- our relationships with our suppliers;

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the terms and conditions upon which we purchase products from our suppliers;

the financial condition of our suppliers;

the ability to import outsourced products; or

our suppliers ability to manufacture and deliver outsourced products on a timely basis.

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

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

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

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

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

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

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

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

discharges to the air, water and land;

the handling and disposal of solid and hazardous substances and wastes; and

remediation of contamination associated with release of hazardous substances at our facilities and at off-site disposal locations.

Risk of environmental liability is inherent in our business. As a result, material environmental costs may arise in the future. In particular, we may incur capital and other costs to comply with increasingly stringent

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environmental laws and enforcement policies, such as the E.U. directives, Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed above. Although we believe that we are substantially in compliance with applicable environmental regulations at our facilities, we may not be in compliance with such regulations in the future, which could have a material adverse effect upon our business, financial condition and results of operations.

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

We are also subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are responsible as a result of our relationship with such other parties. These proceedings are under Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ( CERCLA ) or similar state laws that hold persons who arranged for the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine if our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state laws in the future for other sites not currently known to us, and the costs and liabilities associated with these sites may be material.

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

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

The Food Quality Protection Act ( FQPA ) established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the U.S. Environmental Protection Agency is evaluating the cumulative effects from dietary and non-dietary

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exposures to pesticides. The pesticides in certain of our products that are sold through the Home and Garden Business continue to be evaluated by the U.S. Environmental Protection Agency as part of this program. It is possible that the U.S. Environmental Protection Agency or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the U.S. Environmental Protection Agency s continuing evaluations of active ingredients used in our products.

In addition, the use of certain pesticide and fertilizer products that are sold through our global pet supplies business and through the Home and Garden Business may, among other things, be regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may require that: only certified or professional users apply the product that users post notices on properties where products have been or will be applied or that certain ingredients may not be used. Compliance with such public health regulations could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

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

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

***Our business could suffer from the effects of the H1N1 virus or other wide-spread viruses.***

The effects of the H1N1 virus, commonly known as Swine Flu, or other wide-spread viruses, could adversely affect our business. An outbreak of such a virus in a given location could severely interfere with and substantially disrupt the manufacture and/or shipment of our products and could have a material adverse effect on our operations. A prolonged recurrence of the virus could also adversely affect the various economies into which we ship our products and cause an immediate and prolonged drop in consumer demand for our products in those economies. Any of these events could adversely affect our financial condition and results of operations. The general impact, if any, of the virus on our operations, our results of operations and financial condition is highly speculative, cannot be accurately predicted or quantified, and would depend on numerous factors, including the rate of contagion, the regions of the world most affected, the effectiveness of treatment for the infected population and the rates of mortality and morbidity.

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

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

In 2007, certain pet food manufactured in China, which was tainted with a mildly toxic chemical known as melamine and sold in the U.S., was linked to numerous companion animal fatalities and triggered a widespread recall of pet food by many major pet food suppliers. Sales of our pet food and pet treat products may be adversely affected because of general consumer distrust of pet food suppliers who manufacture pet food or pet treats in China or distribute pet food or pet treats manufactured in China or negative public perceptions resulting

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from enhanced scrutiny by the FDA or other governmental authorities of pet food and pet treats and related animal food products. Public perception that any of our products are not safe, whether justified or not, could impair our reputation, damage our brand names and have a material adverse effect on our business, financial condition and results of operations.

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

Approximately 20% of our total labor force is employed under collective bargaining agreements. Three of these agreements, which cover approximately 68% of the labor force under collective bargaining agreements, or approximately 14% of our total labor force, are scheduled to expire during our fiscal year ending September 30, 2010. While we currently expect to negotiate continuations to the terms of these agreements, there can be no assurances that we will be able to obtain terms that are satisfactory to us or otherwise to reach agreement at all with the applicable parties. In addition, in the course of our business, we may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under our current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than existing collective bargaining agreements, could adversely affect the operation of our business, including through increased labor expenses. While we intend to comply with all collective bargaining agreements to which the Company is subject, there can be no assurances that we will be able to do so and any noncompliance could subject the Company to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

***Significant changes in actual investment return on pension assets, discount rates, and other factors could affect our results of operations, equity, and pension contributions in future periods.***

Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions we used to estimate pension income or expense are the discount rate and the expected long-term rate of return on plans assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash we would contribute to pension plans as required under the Employee Retirement Income Security Act.

**Risks Related to Spectrum Brands, Inc. s Common Stock**

***Risks of trading in an over the counter market.***

Spectrum Brands, Inc. s common stock currently trades in the over-the-counter market. Securities traded in the over-the-counter market generally have significantly less liquidity than securities traded on a national securities exchange, through factors such as a reduction in the number of investors that will consider investing in the securities, the number of market makers in the securities, reduction in securities analyst and news media coverage and lower market prices than might otherwise be obtained. As a result, holders of shares of the common stock may find it difficult to resell their shares at prices quoted in the market or at all. Furthermore, because of the limited market and generally low volume of trading in the common stock that could occur, the share price of the common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the market s perception of our business, and announcements made by us, our competitors or parties with whom we have business relationships. In some cases, we may be subject to additional compliance requirements under applicable state laws in the issuance of securities. The lack

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of liquidity in the common stock may also make it difficult for us to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future. In addition, we may experience other adverse effects, including, without limitation, the loss of confidence in us by current and prospective suppliers, customers, employees and others with whom we have or may seek to initiate business relationships.

***The market price of Spectrum Brands, Inc. s common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control.***

Factors that may influence the price of the common stock include, without limitation, the following:

- loss of any of our key customers or suppliers;
- additions or departures of key personnel;
- sales of the common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- additional issuances of the common stock;
- low volume of sales due to concentrated ownership of the common stock;
- intellectual property disputes;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the common stock. You should also be aware that price volatility might be worse if the trading volume of shares of the common stock is low.

***Additional issuances of Spectrum Brands, Inc. s common stock may result in dilution to its existing stockholders.***

As of December 21, 2009, Spectrum Brands, Inc. has issued under its 2009 equity incentive plan 629,213 shares and is authorized to issue up to a total of 3,333,333 shares of its common stock, or options exercisable for shares of common stock. In addition, Spectrum Brands, Inc. s board of directors has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of common stock. If Spectrum Brands, Inc. does issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of common stock could be decreased. Further, any such issuance or exercise could result in a change of control. Under Spectrum Brands, Inc. s certificate of incorporation, holders of 5% or more of the outstanding common stock or capital stock into which any shares of common stock may be converted have certain rights to purchase their pro rata share of certain future issuances of securities.

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***Spectrum Brands, Inc. has historically not paid dividends on its public common stock, and, therefore, any return on investment may be limited to the value of the common stock.***

Spectrum Brands, Inc. has not declared or paid dividends on its common stock since the stock commenced public trading in 1997, and we do not anticipate paying dividends in the foreseeable future. The payment of dividends on outstanding common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as Spectrum Brands, Inc. s board of directors may consider relevant, including the ability to do so under Spectrum Brands credit and other debt agreements. If Spectrum Brands, Inc. does not pay dividends, returns on an investment in its common stock will only occur if the stock price appreciates.

***Limited influence of minority holders of Spectrum Brands, Inc. s common stock.***

We would note that if holders of the common stock constituting a majority were to determine to act in concert with respect to any proposal or other item requiring a stockholder vote, other stockholders would then be unable to affect the outcome of such stockholder vote. As of December 21, 2009, we had no knowledge of any such determination to act in concert.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The following table lists our principal owned or leased manufacturing, packaging, and distribution facilities at September 30, 2009:

| Facility | Function |
|---|---|
| ***Global Batteries & Personal Care*** | |
| Fennimore, Wisconsin(1) | Alkaline Battery Manufacturing |
| Portage, Wisconsin(1) | Zinc Air Button Cell and Lithium Coin Cell Battery, Foil Shaver Component Manufacturing |
| Dischingen, Germany(1) | Alkaline Battery Manufacturing |
| Washington, UK(2) | Zinc Air Button Cell Battery Manufacturing & Distribution |
| Guatemala City, Guatemala(1) | Zinc Carbon Battery Manufacturing |
| Jaboatao, Brazil(1) | Zinc Carbon Battery Manufacturing |
| Manizales, Colombia(1) | Zinc Carbon Battery Manufacturing |
| Dixon, Illinois(2) | Battery & Lighting Device Packaging & Distribution |
| Visalia, California(2) | Electric Shaver & Personal Care Product Distribution |
| Ellwangen-Neunheim, Germany(2) | Battery & Lighting Device, Electric Shaver & Personal Care Product Distribution |
| ***Global Pet Supplies*** | |
| Mentor, Ohio(2) | Aquatics Manufacturing |
| Noblesville, Indiana(1) | Aquatics Manufacturing |
| Moorpark, California(2) | Aquatics Manufacturing |
| Bridgeton, Missouri(2) | Pet Supply Manufacturing (shared with the Home and Garden Business) |
| Blacksburg, Virginia(1) | Pet Supply Manufacturing, Assembly & Distribution |
| Melle, Germany(1) | Pet Food & Pet Care Manufacturing |
| Edwardsville, Illinois(2) | Pet Supply Product Distribution (shared with the Home and Garden Business) |
| Melle, Germany(2) | Pet Food & Pet Care Distribution |
| ***Home and Garden Business*** | |
| Vinita Park, Missouri(2) | Household & Controls and Contract Manufacturing |
| Bridgeton, Missouri(2) | Household & Controls Manufacturing (shared with Global Pet) |
| Edwardsville, Illinois(2)(3) | Household & Controls Product Distribution (shared with Global Pet) |
| San Bernardino, California(2)(4) | Household & Controls Product Distribution |
| Bridgeton, Missouri(2)(3) | Household Controls Product Distribution |
| Pendergrass, Georgia(2)(5) | Household Controls Product Distribution |

(1) Facility is owned.
(2) Facility is leased.
(3) The Home and Garden Business is expected to exit the facility on or before January 1, 2010.
(4) Exited the facility in October 2009.
(5) Exited the facility in November 2009.

We also own, operate or contract with third parties to operate distribution centers, sales offices and administrative offices throughout the world in support of our business. We lease our administrative headquarters, located in Atlanta, Georgia, and our primary research and development facility and North America headquarters, located in Madison, Wisconsin.

We believe that our existing facilities are suitable and adequate for our present purposes and that the productive capacity in such facilities is substantially being utilized or we have plans to utilize it.

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ITEM 3. LEGAL PROCEEDINGS

**Litigation**

We are subject to litigation from time to time in the ordinary course of business. The amount of any liability with respect to any litigation to which we are now subject cannot currently be determined. Other than the matters set forth below, we are not party to any pending legal proceedings which, in the opinion of management, are material or may be material to our business or financial condition.

On February 3, 2009, Spectrum Brands, Inc. and its U.S. subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Western District of Texas. The Chapter 11 Cases were jointly administered by the court as Case Number 09-50455. On July 15, 2009, the court entered a written order confirming the debtors plan of reorganization. On August 28, 2009, the debtors emerged from Chapter 11 protection. The debtors plan of reorganization had been subject to an appeal by the official committee representing the interests of the debtors pre-petition equity holders whose equity interests were cancelled pursuant to the terms of the plan. On September 23, 2009, the United States District Court for the Western District of Texas dismissed the equity committee s appeal without prejudice.

A final award was issued in Fiscal 2009 in the Company s arbitration proceeding with Tabriza Brasil Empreendimentos Ltda. ( Tabriza ), Administração e Participações Ltda and VARTA AG, the former owners of the Company s subsidiary, Microlite, with respect to a number of matters arising out of the Company s acquisition of Microlite in September 2004. These proceedings included, among other things, the right to receive indemnification for various alleged breaches of representations, warranties, covenants and agreements made by the selling shareholders in the acquisition agreement and the Company s obligation to pay additional amounts to Tabriza pursuant to its earn-out rights under the acquisition agreement.

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

On January 23, 2009, the arbitration panel issued a final award regarding the matters it decided at summary judgment. Under the final award, the total net amount owed by the Company arising out of the arbitration proceedings is approximately $8 million. These amounts were all paid by the end of the third quarter of Fiscal 2009.

The Company continues to analyze proofs of claim filed with the bankruptcy court with respect to lease rejection damages and other unsecured claims generally, and the Company may, in its discretion and in accordance with the confirmed plan of reorganization, file objections with the bankruptcy court to certain of such claims. This process will continue until those claims that the Company determines to address in the bankruptcy court are resolved.

**Environmental**

We are subject to various federal, state and local environmental laws and regulations. We believe we are in substantial compliance with all such environmental laws that are applicable to our operations. See also the discussion captioned Governmental Regulation and Environmental Matters under Item 1 above.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

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## PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

Prior to December 22, 2008, our common stock, par value $0.01 per share (the Old Common Stock ) was traded on the New York Stock Exchange (the NYSE ) under the symbol SPC. The Old Common Stock commenced public trading on November 21, 1997.

On December 15, 2008, we were advised that our Old Common Stock would be suspended from trading on the NYSE prior to the opening of the market on December 22, 2008. We were advised that the decision to suspend our Old Common Stock was reached in view of the fact that we had recently fallen below the NYSE s continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than $25 million, the minimum threshold for listing on the NYSE. Our Old Common Stock was delisted from the NYSE effective January 23, 2009. Our Old Common Stock was then quoted on the Pink Sheet Electronic Quotation Service under the symbol SPCB until August 28, 2009 when the Old Common Stock was cancelled pursuant to the Plan in our Chapter 11 reorganization.

The following table sets forth the reported high and low prices per share of the Old Common Stock as reported on the NYSE Composite Transaction Tape and the Pink Sheet Electronic Quotation Service for the fiscal periods indicated:

| | High | Low |
|---|---|---|
| **Fiscal 2009** | | |
| Quarter ended September 30, 2009 (through August 27, 2009) | $ 0.05(1) | $ 0.01(1) |
| Quarter ended June 28, 2009 | $ 0.30(1) | $ 0.04(1) |
| Quarter ended March 29, 2009 | $ 0.17(1) | $ 0.01(1) |
| Quarter ended December 28, 2008 | $ 1.86(2) | $ 0.08(2) |
| **Fiscal 2008** | | |
| Quarter ended September 30, 2008 | $ 2.98 | $ 1.27 |
| Quarter ended June 29, 2008 | $ 5.10 | $ 2.50 |
| Quarter ended March 30, 2008 | $ 5.39 | $ 3.41 |
| Quarter ended December 30, 2007 | $ 6.20 | $ 3.80 |

(1) Represents market prices while operating during the Chapter 11 reorganization for periods subsequent to February 2, 2009.

(2) High price reflects the high sales price on NYSE prior to Old Spectrum s suspension from trading on December 15, 2008. Low price reflects the OTC market low bid price during the balance of the quarter.

The common stock of reorganized Spectrum Brands, Inc. (the New Common Stock ) began quotation on the OTC Bulletin Board and the Pink Sheet Electronic Quotation Service under the symbol SPEB on September 2, 2009. As of December 21, 2009, there were approximately 11 holders of record of our New Common Stock based upon data provided by the transfer agent for the New Common Stock. We believe the number of beneficial holders of our New Common Stock is significantly in excess of this amount. The transfer agent for the New Common Stock is Mellon Investor Services LLC.

The following table sets forth the reported high and low bid prices per share of the New Common Stock as reported on the Pink Sheet Electronic Quotation Service for the fiscal period indicated:

| | High | Low |
|---|---|---|
| **Fiscal 2009** | | |
| Quarter ended September 30, 2009 | $ 25.00 | $ 12.50 |

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The OTC bid prices represent prices between dealers and do not include retail markup, markdown or commission.

The historical prices for the Old Common Stock may not be indicative of the anticipated or prospective value or future trading price of or trading market for the New Common Stock.

We have not declared or paid any cash dividends on our Old Common Stock since it commenced public trading in 1997 and we do not anticipate paying cash dividends on the New Common Stock in the foreseeable future, but intend to retain any future earnings for reinvestment in our business. In addition, the terms of our senior credit facilities and the indenture governing our outstanding senior subordinated notes restrict our ability to pay dividends to our stockholders. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements, contractual restrictions and such other factors as the board of directors deems relevant.

Information regarding our equity compensation plans is set forth in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters-Equity Compensation Plan Information.

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that may Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| Quarter Ended September 30, 2009 | | | | |
| 6/29/09 7/26/09 | 2,645 | $ 0.06 | | |
| 7/27/09 8/30/09 | | $ | | |
| 8/31/09 9/30/09 | | $ | | |
| Total | 2,645 | $ 0.06 | | |

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ITEM 6. SELECTED FINANCIAL DATA

The following selected historical financial data is derived from our audited consolidated financial statements. Only our Consolidated Statements of Financial Position as of September 30, 2009 and 2008 and our Consolidated Statements of Operations, Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss) and Consolidated Statements of Cash Flows for the years ended September 30, 2009, 2008 and 2007 are included elsewhere in this Annual Report on Form 10-K. On November 5, 2008, Spectrum Brands, Inc. s board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. During the second quarter of Fiscal 2009, we completed the shutdown of the growing products portion of the Home and Garden Business and, accordingly, began reporting the results of operations of the growing products portion of the Home and Garden Business as discontinued operations. As of October 1, 2005, we began reporting the results of operations of Nu-Gro Pro and Tech as discontinued operations. We also began reporting the results of operations of the Canadian division of the Home and Garden Business as discontinued operations as of October 1, 2006, which business was sold on November 1, 2007. Therefore, the presentation of all historical continuing operations has been changed to exclude the growing products portion of the Home and Garden Business, the Nu-Gro Pro and Tech and the Canadian division of the Home and Garden Business but to include the remaining control products portion of the Home and Garden Business. The following selected financial data should be read in conjunction with our consolidated financial statements and notes thereto and the information contained in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. The financial information indicated may not be indicative of future performance.

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| | Successor Company One Month Ended September 30, 2009 | Eleven Months Ended August 30, 2009 | Predecessor Company Fiscal Year Ended September 30, 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| | (In millions, except per share data) | | | | | |
| **Statement of Operations Data:** | | | | | | |
| Net sales | $ 219.9 | $ 2,010.6 | $ 2,426.6 | $ 2,332.7 | $ 2,228.5 | $ 2,077.5 |
| Gross profit | 64.4 | 751.8 | 920.1 | 876.7 | 871.2 | 821.9 |
| Operating income (loss)(1) | 0.1 | 156.8 | (684.6) | (251.8) | (289.1) | 202.6 |
| (Loss) income from continuing operations before income taxes | (20.0) | 1,227.8 | (914.8) | (507.2) | (460.9) | 69.2 |
| (Loss) income from discontinued operations, net of tax(2) | 0.4 | (86.8) | (26.2) | (33.7) | (2.5) | 2.3 |
| Net (loss) income(3)(4)(5)(6) | (70.8) | 1,013.9 | (931.5) | (596.7) | (434.0) | 46.8 |
| Restructuring and related charges cost of goods sold(7) | $ 0.2 | $ 13.2 | $ 16.5 | $ 31.3 | $ 21.1 | $ 10.5 |
| Restructuring and related charges operating expenses(7) | 1.6 | 30.9 | 22.8 | 66.7 | 33.6 | 15.8 |
| Other expense (income), net(8) | (0.8) | 3.3 | 1.2 | (0.3) | (4.1) | (0.7) |
| Interest expense | $ 17.0 | $ 172.9 | $ 229.0 | $ 255.8 | $ 175.9 | $ 134.1 |
| Per Share Data: | | | | | | |
| Net (loss) income per common share: | | | | | | |
| Basic | $ (2.36) | $ 19.76 | $ (18.29) | $ (11.72) | $ (8.77) | $ 1.07 |
| Diluted | $ (2.36) | 19.76 | (18.29) | (11.72) | (8.77) | 1.03 |
| Average shares outstanding: | | | | | | |
| Basic | 30.0 | 51.3 | 50.9 | 50.9 | 49.5 | 43.7 |
| Diluted(9) | 30.0 | 51.3 | 50.9 | 50.9 | 49.5 | 45.6 |
| **Cash Flow and Related Data:** | | | | | | |
| Net cash provided (used) by operating activities | $ 75.0 | $ 1.6 | $ (10.2) | $ (32.6) | $ 44.5 | $ 216.6 |
| Capital expenditures(10) | 2.7 | 8.1 | 18.9 | 23.2 | 55.6 | 60.5 |
| Depreciation and amortization (excluding amortization of debt issuance costs)(10) | 8.6 | 58.5 | 85.0 | 77.4 | 82.6 | 68.5 |
| **Statement of Financial Position Data (at period end):** | | | | | | |
| Cash and cash equivalents | $ 97.8 | | $ 104.8 | $ 69.9 | $ 28.4 | $ 29.9 |
| Working capital(11) | 323.7 | | 371.5 | 370.2 | 397.2 | 490.6 |
| Total assets | 3,020.7 | | 2,247.5 | 3,211.4 | 3,549.3 | 4,022.1 |
| Total long-term debt, net of current maturities | 1,530.0 | | 2,474.8 | 2,416.9 | 2,234.5 | 2,268.0 |
| Total debt | 1,583.5 | | 2,523.4 | 2,460.4 | 2,277.2 | 2,307.3 |
| Total shareholders equity (deficit) | 660.9 | | (1,027.2) | (103.8) | 452.2 | 842.7 |

(1) During Fiscal 2009, 2008, 2007 and 2006, pursuant to the Financial Accounting Standards Board Codification Topic 350: *Intangibles-Goodwill and Other,* formerly the Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* we conducted our annual impairment testing of goodwill and indefinite-lived intangible assets. As a result of these analyses we recorded non-cash pretax impairment charges of approximately $34 million, $861 million, $362 million and $433 million in the eleven month period ended August 30, 2009, Fiscal 2008, Fiscal 2007 and our fiscal year ended September 30, 2006 ( Fiscal 2006 ), respectively. See the *Critical Accounting Policies Valuation of Assets and Asset Impairment* section of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations as well as Note 3(i), Significant Accounting Policies Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

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(2) Fiscal 2007 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $45 million to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, relating to our Canadian Division of the Home and Garden Business in order to reflect the estimated fair value of this business. Fiscal 2008 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $8 million to reduce the carrying value of intangible assets relating to our growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. See Note 6, Assets Held for Sale, and Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for information relating to these impairment charges.

(3) Included in the one month period for the Successor Company is a non-cash tax charge of $58 million related to the residual U.S. and foreign taxes on approximately $166 million of actual and deemed distributions of foreign earnings. The eleven month period ended August 30, 2009 income tax expense includes a non-cash adjustment of approximately $52 million which reduced the valuation allowance against certain deferred tax assets.

The eleven month Predecessor Company includes a non-cash charge of $104 million related to the tax effects of the fresh start adjustments. In addition, Predecessor Company includes the tax effect on the gain on the cancellation of debt from the extinguishment of the senior subordinated notes as well as the modification of the senior term credit facility resulting in approximately $124 million reduction in the U.S. net deferred tax asset exclusive of indefinite lived intangibles. Due to the Company s full valuation allowance position as of August 30, 2009 on the U.S. net deferred tax asset exclusive of indefinite lived intangibles, the tax effect of the gain on the cancellation of debt and the modification of the senior secured credit facility is offset by a corresponding adjustment to the valuation allowance of $124 million. The tax effect of the fresh start adjustments, the gain on the cancellation of debt and the modification of the senior secured credit facility, net of corresponding adjustments to the valuation allowance, are netted against reorganization items.

(4) Fiscal 2008 income tax benefit of $9.5 million includes a non-cash charge of approximately $222.0 million which increased the valuation allowance against certain net deferred tax assets.

(5) Fiscal 2007 income tax expense of $55.8 million includes a non-cash charge of approximately $180.1 million which increased the valuation allowance against certain net deferred tax assets.

(6) Fiscal 2006 income tax benefit of $29.4 million includes a non-cash charge of approximately $29.3 million which increased the valuation allowance against certain net deferred tax assets.

(7) See Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further discussion.

(8) Fiscal 2006 includes a $7.9 million net gain on the sale of our Bridgeport, CT manufacturing facility, acquired as part of the Remington Products Company, L.L.C. acquisition and subsequently closed in Fiscal 2004, and our Madison, WI packaging facility, which was closed in our fiscal year ended September 30, 2003 ( Fiscal 2003 ).

(9) Each of the one month period ended September 30, 2009, the eleven month period ended August 30, 2009, Fiscal 2008, 2007 and 2006 does not assume the exercise of common stock equivalents as the impact would be antidilutive.

(10) Amounts reflect the results of continuing operations only.

(11) Working capital is defined as current assets less current liabilities.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management s discussion of the financial results, liquidity and other key items related to our performance and should be read in conjunction with Item 6. Selected Financial Data and our Consolidated Financial Statements and related notes included in this Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation. All references to Fiscal 2009, 2008 and 2007 refer to fiscal year periods ended September 30, 2009, 2008 and 2007, respectively.

As further described below, on February 3, 2009, we and our wholly owned United States ( U.S. ) subsidiaries (collectively, the Debtors ) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code ), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court ). On August 28, 2009 (the Effective Date ), the Debtors emerged from Chapter 11 of the Bankruptcy Code. Effective as of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, we converted from a Wisconsin corporation to a Delaware corporation.

Unless the context indicates otherwise, Spectrum Brands, Inc. is used interchangeably in this Annual Report on Form 10-K to refer both to the Delaware corporation and its Wisconsin predecessor, and the terms the Company, Spectrum, Spectrum Brands, we, our or us are used to r Spectrum Brands, Inc. and its subsidiaries both before and on and after the Effective Date. The term New Spectrum, however, refers only to Spectrum Brands, Inc., our Delaware successor, and its subsidiaries, after the Effective Date, and the term Old Spectrum, refers only to Spectrum Brands, Inc., our Wisconsin predecessor, and its subsidiaries prior to the Effective Date.

**Introduction**

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

We manage our business in three reportable segments: (i) Global Batteries & Personal Care, which consists of the Company s worldwide battery, shaving and grooming, personal care and portable lighting business ( Global Batteries & Personal Care ); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business ( Global Pet Supplies ); and (iii) the Home and Garden Business, which consists of our home and garden control product offerings, including household insecticides, repellants and herbicides (the Home and Garden Business ).

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

We sell our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers ( OEMs ) and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Spectracide, Cutter and various other brands.

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

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Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors advertising and promotional activities and pricing strategies.

We historically pursued a strategy of strategic acquisitions in furtherance of our goal of being a diversified global consumer products company competing in high-growth markets. In August 1999, we acquired ROV Limited s battery business, which operations had an extensive network of distribution and production facilities in Central America, the Dominican Republic, Mexico, Venezuela, Argentina, and Chile. In 2002, we acquired substantially all of VARTA AG s consumer battery business. In September 2003, we acquired Remington Products Company, L.L.C. in order to expand our products portfolio and become a more diversified consumer products company that did not solely focus on the battery and lighting product markets. In 2004, we acquired Microlite, a Brazilian battery company, from VARTA AG and Tabriza Brasil Empreendimentos Ltd. In 2005, we acquired United Industries Corporation ( United ) and Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business ( Tetra ) to further diversify our business and leverage our distribution strengths through expansion into the home and garden and pet product markets. These acquisitions were financed in substantial part with debt from a variety of sources.

In July 2006, in response to our substantial leverage and operating performance, we engaged advisors to assist us in exploring possible strategic options, including divesting certain assets, in order to reduce our outstanding indebtedness. We also continued to pursue initiatives to reduce manufacturing and operating costs. In connection with this undertaking, during the first quarter of Fiscal 2007, we approved and initiated a plan to sell the Home and Garden Business, which at the time was organized into U.S. and Canadian divisions and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result of our decision to commence this process, we determined that all the criteria set forth in U.S. generally accepted accounting principles ( GAAP ) were met and in the first quarter of Fiscal 2007, we designated certain assets and liabilities related to the Home and Garden Business as held for sale and designated the Home and Garden Business as discontinued operations.

During the first and second quarters of Fiscal 2007, we engaged in substantive negotiations with a potential purchaser as to definitive terms for the purchase of the Home and Garden Business; however, the potential purchaser ultimately determined not to pursue the acquisition. We continued to actively market the Home and Garden Business after such time, however, the Fiscal 2007 selling season for our lawn and garden and household insect control product offerings was significantly negatively impacted by extremely poor weather conditions throughout the U.S., resulting in poor operating performance of the Home and Garden Business. In addition, during the fourth quarter of Fiscal 2007 there was an unforeseen, rapid and significant tightening of liquidity in the U.S. credit markets. We believe that this tightening of liquidity in the credit markets had a direct impact on the expected proceeds that we would ultimately receive in connection with a sale of the Home and Garden Business. To address these issues, during the fourth quarter of Fiscal 2007 we reassessed the value of the Home and Garden Business to take into account the changes in the credit markets and the weaker than planned operating performance during the Fiscal 2007 selling season so as to ensure that the Home and Garden Business was being marketed at a price that was reasonable in relation to its current fair value. Our reassessment produced a lower range of expected sales values than was previously determined. As a result of the reassessment, we recorded an impairment charge against the Home and Garden Business during the fourth quarter of Fiscal 2007 to reflect its fair value as determined by us. Subsequent to taking the impairment charge, and thereby revising our expectations of the proceeds that would ultimately be received upon a sale of the Home and Garden Business, we continued to be in active discussions with various potential purchasers through December 30, 2007.

On November 1, 2007, we completed the sale of the Canadian division of the Home and Garden Business. See Note 10, Discontinued Operations of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information on the sale of the Canadian division of the Home and Garden Business.

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During the second quarter of Fiscal 2008, we determined that in view of the difficulty in predicting the timing or probability of a sale of the remaining U.S. portion of the Home and Garden Business, the requirements of GAAP necessary to classify the remaining U.S. portion of the Home and Garden Business as discontinued operations were no longer met and that it was appropriate to present the remaining U.S. portion of the Home and Garden Business as held and used in the Company s continuing operations as of our second quarter of Fiscal 2008 and going forward. The presentation herein of the results of continuing operations includes the Home and Garden Business excluding the Canadian division, which, as indicated above, was sold on November 1, 2007, for all periods presented.

In the third quarter of Fiscal 2008, we entered into a definitive agreement, subject to the consent of our lenders under our senior credit facilities, to sell the assets related to Global Pet Supplies. We were unable to obtain the consent of the lenders, and on July 13, 2008, we entered into a termination agreement regarding the agreement to sell the assets related to Global Pet Supplies. Pursuant to the termination agreement, as a condition to the termination, we paid the proposed buyer $3 million as a reimbursement of expenses.

In November 2008, our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing products portion of the Home and Garden Business for Fiscal 2009. We believe the shutdown was consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. As of March 29, 2009, we completed the shutdown of the growing products portion of the Home and Garden Business. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, to our Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

On December 15, 2008, we were advised that our common stock would be suspended from trading on the New York Stock Exchange (the NYSE ) prior to the opening of the market on December 22, 2008. We were advised that the decision to suspend our common stock was reached in view of the fact that we had recently fallen below the NYSE s continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than $25 million, the minimum threshold for listing on the NYSE. Our common stock was delisted from the NYSE effective January 23, 2009.

On February 2, 2009, the Company did not make a $25.8 million interest payment due February 2, 2009 on the Company s 7 3/8% Senior Subordinated Notes due 2015, triggering a default with respect to the notes.

As a result of our substantial leverage, we determined that, absent a financial restructuring, it would be unable to achieve future profitability or positive cash flows on a consolidated basis solely from cash generated from operating activities or to satisfy certain of our payment obligations as the same may become due and be at risk of not satisfying the leverage ratios to which we were subject under our senior secured term loan facility, which ratios become more restrictive in future periods. Accordingly, Spectrum Brands, inc. and its U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court (the Bankruptcy Filing ) to pursue such a restructuring. The Bankruptcy Filing is discussed in more detail under Chapter 11 Proceedings.

As a result of our Bankruptcy Filing, we were able to significantly reduce our indebtedness. However, we continue to have a significant amount of indebtedness relative to our competitors and continue to explore potential strategies that may be available to us to restructure this indebtedness.

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*The Financial Accounting Standards Board ( FASB ) Accounting Standards Codification (the Codification or ASC )*

In June 2009, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162,* an accounting standard which established the Codification to become the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the U.S. Securities and Exchange Commission (the SEC ) and its staff. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. We adopted this accounting standard in preparing the Consolidated Financial Statements for the period ended September 30, 2009 included in this Annual Report on Form 10-K. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105: *Generally Accepted Accounting Principles,* had no impact on retained earnings and will have no impact on our financial position, results of operations or cash flows.

***Chapter 11 Proceedings***

On February 3, 2009, we announced that we had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of our then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce our outstanding debt. On the same day, the Debtors filed the Bankruptcy Filing and filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan ) that detailed the Debtors proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455 (the Bankruptcy Cases ).

*Confirmation of the Proposed Plan*

The Proposed Plan provided for, among other things, reinstatement of our senior secured term credit facility under Section 1124 of the Bankruptcy Code. The agent under the senior secured term credit facility on behalf of the senior secured term lenders had challenged the Proposed Plan and alleged that the Proposed Plan did not leave the rights of the term lenders under the senior secured term credit facility unimpaired and, therefore, did not reinstate the senior term credit facility claims without alteration. Amended versions of the original Proposed Plan were filed with the Bankruptcy Court in advance of the hearing to consider confirmation of such plan.

The confirmation hearing was commenced on June 15, 2009. At the confirmation hearing the agent under the senior secured term credit facility litigated its objection to the amended version of the Proposed Plan. Additional objections to such plan were pressed by the Official Committee of Equity Security Holders (the Equity Committee ), which objections centered around assertions that the Proposed Plan, as amended, placed too low a valuation on the reorganized Debtors.

On June 24, 2009, during the pendency of such hearing, the Company publicly disclosed that it had reached a settlement (the Settlement ) with the senior term lenders under its senior secured term credit facility agreement and amended the Proposed Plan to reflect the terms of the Settlement. The Bankruptcy Court thereafter overruled the Equity Committee s objections to the Proposed Plan, as amended, and on June 25, 2009, approved such plan on the record at the conclusion of the confirmation hearing. The Bankruptcy Court entered a written order (the Confirmation Order ) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan ).

*Equity Committee Appeal*

The Equity Committee, which represented the interests of the Debtors pre-petition equity holders whose equity interests were cancelled pursuant to the terms of the Plan, filed a notice of appeal of the Confirmation Order on July 15, 2009. On July 16, 2009, the Equity Committee filed a motion ( Stay Motion ) to stay the

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Confirmation Order pending appeal in the District Court in the United States District Court for the Western District of Texas ( District Court ) (Case No. 09-CV-0576). On July 23, 2009, the District Court concluded that the Equity Committee had not carried its burden of proof and denied the Stay Motion ( Order Denying Stay ). On July 27, 2009, the Equity Committee filed in the United States Court of Appeals for the Fifth Circuit ( Fifth Circuit ) an emergency motion for an expedited appeal of the Order Denying Stay and an emergency motion for stay pending appeal. The Fifth Circuit denied the Equity Committee s emergency motion for stay pending appeal on August 19, 2009. Because the District Court and the Fifth Circuit denied the stay motions pending before them, the Plan became effective on August 28, 2009 (the Effective Date ). After the Effective Date, the Equity Committee moved to withdraw its appeal of the Order Denying Stay in the Fifth Circuit. The Fifth Circuit entered an order dismissing the appeal on September 11, 2009. On September 21, 2009, the Equity Committee moved to withdraw its appeal of the Confirmation Order. The District Court granted the motion on September 23, 2009 and dismissed the Equity Committee s appeal without prejudice.

With the exception of Spectrum Jungle Labs Corporation, the related cases of the reorganized debtors were closed as of September 30, 2009.

*Plan Effective Date*

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Old Spectrum s existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Reorganized Spectrum Brands, Inc. filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 27,030,000 shares of common stock and $218 million in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes ) to holders of allowed claims with respect to Old Spectrum s 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes ), 7 3/8% Senior Subordinated Notes due 2015 (the 7 3/8 Notes ) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes ) (collectively, the Senior Subordinated Notes ). Also on the Effective Date, reorganized Spectrum Brands, Inc. issued a total of 2,970,000 shares of common stock to supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors debtor-in-possession credit facility. The common stock is currently quoted on the OTC Bulletin Board and the Pink Sheet Electronic Quotation Service. However, there can be no assurances that a broker-dealer will make a market in the common stock.

On the Effective Date, pursuant to the Plan (as amended pursuant to the Settlement), we entered into Amendment No. 1 to the senior secured term credit facility agreement reflecting the terms of the Settlement as authorized by the Confirmation Order, including a new covenant restricting the Company from paying cash interest on the 12% Notes until the date that is 18 months from the Effective Date, or February 28, 2011. In addition, on the Effective Date, we entered into Amendment No. 2 to the senior secured term credit facility agreement to give effect to certain technical amendments to the senior secured term credit facility agreement. For a further discussion of the amendments see *Debt Financing Activities Senior Term Credit Facility.*

In order to consummate the Plan, the Debtors also obtained a $242 million asset-based exit loan facility pursuant to a credit agreement among the Debtors, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto.

*Internal Restructuring Transactions*

The Plan contemplated that on, as of, or after the Effective Date, with the consent of its board of directors, each of the reorganized Debtors may take such actions as may be necessary or appropriate to effect a corporate or operational restructuring of their respective business, to otherwise simplify the overall corporate or operational

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structure of the reorganized Debtors, to achieve corporate or operational efficiencies, or to otherwise improve financial results. On the Effective Date, the board of directors of Spectrum Brands, Inc. approved an internal restructuring of the reorganized Debtors to consolidate the Company s legal structure within its three business segments, global batteries and personal care, global pet supplies and home and garden. The restructuring resulted in, among other things, that Aquaria, Inc.; Perfecto Manufacturing, Inc. and Aquarium Systems Inc., each a wholly owned subsidiary of Spectrum Brands, Inc. and a guarantor of the 12% Notes, merging with and into Tetra Holding (US), Inc. ( Tetra ), another wholly owned subsidiary guarantor, with Tetra surviving. In addition, Southern California Foam, Inc., a wholly owned subsidiary of Spectrum Brands, Inc. merged with and into United Pet Group, Inc. ( UPG ), another wholly owned subsidiary guarantor, with UPG surviving. The internal restructuring became effective on October 1, 2009.

*Accounting for Reorganization*

Subsequent to the Petition Date, our financial statements are prepared in accordance with ASC Topic 852: *Reorganization*s, formerly the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* ( ASC 852 ). ASC 852 does not change the application of GAAP in the preparation of our financial statements. However, ASC 852 does require that financial statements, for periods including and subsequent to the filing of a Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. In accordance with ASC 852 we have done the following:

- On our Consolidated Statements of Financial Position included in this Annual Report on Form 10-K, we have separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

- On our Consolidated Statements of Operations included in this Annual Report on Form 10-K, we have distinguished transactions and events that are directly associated with the reorganization from the ongoing operations of the business;

- On our Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K, we have separately disclosed Reorganization items expense (income), net;

- Ceased accruing interest on the Senior Subordinated Notes; and

- Presented Consolidating Financial Statements of entities not in Chapter 11 Proceedings in Note 17, Consolidating Financial Statements, included in this Annual Report on Form 10-K. These Consolidating Financial Statements of our entities not in Chapter 11 Proceedings have been prepared on the same basis as our Consolidated Financial Statements included in this Annual Report on Form 10-K.

*Fresh-Start Reporting*

As required by ASC 852 we adopted fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code as of our monthly period ended August 30, 2009 as is reflected in this Annual Report on Form 10-K.

Since the reorganization value of the assets of Old Spectrum immediately before the date of confirmation of the Plan was less than the total of all post-petition liabilities and allowed claims and the holders of Old Spectrum s voting shares immediately before confirmation of the Plan received less than 50 percent of the voting shares of the emerging entity the Company adopted fresh-start reporting as of the close of business on August 30, 2009 in accordance with ASC 852. The Consolidated Statement of Financial Position as of August 30, 2009 gives effect to allocations to the carrying value of assets or amounts and classifications of liabilities that were necessary when adopting fresh-start reporting.

We analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, through August 30, 2009, the fresh-start reporting date, and concluded that such transactions were not material individually or in the aggregate as they represented less than one-percent of the total Net sales for the entire fiscal year ended September 30, 2009. As such, we determined that

August 30, 2009, would be an

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appropriate fresh-start reporting date to coincide with our normal financial period close for the month of August 2009. Upon adoption of fresh-start reporting, the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values. Accordingly, the reported historical financial statements of Old Spectrum prior to the adoption of fresh- start reporting for periods ended prior to August 30, 2009 are not comparable to those of New Spectrum.

*Cost Reduction Initiatives*

We continually seek to improve our operational efficiency, match our manufacturing capacity and product costs to market demand and better utilize our manufacturing resources. We have undertaken various initiatives to reduce manufacturing and operating costs.

*Fiscal 2009.* In connection with our announcement to reduce our headcount within each of our segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies segment, we implemented a number of cost reduction initiatives (the Global Cost Reduction Initiatives ). These initiatives also included consultation, legal and accounting fees related to the evaluation of our capital structure.

*Fiscal 2008*. In connection with our decision to exit our zinc carbon and alkaline battery manufacturing and distribution facility in Ninghai, China, we undertook cost reduction initiatives (the Ningbo Exit Plan ). These initiatives include fixed cost savings by integrating production equipment into our remaining production facilities and headcount reductions.

*Fiscal 2007*. In connection with our announcement that we would manage our business in three vertically integrated, product-focused reporting segments our costs related to research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, which had previously been included in our corporate reporting segment are now included in each of the operating segments on a direct as incurred basis. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives ), including a headcount reduction of approximately 200 employees.

We also implemented a series of initiatives within our Global Batteries & Personal Care business segment in Latin America to reduce operating costs (the Latin America Initiatives ). These initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. As a result, we reduced headcount in Latin America by approximately 100 employees.

*Fiscal 2006*. As a result of our continued concern regarding the European economy and the continued shift by consumers from branded to private label alkaline batteries, we announced a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure (the European Initiatives ). These initiatives include the reduction of certain operations at our Ellwangen, Germany packaging center and relocating those operations to our Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring the sales, marketing and support functions. As a result, we have reduced headcount in Europe by approximately 350 employees or 24%.

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

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As of October 1, 2006, initiatives to integrate the activities of the Home and Garden Business into our operations in Madison, Wisconsin were suspended.

Our integration activities within Global Pet Supplies were substantially completed as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of the distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania; one pet supply facility was closed in 2006 in Hauppauge, New York; and one pet supply facility was closed in Fiscal 2007 in Moorpark, California.

*Meeting Consumer Needs through Technology and Development*

We continue to focus our efforts on meeting consumer needs for our products through new product development and technology innovations. Research and development efforts associated with our electric shaving and grooming products allow us to deliver to the market unique cutting systems. Research and development efforts associated with our electric personal care products allow us to deliver to our customers products that save them time, provide salon alternatives and enhance their in-home personal care options. We are continuously pursuing new innovations for our shaving, grooming and hair care products including foil and rotary shaver improvements, trimmer enhancements and technologies that deliver skin and hair care benefits.

During Fiscal 2009, we introduced the Roughneck Flex 360 flashlight. We also launched a long lasting zero-mercury hearing aid battery. This product provides the same long lasting performance as conventional hearing aid batteries, but with an environmentally friendly formula. During Fiscal 2009, we also introduced a line of Tetra marine aquatic products, new dog treat items and enhanced Nature s Miracle Stain & Odor products.

During Fiscal 2008, we introduced longer lasting alkaline batteries in cell sizes AA and AAA. We also launched several new products targeted at specific niche markets such as Hot Shot Spider Trap, Cutter Mosquito Stakes, Spectracide Destroyer Wasp & Hornet and Spectracide Weed Stop. We also introduced a new line of men s rotary shavers with 360° Flex & Pivot Technology. The flex and pivot technology allows the cutting blades to follow the contour of a person s face and neck. In addition, we added Teflon® coated heads to our blades to reduce redness and irritation from shaving. We also introduced The Short Cut Clipper. The product is positioned as the world s first clipper with exclusive curved cutting technology. We also launched Shine Therapy, a hair straightener with vitamin conditioning technology: Vitamin E, Avocado Oil and conditioners infused into the ceramic plates.

During Fiscal 2007, advancements in shaver blade coatings continued to be significant with further introductions of Titanium, Nano-Diamond, Nano-Silver and Tourmaline on a variety of products, which allowed us to continue to launch new products or product enhancements into the market place.

During Fiscal 2006, in the lawn and garden category, we introduced the only termite killing stakes product for the do-it-yourself market.

*Competitive Landscape*

We compete in six major product categories: consumer batteries; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden control products.

The consumer battery product category consists of non-rechargeable alkaline or zinc carbon batteries in cell sizes of AA, AAA, C, D and 9-volt, and specialty batteries, which include rechargeable batteries, hearing aid batteries, photo batteries and watch/calculator batteries. Most consumer batteries are marketed under one of the following brands: Rayovac/VARTA, Duracell, Energizer or Panasonic. In addition, some retailers market private label batteries, particularly in Europe. The majority of consumers in North America and Europe purchase alkaline batteries. The Latin America market consists primarily of zinc carbon batteries but is gradually converting to higher-priced alkaline batteries as household disposable income grows.

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We believe that we are the largest worldwide marketer of hearing aid batteries and that we continue to maintain a leading global market position. We believe that our close relationship with hearing aid manufacturers and other customers, as well as our product performance improvements and packaging innovations, position us for continued success in this category.

Our global pet supplies business comprises aquatics equipment (aquariums, filters, pumps, etc.), aquatics consumables (fish food, water treatments and conditioners, etc.) and specialty pet products for dogs, cats, birds and other small domestic animals. The pet supply market is extremely fragmented, with no competitor holding a market share greater than twenty percent. We believe that our brand positioning, including the leading global aquatics brand in Tetra, our diverse array of innovative and attractive products and our strong retail relationships and global infrastructure will allow us to remain competitive in this fast growing industry.

We also operate in the shaving and grooming and personal care product category, consisting of electric shavers and accessories, electric grooming products and hair care appliances. Electric shavers include men s and women s shavers (both rotary and foil design) and electric shaver accessories consisting of shaver replacement parts (primarily foils and cutters), pre-shave products and cleaning agents. Electric shavers are marketed primarily under one of the following global brands: Remington, Braun and Norelco. Electric grooming products include beard and mustache trimmers, nose and ear trimmers, body groomers and haircut kits and related accessories. Hair care appliances include hair dryers, straightening irons, styling irons and hair-setters. Europe and North America account for the majority of our worldwide product category sales. Our major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited.

Products in our home and garden category are sold through the Home and Garden Business. The Home and Garden Business manufactures and markets outdoor and indoor insect control products, rodenticides, herbicides and plant foods. The Home and Garden Business operates in the U.S. market under the brand names Spectracide, Cutter and Garden Safe. The Home and Garden Business marketing position is primarily that of a value brand, enhanced and supported by innovative products and packaging to drive sales at the point of purchase. The Home and Garden Business primary competitors in the home and garden category include The Scotts Miracle-Gro Company, Central Garden & Pet Company and S.C. Johnson & Son, Inc.

The following factors contribute to our ability to succeed in these highly competitive product categories:

*Strong Diversified Global Brand Portfolio.* We have a global portfolio of well-recognized consumer product brands. We believe that the strength of our brands positions us to extend our product lines and provide our retail customers with strong sell-through to consumers.

*Strong Global Retail Relationships.* We have well-established business relationships with many of the top global retailers, distributors and wholesalers, which have assisted us in our efforts to expand our overall market penetration and promote sales.

*Expansive Distribution Network.* We distribute our products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and OEMs.

*Innovative New Products, Packaging and Technologies.* We have a long history of product and packaging innovations in each of our six product categories and continually seek to introduce new products both as extensions of existing product lines and as new product categories.

*Experienced Management Team.* Our management team has substantial consumer products experience. On average, each senior manager has more than 20 years of experience at Spectrum, VARTA, Remington or other branded consumer product companies such as Regina, Newell Rubbermaid, H.J. Heinz and Schering-Plough.

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*Seasonal Product Sales*

On a consolidated basis our financial results are approximately equally weighted between quarters; however, certain of our products experience seasonal sales fluctuations. Sales in the battery and electric shaving and grooming product lines, particularly in North America, tend to be seasonal, with purchases of such products by consumers concentrated in the December holiday season. Pet supplies and electric personal care sales remain fairly constant throughout the year. Demand for the home and garden and household insect control products sold through the Home and Garden Business typically peaks during the first six months at the calendar year (our second and third fiscal quarters). The seasonality of our sales during the last three fiscal years is as follows:

**Percentage of Annual Sales**

| | Fiscal Year Ended September 30, | | |
|---|---|---|---|
| **Fiscal Quarter Ended** | **2009** | **2008** | **2007** |
| December | 25% | 24% | 25% |
| March | 23% | 22% | 23% |
| June | 26% | 26% | 25% |
| September | 26% | 28% | 27% |

**Fiscal Year Ended September 30, 2009 Compared to Fiscal Year Ended September 30, 2008**

Fiscal 2009, when referenced within this Management s Discussion and Analysis of Financial Condition and Results of Operations included in this Annual Report on Form 10-K, includes the combined results of Old Spectrum for the eleven month period ended August 30, 2009 and New Spectrum for the one month period ended September 30, 2009.

**Highlights of consolidated operating results**

During Fiscal 2009 and Fiscal 2008, we have presented the growing products portion of the Home and Garden Business as discontinued operations. During Fiscal 2008 we have presented the Canadian division of the Home and Garden Business as discontinued operations. Our board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of our Fiscal 2009. The Canadian division of the Home and Garden Business was sold on November 1, 2007. See Note 12, Discontinued Operations of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the Canadian division of the Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2009 and Fiscal 2008 only reflect results from our continuing operations.

***Net Sales.*** Net sales for Fiscal 2009 decreased to $2,231 million from $2,427 million in Fiscal 2008, an 8.1% decrease. The following table details the principal components of the change in net sales from Fiscal 2008 to Fiscal 2009 (in millions):

| | **Net Sales** |
|---|---|
| Fiscal 2008 Net Sales | $ 2,427 |
| Increase in electric personal care product sales | 4 |
| Decrease in consumer battery sales | (27) |
| Decrease in pet supplies sales | (14) |
| Decrease in lighting product sales | (14) |
| Decrease in home and garden product sales | (13) |
| Decrease in electric shaving and grooming product sales | (3) |
| Foreign currency impact, net | (129) |
| Fiscal 2009 Net Sales | $ 2,231 |

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

| | Fiscal Year | |
|---|---|---|
| | **2009** | **2008** |
| ***Product line net sales*** | | |
| Consumer batteries | $ 819 | $ 916 |
| Pet supplies | 574 | 599 |
| Home and garden control products | 322 | 334 |
| Electric shaving and grooming products | 225 | 247 |
| Electric personal care products | 211 | 231 |
| Portable lighting products | 80 | 100 |
| Total net sales to external customers | $ 2,231 | $ 2,427 |

Global consumer battery sales during Fiscal 2009 decreased $97 million, or 11%, compared to Fiscal 2008, primarily driven by unfavorable foreign exchange impacts of $70 million coupled with decreased consumer battery sales of $50 million and $15 million in Latin America and Europe, respectively. These declines were partially offset by increased consumer battery sales, mainly alkaline batteries, in North America of $38 million. The alkaline battery sales increase in North America is mainly due to higher volume at a major customer coupled with new distribution. The decreased consumer battery sales in Latin America continues to be a result of a slowdown in economic conditions in all countries and inventory de-stocking at retailers mainly in Brazil. Zinc carbon batteries decreased $35 million while alkaline battery sales are down $15 million in Latin America. The decreased consumer battery sales within Europe are primarily attributable to the decline in alkaline battery sales due to a slowdown in economic conditions and our continued efforts to exit unprofitable or marginally profitable private label battery sales.

Pet product sales during Fiscal 2009 decreased $25 million, or 4%, compared to Fiscal 2008. The decrease of $25 million is primarily attributable to decreased aquatics sales of $27 million coupled with unfavorable foreign exchange impacts of $11 million. These decreases were partially offset by increases of $13 million within specialty pet products. The decrease in aquatics sales of $27 million during Fiscal 2009 was attributable to declines in the U.S., Europe and Pacific Rim of $14 million, $10 million and $3 million, respectively. The declines in the U.S. were a result of decreased sales of large equipment, such as aquariums, driven by softness in this product category due to the macroeconomic slowdown as we maintained our market share in the category. The declines in Europe were due to inventory de-stocking at retailers and weak filtration product sales, both a result of the slowdown in economic conditions. The declines the Pacific Rim were also a result of the slowdown in economic conditions. The increase of $13 million in specialty pet products is a result of increased sales of our Dingo brand dog treats coupled with price increases on select products, primarily in the U.S.

Sales of home and garden control products during Fiscal 2009 versus Fiscal 2008 decreased $12 million, or 4%, primarily due to our retail customers managing their inventory levels to unprecedented low levels, combined with such retailers ending their outdoor lawn and garden control season six weeks early as compared to prior year seasons and our decision to exit certain unprofitable or marginally profitable products. This decrease in sales within lawn and garden control products was partially offset by increased sales of household insect control products.

Electric shaving and grooming product sales during Fiscal 2009 decreased $22 million, or 9%, compared to Fiscal 2008 primarily due to unfavorable foreign exchange translation of $19 million. The decline of $3 million, excluding unfavorable foreign exchange, was due to a $7 million decrease of sales within North America, which was partially offset by slight increases within Europe and Latin America of $3 million and $1 million, respectively. The decreased sales of electric shaving and grooming products within North America were a result of delayed inventory stocking at certain of our major customers for the 2009 holiday season which in turn has resulted in a delay of our product shipments that historically would have been recorded during the fourth quarter

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of our fiscal year. We anticipate the first quarter sales of our fiscal year ending September 30, 2010 ( Fiscal 2010 ) to be positively impacted versus our historical results due to this delay. The increases within Europe and Latin America were driven by new product launches, pricing and promotions.

Electronic personal care product sales during Fiscal 2009 decreased $20 million, or 9%, when compared to Fiscal 2008. The decrease of $20 million during Fiscal 2009 was attributable to unfavorable foreign exchange impacts of $24 million and declines in North America of $7 million. These decreases were partially offset by increases within Europe and Latin America of $8 million and $3 million, respectively. Similar to our electric shaving and grooming products sales, the decreased sales of electric personal care products within North America was a result of delayed holiday inventory stocking by our customers which has in turn resulted in a delay of our product shipments that historically would have been recorded during the fourth quarter of our fiscal year. We expect the first quarter sales of Fiscal 2010 to be positively impacted versus our historical results due to this delay. The increased sales within Europe and Latin America were a result of successful product launches, mainly in women s hair care.

Sales of portable lighting products in Fiscal 2009 decreased $20 million, or 20%, compared to Fiscal 2008 as a result of unfavorable foreign exchange impacts of $5 million coupled with declines in North America, Latin America and Europe of $9 million, $3 million and $1 million, respectively. The decreases across all regions are a result of the slowdown in economic conditions and decreased market demand.

***Gross Profit.*** Gross profit for Fiscal 2009 was $817 million versus $920 million for Fiscal 2008. Our gross profit margin for Fiscal 2009 decreased slightly to 36.6% from 37.9% in Fiscal 2008. Gross profit was lower in Fiscal 2009 due to unfavorable foreign exchange impacts of $58 million. As a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS No. 141, *Business Combinations,* ( SFAS 141 ), inventory balances were revalued as of August 30, 2009 resulting in an increase in such inventory balances of $49 million. As a result of the inventory revaluation, New Spectrum recognized $16 million in additional cost of goods sold in Fiscal 2009. The remaining $33 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010. These inventory revaluation adjustments are non-cash charges. In addition, in connection with our adoption of fresh-start reporting, and in accordance with ASC 852, we revalued our property, plant and equipment as of August 30, 2009 which resulted in an increase to such assets of $34 million. As a result of the revaluation of property, plant and equipment, during Fiscal 2009 we incurred an additional $2 million of depreciation charges within cost of goods sold. We anticipate higher cost of goods sold in future years as a result of the revaluation of our property, plant and equipment. Furthermore, as a result of emergence from Chapter 11 of the Bankruptcy Code, we anticipate lower interest costs in future years which should enable us to invest more in capital expenditures into our business and, as a result, such higher future capital spending would also increase our depreciation expense in future years. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information related to our reorganization under Chapter 11 of the Bankruptcy Code and fresh-start reporting. Offsetting the unfavorable impacts to our gross margin, we incurred $13 million of Restructuring and related charges, within Costs of goods sold, during Fiscal 2009, compared to $16 million in Fiscal 2008. The $13 million in Fiscal 2009 primarily related to the 2009 Cost Reduction Initiatives and the Ningbo Exit Plan, while the Fiscal 2008 charges were primarily related to the Ningbo Exit Plan. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

***Operating Expense.*** Operating expenses for Fiscal 2009 totaled $659 million versus $1,605 million for Fiscal 2008. This $946 million decrease in operating expenses for Fiscal 2009 versus Fiscal 2008 was primarily driven by lower impairment charges recorded in Fiscal 2009 versus Fiscal 2008. During Fiscal 2009 we recorded non-cash impairment charges of $34 million versus $861 million of non-cash impairment charges recorded in Fiscal 2008. The Fiscal 2009 impairment charges related to the write down of the carrying value of indefinite-lived intangible assets to fair value while the Fiscal 2008 impairment charges related to the write down of the

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carrying value of goodwill and indefinite-lived intangible assets to fair value. These impairment charges were recorded in accordance with both ASC Topic 350: *Intangibles-Goodwill and Other,* formerly SFAS No. 142, *Goodwill and Other Intangible Assets,* ( ASC 350 ) and ASC Topic 360: Property, Plant and Equipment, formerly SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( ASC 360 ). See *Goodwill and Intangibles Impairment* below, as well as Note 3(c), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges. The decrease in operating expenses in Fiscal 2009 versus Fiscal 2008 is also attributable to the positive impact related to foreign exchange of $37 million in Fiscal 2009 coupled with the non-recurrence of a charge in Fiscal 2008 of $18 million associated with the depreciation and amortization related to the assets of the Home and Garden Business incurred as a result of our reclassification of the Home and Garden Business from discontinued operations to continuing. See *Introduction* above and *Segment Results Home and Garden* below, as well as Note 1, Description of Business, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the reclassification of the Home and Garden Business. Tempering the decrease in operating expenses from Fiscal 2008 to Fiscal 2009 was an increase in restructuring and related charges. Restructuring and related charges included in operating expenses were $32 million in Fiscal 2009 and $23 million in Fiscal 2008. The Fiscal 2009 Restructuring and related charges are primarily attributable to the 2009 Cost Reduction Initiatives, while the Fiscal 2008 charges are primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

***Operating Income (Loss).*** Operating income of approximately $157 million was recognized in Fiscal 2009 compared to an operating loss in Fiscal 2008 of $687 million. The change in operating income (loss) is directly attributable to the impact of the previously discussed non-cash impairment charge of $34 million in Fiscal 2009 compared to the non-cash impairment charge of $861 million during Fiscal 2008.

***Segment Results.*** As discussed above in Item 1, Business, we manage our business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) Home and Garden Business.

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

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

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 12, Segment Information, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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*Global Batteries & Personal Care*

| | 2009 | 2008 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 1,335 | $ 1,494 |
| Segment profit | $ 165 | $ 163 |
| Segment profit as a % of net sales | 12.4% | 10.9% |
| Assets as of September 30, | $ 1,608 | $ 1,183 |

Segment net sales to external customers in Fiscal 2009 decreased $159 million to $1,335 million from $1,494 million during Fiscal 2008, representing an 11% decrease. Unfavorable foreign currency exchange translation impacted net sales in Fiscal 2009 by approximately $118 million in comparison to Fiscal 2008. Consumer battery sales for Fiscal 2009 decreased to $819 million when compared to Fiscal 2008 sales of $916 million, principally due a negative foreign currency impact of $70 million coupled with a decline in zinc carbon battery sales decline of $32 million. The $32 million decrease in zinc carbon batteries is primarily concentrated in Latin America, as Latin American sales were down $35 million in Fiscal 2009 compared to Fiscal 2008 as a result of a slowdown in economic conditions and inventory de-stocking at retailers mainly in Brazil. Excluding foreign exchange, sales of alkaline batteries increased $5 million as we experienced gains in North America of $37 million, which were offset by declines within Europe and Latin America of $17 million and $15 million, respectively. The increased alkaline battery sales in North America were driven by an increase in market share, as consumers opt for our value proposition during the weakening economic conditions in the U.S. The decreased alkaline battery sales in Europe were the result of our continued efforts to exit from unprofitable or marginally profitable private label battery sales, as well as certain second tier branded battery sales. We are continuing our efforts to promote profitable growth and therefore, expect to continue to exit certain low margin business as appropriate to create a more favorable mix of branded versus private label products. The decrease in Latin American alkaline battery sales was again due to the slowdown in economic activity coupled with inventory de-stocking at retailers mainly in Brazil. Net sales of electric shaving and grooming products in Fiscal 2009 decreased by $21 million, or 8%, primarily as a result of negative foreign exchange impacts of $19 and declines in North America of $7 million. These declines were partially offset by increases within Europe and Latin America of $3 million and $2 million, respectively. The declines within North America are primarily attributable to delayed inventory stocking at certain of our major customers for the 2009 holiday season which in turn has resulted in a delay of our product shipments that historically would have been recorded during the fourth quarter of our fiscal year. We anticipate the first quarter sales of Fiscal 2010 to be positively impacted versus our historical results due to this delay. The slight increases in Europe and Latin America are a result of successful new product launches. Electric personal care sales decreased by $20 million, a decrease of 9% over Fiscal 2008. Unfavorable foreign exchange translation impacted net sales by approximately $24 million. Excluding unfavorable foreign exchange, we experienced an increase of $4 million within electric personal care products. Europe and Latin America increased $8 million and $3 million, respectively, while North American electric personal care product sales decreased $8 million. Similar to our electric shaving and grooming products sales, the decreased sales of electric personal care products within North America was a result of delayed holiday inventory stocking at certain of our customers which in turn has resulted in a delay of our product shipments that historically would have been recorded during the fourth quarter of our fiscal year. The increased sales within Europe and Latin America were due to strong growth in our women s hair care products. Net sales of portable lighting products for Fiscal 2009 decreased to $80 million as compared to sales of $100 million for Fiscal 2008. The portable lighting product sales decrease was driven by unfavorable foreign exchange impact of $5 million, coupled with declines in North America, Europe and Latin America of $9 million, $3 million and $2 million, respectively. The decrease across all regions was driven by softness in the portable lighting products category as a result of the global economic slowdown.

Segment profitability in Fiscal 2009 increased slightly to $165 million from $163 million in Fiscal 2008. Segment profitability as a percentage of net sales increased to 12.4% in Fiscal 2009 as compared with 10.9% in Fiscal 2008. The increase in segment profitability during Fiscal 2009 was primarily the result of cost savings

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from the Ningbo Exit Plan and our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges. Tempering the increase in segment profitability were decreased sales during Fiscal 2009 as compared to Fiscal 2008 which was primarily driven by unfavorable foreign exchange and softness in certain product categories due to the global economic slowdown. In addition, as a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS 141, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Global Batteries & Personal Care inventory balances of $27 million. As a result of the inventory revaluation, Global Batteries & Personal Care recognized $10 million in additional cost of goods sold in Fiscal 2009. The remaining $17 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010. See Net Sales above for further discussion on our Fiscal 2009 sales.

Segment assets at September 30, 2009 increased to $1,608 million from $1,183 million at September 30, 2008. The increase is primarily a result of the revaluation impacts of fresh-start reporting. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information related to fresh-start reporting. Partially offsetting this increase in assets was a non-cash impairment charge of certain intangible assets in Fiscal 2009 of $15 million. See Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Batteries & Personal Care. Goodwill and intangible assets at September 30, 2009 totaled approximately $909 million and are directly a result of the revaluation impacts of fresh-start reporting. Goodwill and intangible assets at September 30, 2008 total approximately $416 million and primarily relate to the ROV Ltd., VARTA AG, Remington Products Company, L.L.C. ( Remington Products ) and Microlite S.A. ( Microlite ) acquisitions.

*Global Pet Supplies*

| | 2009 | 2008 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 574 | $ 599 |
| Segment profit | $ 65 | $ 69 |
| Segment profit as a % of net sales | 11.3% | 11.5% |
| Assets as of September 30, | $ 867 | $ 700 |

Segment net sales to external customers in Fiscal 2009 decreased to $574 million from $599 million in Fiscal 2008, representing a decrease of $25 million or 4%. Unfavorable foreign currency exchange translation impacted net sales in Fiscal 2009 compared to Fiscal 2008 by approximately $11 million. Worldwide aquatic sales for Fiscal 2009 decreased to $360 million when compared to sales of $398 million in Fiscal 2008. The decrease in worldwide aquatic sales was a result of unfavorable foreign exchange impacts of $11 million coupled with declines of $14 million, $10 million and $3 million in the United States, Europe and the Pacific Rim. The declines in the U.S. were a result of decreased sales of large equipment, primarily aquariums, due to the slowdown in economic conditions. The declines in Europe were due to inventory de-stocking at retailers and the poor weather season, which impacted our outdoor pond product sales, whereas the declines the Pacific Rim were as a result of the slowdown in economic conditions. Companion animal net sales increased to $214 million in Fiscal 2009 compared to $201 million in Fiscal 2008, an increase of $13 million, or 6%. We continued to see strong growth, and foresee further growth in Fiscal 2010, in companion animal related product sales in the U.S., driven by our Dingo brand dog treats, coupled with increased volume in Europe and the Pacific Rim associated with the continued introductions of companion animal products.

Segment profitability in Fiscal 2009 decreased slightly to $65 million from $69 million in Fiscal 2008. Segment profitability as a percentage of sales in Fiscal 2009 also decreased slightly to 11.3% from 11.5% during

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Fiscal 2008. This decrease in segment profitability and profitability margin was primarily due to decreased sales, as discussed above, coupled with increases in cost of goods sold driven by higher input costs, which negatively impacted margins, as price increases lagged behind such cost increases. Tempering the decrease in profitability and profitability margin were lower operating expenses, principally selling related expenses. In addition, as a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS 141, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Global Pet Supplies inventory balances of $19 million. As a result of the inventory revaluation, Global Pet Supplies recognized $5 million in additional cost of goods sold in Fiscal 2009. The remaining $14 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010.

Segment assets as of September 30, 2009 increased to $867 million from $700 million at September 30, 2008. The increase is primarily a result of the revaluation impacts of fresh-start reporting. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information related to fresh-start reporting. Partially offsetting this increase in assets was a non-cash impairment charge of certain intangible assets in Fiscal 2009 of $19 million. See Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Pet Supplies. Goodwill and intangible assets as of September 30, 2009 total approximately $618 million and are directly a result of the revaluation impacts of fresh-start reporting. Goodwill and intangible assets as of September 30, 2008 total approximately $447 million and primarily relate to the acquisitions of Tetra and the United Pet Group division of United.

*Home and Garden Business*

| | 2009 | 2008 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 322 | $ 334 |
| Segment profit | $ 42 | $ 29 |
| Segment profit as a % of net sales | 13.0% | 8.7% |
| Assets as of September 30, | $ 504 | $ 290 |

Segment net sales to external customers of home and garden control products during Fiscal 2009 versus Fiscal 2008 decreased $12 million, or 4%, primarily due to our retail customers managing their inventory levels to unprecedented low levels, combined with such retailers ending their outdoor lawn and garden control season six weeks early as compared to prior year seasons and our decision to exit certain unprofitable or marginally profitable products. This decrease in sales within lawn and garden control products were partially offset by increased sales of household insect control products, driven by increased sales to a major customer.

Segment profitability in Fiscal 2009 increased to $42 million from $29 million in Fiscal 2008. Segment profitability as a percentage of sales in Fiscal 2009 increased to 13.0% from 8.7% in Fiscal 2008. The increase in segment profit for Fiscal 2009 was the result of declining commodity costs associated with our lawn and garden control products and the non-recurrence of a charge incurred during Fiscal 2008 of approximately $11 million that related to depreciation and amortization expense related to Fiscal 2007. From October 1, 2006 through December 30, 2007, the Home and Garden Business was designated as discontinued operations. In accordance with generally excepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business. As a result of our reclassification of that business to a continuing operation we recorded a catch-up of depreciation and amortization expense, which totaled $14 million, for the five quarters during which this business was designated as discontinued operations. In addition, as a result of our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with SFAS 141, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Home and Garden inventory balances of $3 million. As a result

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of the inventory revaluation, Home and Garden recognized $1 million in additional cost of goods sold in Fiscal 2009. The remaining $2 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010.

Segment assets as of September 30, 2009 increased to $504 million from $290 million at September 30, 2008. The increase is primarily a result of the revaluation impacts of fresh-start reporting. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information related to fresh-start reporting. Goodwill and intangible assets as of September 30, 2009 total approximately $419 million and are directly a result of the revaluation impacts of fresh-start reporting. Intangible assets as of September 30, 2008 total approximately $115 million and primarily relate to the acquisition of the United Industries division of United.

***Corporate Expense.*** Our corporate expense in Fiscal 2009 decreased to $34 million from $45 million in Fiscal 2008. Our corporate expense as a percentage of consolidated net sales in Fiscal 2009 decreased to 1.5% from 1.9%. The decrease in expense is partially a result of the non recurrence of a $9 million charge incurred in Fiscal 2008 to write off professional fees incurred in connection with the termination of substantive negotiations with a potential purchaser of our Global Pet Supplies business.

***Restructuring and Related Charges.*** See Note 17, Restructuring and Related Charges of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

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

| | 2009 | 2008 |
|---|---|---|
| Costs included in cost of goods sold: | | |
| United & Tetra integration: | | |
| Other associated costs | | 0.3 |
| European initiatives: | | |
| Termination benefits | | (0.8) |
| Other associated costs | | 0.1 |
| Latin America initiatives: | | |
| Termination benefits | 0.2 | |
| Other associated costs | | 0.3 |
| Global Realignment initiatives: | | |
| Termination benefits | 0.3 | 0.1 |
| Other associated costs | 0.9 | 0.1 |
| Ningbo Exit Plan: | | |
| Termination benefits | 0.9 | 1.2 |
| Other associated costs | 8.6 | 15.2 |
| Global Cost Reduction Initiatives: | | |
| Termination benefits | 0.2 | |
| Other associated costs | 2.3 | |
| Total included in cost of goods sold | $ 13.4 | $ 16.5 |
| Costs included in operating expenses: | | |
| United & Tetra integration: | | |
| Termination benefits | $ 2.3 | $ 2.0 |
| Other associated costs | 0.3 | 0.9 |
| Latin America initiatives: | | |
| Termination benefits | | 0.1 |
| Global Realignment: | | |
| Termination benefits | 7.1 | 12.3 |
| Other associated costs | 3.5 | 7.5 |
| Ningbo Exit Plan: | | |
| Other associated costs | 1.3 | |
| Global Cost Reduction Initiatives: | | |
| Termination benefits | 6.6 | |
| Other associated costs | 11.3 | |
| Total included in operating expenses | $ 32.4 | $ 22.8 |
| Total restructuring and related charges | $ 45.8 | $ 39.3 |

In connection with the acquisitions of United and Tetra in Fiscal 2005, we implemented a series of initiatives to optimize the global resources of the combined companies. These initiatives included: integrating all of United s home and garden administrative services, sales and customer service functions into our operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United s home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at our Global Pet Supplies business. In addition, certain corporate functions were shifted to our global headquarters in Atlanta, Georgia. We have recorded approximately $(1) million of restructuring and related charges during Fiscal 2009, to adjust prior estimates and eliminate the accrual, and no charges during Fiscal 2008.

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

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of our distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. We recorded approximately $2 million and $3 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively. We have recorded pretax restructuring and related charges of approximately $37 million since the inception of the integration activities within Global Pet Supplies.

We have implemented a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure (the European Initiatives ). In connection with the European Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. These initiatives include the relocation of certain operations at our Ellwangen, Germany packaging center to our Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring Europe s sales, marketing and support functions. In connection with the European Initiatives, we recorded de minimis pretax restructuring and related charges in Fiscal 2009 and approximately $(1) million in pretax restructuring and related charges, representing the true-up of reserve balances, during Fiscal 2008. We have recorded pretax restructuring and related charges of approximately $27 million since the inception of the European Initiatives.

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

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 12, Segment Results, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional discussion on the realignment of our operating segments. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives ). We recorded approximately $11 million and $20 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2010, relate primarily to severance and are projected at approximately $77 million.

During Fiscal 2008, we implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize our manufacturing structure. These initiatives, which are substantially complete, include the exit of our battery manufacturing facility in Ningbo Baowang China ( Ningbo ) (the

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Ningbo Exit Plan ). We recorded approximately $11 million and $16 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively, in connection with the Ningbo Exit Plan. We have recorded pretax and restructuring and related charges of approximately $27 million since the inception of the Ningbo Exit Plan.

During Fiscal 2009, we implemented a series of initiatives within the Global Batteries & Personal Care segment and the Global Pet Supplies segment to reduce operating costs as well as evaluate our opportunities to improve our capital structure (the Global Cost Reduction Initiatives ). These initiatives include headcount reductions within all our segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies segment. These initiatives also included consultation, legal and accounting fees related to the evaluation of our capital structure. We recorded $20 million of pretax restructuring and related charges during Fiscal 2009 related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through September 30, 2013, are projected at approximately $55 million.

***Goodwill and Intangibles Impairment.*** ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2009 and 2008, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded a non-cash pretax impairment charge of $34 million and $861 million in Fiscal 2009 and Fiscal 2008, respectively. The $34 million non-cash pretax impairment charge incurred in Fiscal 2009 reflects trade name intangible asset impairments of the following: $18 million related to Global Pet Supplies; $15 million related to the Global Batteries and Personal Care segment; and $1 million related to the Home and Garden Business. The $861 million non-cash pretax impairment charge incurred in Fiscal 2008 reflects $602 million related to the impairment of goodwill and $259 million related to the impairment of trade name intangible assets. Of the $602 million goodwill impairment; $426 million was associated with our Global Pet Supplies segment, $160 million was associated with the Home and Garden Business and $16 million was associated with our Global Batteries and Personal Care segment. Of the $259 million trade name intangible assets impairment; $98 million was within our Global Pet Supplies segment, $86 million was within our Global Batteries and Personal Care segment and $75 million was within the Home and Garden segment. See Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

***Interest Expense.*** Interest expense in Fiscal 2009 decreased to $190 million from $229 million in Fiscal 2008. The decrease in Fiscal 2009 is primarily due to ceasing the accrual of interest on Old Spectrum s Senior Subordinated Notes, partially offset by the accrual of the default interest on our U.S. Dollar Term B Loan and Euro facility and ineffectiveness related to interest rate derivative contracts. Contractual interest not accrued on the Senior Subordinated Notes during Fiscal 2009 was $56 million. See Liquidity and Capital Resources Debt Financing Activities and Note 8, Debt, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our outstanding debt.

***Reorganization Items.*** During Fiscal 2009, Old Spectrum, in connection with our reorganization under Chapter 11 of the Bankruptcy Code, recorded Reorganization items expense (income), net, which represents a gain of approximately $(1,143) million. Reorganization items expense (income), net included the following: (i) gain on cancellation of debt of $(147) million; (ii) gains in connection with fresh-start reporting adjustments of $(1,088) million; (iii) legal and professional fees of $75 million; (iv) write off deferred financing costs related to the Senior Subordinated Notes of $11 million; and (v) a provision for rejected leases of $6 million. During Fiscal 2009, New Spectrum recorded Reorganization items expense (income), net which represents expense of $4 million related to professional fees. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information related to our reorganization under Chapter 11 of the Bankruptcy Code.

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***Income Taxes.*** Our effective tax rate on losses from continuing operations is approximately 2.0% for Old Spectrum and (256)% for New Spectrum during Fiscal 2009. Our effective tax rate on income from continuing operations was approximately 1.0% for Fiscal 2008. The primary drivers of the change in our effective rate for New Spectrum for Fiscal 2009 as compared to Fiscal 2008 relate to residual income taxes recorded on the actual and deemed distribution of foreign earnings in Fiscal 2009. The change in the valuation allowance related to these dividends was recorded against goodwill as an adjustment for release of valuation allowance. The primary drivers for Fiscal 2008 include tax expense recorded for an increase in the valuation allowance associated with our net U.S. deferred tax asset and the tax impact of the impairment charges.

As of September 30, 2009, we have U.S. federal and state net operating loss carryforwards of approximately $598 and $643 million, respectively, which will expire between 2010 and 2029, and we have foreign net operating loss carryforwards of approximately $138 million, which will expire beginning in 2010. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2008 we had U.S. federal, foreign and state net operating loss carryforwards of approximately $960, $142 and $854 million, respectively, which, at that time, were scheduled to expire between 2009 and 2028. Certain of the foreign net operating losses have indefinite carryforward periods. We are subject to an annual limitation on the use of our net operating losses that arose prior to its emergence from bankruptcy. We have had multiple changes of ownership, as defined under Internal Revenue Code ( IRC ) Section 382, that subject us to U.S. federal and state net operating losses and other tax attributes to certain limitations. The annual limitation is based on a number of factors including the value of our stock (as defined for tax purposes) on the date of the ownership change, our net unrealized built in gain position on that date, the occurrence of realized built in gains in years subsequent to the ownership change, and the effects of subsequent ownership changes (as defined for tax purposes) if any. Based on these factors, we project that $149 million of the total U.S. federal and $311 million of the state net operating loss will expire unused. We have provided a full valuation allowance against the deferred tax asset.

We recognized income tax expense of approximately $124 million related to the gain on the settlement of liabilities subject to compromise and the modification of the senior secured credit facility in the eleven month period ended August 30, 2009. This adjustment, net of a change in valuation allowance is embedded in Reorganization items expense (income), net. We intend to reduce our net operating loss carryforwards for any cancellation of debt income in accordance with IRC Section 108 that arises from our emergence from Chapter 11 of the Bankruptcy Code under IRC Section 382 (1)(6).

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. ASC Topic 740: *Income Taxes,* formerly SFAS No. 109 *Accounting for Income Taxes* ( ASC 740 ) requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with ASC 740, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. In 2009, Old Spectrum recorded a reduction in the valuation allowance against the U.S. net deferred tax asset exclusive of indefinite lived intangible assets primarily as a result of utilizing net operating losses to offset the gain on settlement of liabilities subject to compromise and the impact of the fresh start reporting adjustments. New Spectrum recorded a reduction in the domestic valuation allowance of $47 million as a reduction to goodwill as a result of the recognition of pre-fresh start deferred tax assets to offset New Spectrum income. Our total valuation allowance established for the tax benefit of deferred tax assets that may not be realized is approximately $133 million at September 30, 2009. Of this amount, approximately $109 million relates to U.S. net deferred tax assets and approximately $24 million relates to foreign net deferred tax assets. We recorded a non-cash deferred income tax charge of approximately $257 million related to a valuation allowance against U.S. net deferred tax assets during Fiscal 2008. Included in the total is a non-cash deferred income tax charge of approximately $4 million related to an increase in the valuation allowance against our net deferred tax assets in China in connection with the Ningbo Exit Plan. We also determined that a valuation allowance was no

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longer required in Brazil and thus recorded a $31 million benefit to reverse the valuation allowance previously established. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, is approximately $496 million at September 30, 2008. Of this amount, approximately $468 million relates to U.S. net deferred tax assets and approximately $28 million relates to foreign net deferred tax assets.

ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During Fiscal 2009 and Fiscal 2008, we recorded non- cash pretax impairment charges of approximately $34 million and $861 million, respectively. The tax impact, prior to consideration of the current year valuation allowance, of the impairment charges was a deferred tax benefit of approximately $13 million and $143 million, respectively. See *Goodwill and Intangibles Impairment* above, as well as Note 3(c), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges.

ASC 740, which clarifies the accounting for uncertainty in tax positions, requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We adopted this provision on October 1, 2007. As a result of the adoption, we recognized no cumulative effect adjustment. As of September 30, 2009, August 30, 2009 and September 30, 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in future periods is $8 million, $8 million and $7 million, respectively. See Note 10, Income Taxes, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information.

***Discontinued Operations.*** On November 5, 2008, the board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. We believe the shutdown is consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business. The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2009 and Fiscal 2008, respectively:

| | 2009 | 2008 |
|---|---|---|
| Net sales | $ 31.3 | $ 261.4 |
| Loss from discontinued operations before income taxes | $ (90.9) | $ (27.1) |
| Provision for income tax benefit | (4.5) | (2.1) |
| Loss from discontinued operations, net of tax | $ (86.4) | $ (25.0) |

In accordance with ASC 360, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, we recorded a non-cash pretax charge of $6 million in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business.

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On November 1, 2007, we sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled approximately $15 million and was used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in our Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K. On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased our received proceeds by approximately $1 million. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of approximately $1 million, net of tax benefit. Accordingly, the presentation herein of the results of continuing operations excludes the Canadian division of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the sale of the Canadian division of the Home and Garden Business.

The following amounts related to the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008:

| | 2008(A) |
|---|---|
| Net sales | $ 4.7 |
| | |
| Loss from discontinued operations before income taxes | $ (1.9) |
| Provision for income tax benefit | (0.7) |
| | |
| Loss from discontinued operations, net of tax | $ (1.2) |

(A) Fiscal 2008 represents results from discontinued operations from October 1, 2007 through November 1, 2007, the date of sale. Included in the Fiscal 2008 loss is a loss on disposal of approximately $1 million, net of tax benefit.

In accordance with ASC 360, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, we recorded a non-cash pretax charge of $45 million in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian Home and Garden Business in order to reflect the estimated fair value of this business.

**Fiscal Year Ended September 30, 2008 Compared to Fiscal Year Ended September 30, 2007**

**Highlights of consolidated operating results**

During Fiscal 2008 and Fiscal 2007, we have presented the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business as discontinued operations. Our board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of our Fiscal 2009. The Canadian division of the Home and Garden Business was sold on November 1, 2007. See Note 10, Discontinued Operations of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the Canadian division of the Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2008 and Fiscal 2007 only reflect results from our continuing operations.

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***Net Sales.*** Net sales for Fiscal 2008 increased to $2,427 million from $2,333 million in Fiscal 2007, a 4.0% increase. The following table details the principal components of the change in net sales from Fiscal 2007 to Fiscal 2008 (in millions):

| | Net Sales |
|---|---|
| Fiscal 2007 Net Sales | $ 2,333 |
| Increase in Pet supplies sales | 18 |
| Decrease in consumer battery sales | (26) |
| Decrease in home and garden product sales | (4) |
| Foreign currency impact, net | 106 |
| Fiscal 2008 Net Sales | $ 2,427 |

Consolidated net sales by product line for Fiscal 2008 and 2007 are as follows (in millions):

| | Fiscal Year | |
|---|---|---|
| | 2008 | 2007 |
| ***Product line net sales*** | | |
| Consumer batteries | $ 916 | $ 882 |
| Pet supplies | 599 | 563 |
| Home and garden control products | 334 | 338 |
| Electric shaving and grooming products | 247 | 268 |
| Electric personal care products | 231 | 187 |
| Portable lighting products | 100 | 95 |
| Total net sales to external customers | $ 2,427 | $ 2,333 |

Global consumer battery sales during Fiscal 2008 increased $34 million, or 4%, compared to Fiscal 2007, primarily driven by a favorable foreign exchange impact of $61 million and market share gains of $15 million in North America. This increase was tempered by lower European battery sales as a result of our continued efforts to exit from unprofitable or marginally profitable private label battery sales as well as a shift in the timing of shipments, done at the request of certain of our retailers, related to holiday displays and promotions to the fourth quarter of Fiscal 2007 from the first quarter of Fiscal 2008. Sales of portable lighting products in Fiscal 2008 increased $5 million, or 5%, as sales gains resulting from new product launches in North America of $4 million and favorable foreign exchange impact of $4 million were partially offset by decreases in Latin America and Europe due to a declining market demand.

Electric shaving and grooming product sales during Fiscal 2008 decreased $21 million, or 8%, compared to Fiscal 2007 due to disappointing results in the men s electric shaving category. Further contributing to the sales decrease in electric shaving and grooming products for Fiscal 2008 versus Fiscal 2007 is the shift in timing of shipments to certain retailers from the first quarter of Fiscal 2008 to the fourth quarter of Fiscal 2007. These decreases were offset by a favorable foreign exchange impact of $9 million. Net sales of electric personal care products for Fiscal 2008 increased $44 million, or 24%, when compared to Fiscal 2007, driven by strong worldwide growth in our women s hair care products. We continued to see strong electric personal care double digit growth in all geographic regions during Fiscal 2008, particularly in North America with 28% growth, when compared to Fiscal 2007.

Pet product sales during Fiscal 2008 increased $36 million, or 6%, compared to Fiscal 2007, primarily driven by a favorable foreign exchange impact of $18 million, growth in European aquatic sales, increases in global companion animal sales, driven by our Dingo brand, and increased volume resulting from the continued introduction of companion animal products in Europe.

Sales of home and garden control products during Fiscal 2008 versus Fiscal 2007 decreased $4 million, or 1%, primarily due to rising commodity costs and lower volume as a result of lower inventory levels at certain customers, partially offset by price increases.

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***Gross Profit.*** Gross profit for Fiscal 2008 was $920 million versus $877 million for Fiscal 2007. Our gross profit margin for Fiscal 2008 increased slightly to 37.9% from 37.6% in Fiscal 2007. As a result of our reclassification of the Home and Garden business from discontinued operations to continuing operations, and hence our reclassification of the Home and Garden Business assets from assets held for sale to assets held and used, during Fiscal 2008 we recorded a charge in Cost of goods sold of $4 million associated with depreciation expense for the production related assets of that business. From October 1, 2006 through September 30, 2007, the U.S. division of the Home and Garden Business was designated as discontinued operations. In accordance with generally accepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business. See *Introduction* above and *Segment Results Home and Garden* below, as well as Note 1, Description of Business, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the reclassification of the Home and Garden Business. Cost of goods sold during Fiscal 2008 also included $16 million in restructuring and related charges, primarily attributable to the Ningbo Exit Plan. The restructuring and related charges incurred in Fiscal 2007 were $31 million which were associated with various cost cutting initiatives in connection with the integration activities in our Global Pet Supplies business, which are substantially complete, and the rationalization of our Global Batteries & Personal Care European and Latin American manufacturing organizations. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

***Operating Expense.*** Operating expenses for Fiscal 2008 totaled $1,605 million versus $1,128 million for Fiscal 2007. This $475 million increase in operating expenses for Fiscal 2008 versus Fiscal 2007 was primarily driven by an increase of $497 million in impairment charges. Impairment charges in Fiscal 2008 were $861 million versus $362 million in Fiscal 2007. In both Fiscal 2008 and Fiscal 2007 the impairment charges were non-cash charges and related to the write down of the carrying value of goodwill and indefinite-lived intangible assets to fair value in accordance with both ASC 350 and ASC 360. See *Goodwill and Intangibles Impairment* below, as well as Note 3(c), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges. The increase in operating expenses in Fiscal 2008 versus Fiscal 2007 is also attributable to the negative impact related to foreign exchange of approximately $36 million and a $18 million charge associated with the depreciation and amortization related to the assets of the Home and Garden Business incurred as a result of our reclassification of the Home and Garden Business from discontinued operations to continuing operations. See *Introduction* above and *Segment Results Home and Garden* below, as well as Note 1, Description of Business, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the reclassification of the Home and Garden Business. The increases noted above were partially offset by the decrease of $44 million of restructuring and related charges in Fiscal 2008 compared to Fiscal 2007. The restructuring and related charges incurred in Fiscal 2008 of $23 million are primarily attributable to various cost reduction initiatives in connection with our global realignment announced in January 2007. The restructuring and related charges incurred in Fiscal 2007 of $67 million were primarily attributable to the ongoing integration of our Global Pet Supplies business, rationalization of the sales and marketing organizations of the European and Latin American divisions of Global Batteries & Personal Care and various cost reduction initiatives in connection with our global realignment announced in January 2007 to reduce general and administrative expenses. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

***Operating Loss.*** An operating loss of approximately $685 million was recognized in Fiscal 2008 compared to an operating loss in Fiscal 2007 of $252 million. The Fiscal 2008 operating loss is directly attributable to the impact of the previously discussed non-cash impairment charge of $861 million, coupled with restructuring and related charges of $39 million. The Fiscal 2007 operating loss is directly attributable to the previously discussed non-cash impairment charge of approximately $362 million coupled with restructuring and related charges of $98 million.

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***Segment Results.*** As discussed above in Item 1, Business, we manage our business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) Home and Garden Business.

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

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

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 12, Segment Results, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

*Global Batteries & Personal Care*

| | 2008 | 2007 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 1,494 | $ 1,431 |
| Segment profit | $ 163 | $ 144 |
| Segment profit as a % of net sales | 10.9% | 10.0% |
| Assets as of September 30, | $ 1,183 | $ 1,377 |

Segment net sales to external customers in Fiscal 2008 increased $63 million to $1,494 million from $1,431 million during Fiscal 2007, representing a 4% increase. Favorable foreign currency exchange translation impacted net sales in Fiscal 2008 by approximately $88 million in comparison to Fiscal 2007. Battery sales for Fiscal 2008 increased to $916 million when compared to Fiscal 2007 sales of $881 million, principally due a positive foreign currency impact of $61 million and increases in North America of $15 million, which were driven by an increase in market share, as consumers opt for our value proposition during the weakening economic conditions in the U.S. These increases were partially offset by decreases in Latin America and Europe of $9 million and $32 million, respectively. The decrease in Latin American battery sales was primarily due to zinc carbon shortfalls in Mexico, Central America and Colombia. The decrease in European battery sales was the result of our continued efforts to exit from unprofitable or marginally profitable private label battery sales, as well as certain second tier branded battery sales. We are continuing our efforts to promote profitable growth and therefore, expect to continue to exit certain low margin business as appropriate to create a more favorable mix of branded versus private label products. Net sales of electric shaving and grooming products in Fiscal 2008 decreased by $21 million, or 8%, primarily as a result of declines within North America of $29 million. These declines were partially offset by a positive foreign currency impact of $9 million. Electric personal care sales increased by $44 million, an increase of 24%, over Fiscal 2007. Favorable foreign exchange translation impacted net sales by approximately $14 million coupled with strong worldwide growth in our women s hair care products. We saw double digit sales growth of our electric personal care products in all geographic regions, particularly in North America with 28% growth, when compared to Fiscal 2007. Net sales of portable lighting products for Fiscal 2008 increased to $100 million as compared to sales of $95 million for Fiscal 2007. The sales

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increase was driven by a $5 million increase in North America associated with sales gains from new product launches coupled with favorable foreign exchange translation of $4 million that was tempered by decreases in Latin America and Europe due to declining market demand.

Segment profitability in Fiscal 2008 increased to $163 million from $144 million in Fiscal 2007. Segment profitability as a percentage of net sales increased to 10.9% in Fiscal 2008 as compared with 10.0% in Fiscal 2007. The increase in segment profitability during Fiscal 2008 was primarily the result of cost savings from our global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

Segment assets at September 30, 2008 decreased to $1,183 million from $1,377 million at September 30, 2007. The decrease is primarily attributable to the impact of foreign currency translation coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See *Goodwill and Intangibles Impairment* below as well Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Batteries & Personal Care. Goodwill and intangible assets at September 30, 2008 total approximately $416 million and primarily relate to the ROV Ltd., VARTA AG, Remington Products and Microlite acquisitions. Included in long-term liabilities assumed in connection with the acquisition of Microlite is a provision for presumed credits applied to the Brazilian excise tax on manufactured products, or IPI taxes. Although a previous ruling by the Brazilian Federal Supreme Court had been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI presumed tax credits. This decision is applicable to all similarly-situated taxpayers. At September 30, 2008, these amounts totaled approximately $14 million and are included in Other long-term liabilities in the Consolidated Statements of Financial Position included in this Annual Report on Form 10-K.

*Global Pet Supplies*

| | 2008 | 2007 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 599 | $ 563 |
| Segment profit | $ 69 | $ 71 |
| Segment profit as a % of net sales | 11.5% | 12.6% |
| Assets as of September 30, | $ 700 | $ 1,202 |

Segment net sales to external customers in Fiscal 2008 increased to $599 million from $563 million in Fiscal 2007, representing an increase of $36 million or 6%. Favorable foreign currency exchange translation impacted net sales in Fiscal 2008 compared to Fiscal 2007 by approximately $18 million. Worldwide aquatic sales for Fiscal 2008 increased slightly to $398 million when compared to sales of $383 million in Fiscal 2007. The increase in worldwide aquatic sales was due to an increase in Europe of $7 million coupled with favorable foreign exchange of $17 million, offset by sales decreases in North America of $9 million. Companion animal net sales increased to $201 million in Fiscal 2008 compared to $180 million in Fiscal 2007, an increase of $21 million, or 11%. We continued to see strong growth in companion animal sales in the U.S. driven by our Dingo brand, coupled with increased volume in Europe and Pacific Rim associated with the continued introduction of companion animal products.

Segment profitability in Fiscal 2008 decreased to $69 million from $71 million in Fiscal 2007. Segment profitability as a percentage of sales in Fiscal 2008 decreased to 11.5% from 12.6% in the same period last year. This decrease in segment profitability margin was primarily due to the non-recurrence of a curtailment gain of approximately $3 million, related to the termination of a postretirement plan recorded in Fiscal 2007, coupled with an increase in input costs.

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Segment assets as of September 30, 2008 decreased to $700 million from $1,202 million at September 30, 2007. The decrease is primarily attributable to the impact of foreign currency translation coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See *Goodwill and Intangibles Impairment* below as well Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to Global Pet Supplies. Goodwill and intangible assets as of September 30, 2008 total approximately $447 million and primarily relate to the acquisitions of Tetra and the United Pet Group division of United.

*Home and Garden*

| | 2008 | 2007 |
|---|---|---|
| | (in millions) | |
| Net sales to external customers | $ 334 | $ 338 |
| Segment profit | $ 29 | $ 41 |
| Segment profit as a % of net sales | 8.7% | 12.1% |
| Assets as of September 30, | $ 290 | $ 548 |

Segment net sales to external customers of home and garden control products during Fiscal 2008 versus Fiscal 2007 decreased $4 million, or 1%, primarily due to rising commodity costs and lower volume as a result of lower inventory levels at certain customers, partially offset by price increases.

Segment profitability in Fiscal 2008 decreased to $29 million from $41 million in Fiscal 2007. Segment profitability as a percentage of sales in Fiscal 2008 decreased to 8.7% from 12.1% in the same period last year. The decrease in segment profit for Fiscal 2008 was primarily due to increased commodity costs associated with our lawn and garden controls products, our increased investment in the Spectricide and Cutter brands, coupled with depreciation and amortization expense of $22 million recorded during Fiscal 2008, while no depreciation and amortization expense was recorded in Fiscal 2007. From October 1, 2006 through December 30, 2007, the U.S. division of the Home and Garden Business was designated as discontinued operations. In accordance with generally excepted accounting principles, while designated as discontinued operations we ceased recording depreciation and amortization expense associated with the assets of this business. As a result of our reclassification of that business to a continuing operation we recorded a catch-up of depreciation and amortization expense, which totaled $14 million, for the five quarters during which this business was designated as discontinued operations. In addition, Fiscal 2008 also includes depreciation and amortization of $8 million representing the Fiscal 2008 depreciation and amortization expense of the Home and Garden Business.

Segment assets as of September 30, 2008 decreased to $290 million from $548 million at September 30, 2007. The decrease is primarily attributable to the depreciation expense mentioned above coupled with the impairment of goodwill and certain trade name intangible assets, a non-cash charge, in Fiscal 2008. See *Goodwill and Intangibles Impairment* below as well Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding this impairment charge and the amount attributable to the Home and Garden Business. Intangible assets as of September 30, 2008 total approximately $115 million and primarily relate to the acquisition of the United Industries division of United.

***Corporate Expense.*** Our corporate expense in Fiscal 2008 decreased to $45 million from $47 million in Fiscal 2007. The decrease in expense for Fiscal 2008 is primarily due to savings associated with our global realignment announced in January 2007, lower executive compensation expense and other corporate overhead expense reductions, tempered by the write off of professional fees incurred in connection with the termination of potential sales of certain of the Company s businesses coupled with the non-recurrence of a curtailment gain of $2 million which was recorded in Fiscal 2007 in connection with the termination of an employee benefit plan. Our corporate expense as a percentage of consolidated net sales in Fiscal 2008 decreased to 1.7% from 1.8% in Fiscal 2007.

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***Restructuring and Related Charges.*** See Note 15, Restructuring and Related Charges of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K for additional information regarding our restructuring and related charges.

The following table summarizes all restructuring and related charges we incurred in 2008 and 2007 (in millions):

| | 2008 | 2007 |
|---|---|---|
| Costs included in cost of goods sold: | | |
| Breitenbach, France facility closure: | | |
| Termination benefits | $ | $ |
| Other associated costs | | 0.5 |
| United & Tetra integration: | | |
| Termination benefits | | 0.2 |
| Other associated costs | 0.3 | 13.0 |
| European initiatives: | | |
| Termination benefits | (0.8) | 7.5 |
| Other associated costs | 0.1 | 0.3 |
| Latin America initiatives: | | |
| Termination benefits | | 0.7 |
| Other associated costs | 0.3 | 9.8 |
| Global Realignment initiatives: | | |
| Termination benefits | 0.1 | (0.7) |
| Other associated costs | 0.1 | |
| Ningbo Exit Plan: | | |
| Termination benefits | 1.2 | |
| Other associated costs | 15.2 | |
| Total included in cost of goods sold | $ 16.5 | $ 31.3 |
| Costs included in operating expenses: | | |
| United & Tetra integration: | | |
| Termination benefits | $ 2.0 | $ 1.1 |
| Other associated costs | 0.9 | 12.8 |
| European initiatives: | | |
| Termination benefits | | (1.3) |
| Latin America initiatives: | | |
| Termination benefits | 0.1 | 0.4 |
| Global Realignment: | | |
| Termination benefits | 12.3 | 48.7 |
| Other associated costs | 7.5 | 5.0 |
| Total included in operating expenses | $ 22.8 | $ 66.7 |
| Total restructuring and related charges | $ 39.3 | $ 98.0 |

During our fiscal year ended September 30, 2005 ( Fiscal 2005 ), we announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. We recorded no pretax restructuring and related charges during Fiscal 2008, and approximately $1 million in Fiscal 2007, in connection with this closure. The costs associated with the initiative are complete and totaled approximately $11 million.

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

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addition, certain corporate functions were shifted to our global headquarters in Atlanta, Georgia. Effective October 1, 2006, we suspended initiatives to integrate the activities of the Home and Garden Business into our operations in Madison, Wisconsin. We recorded de minimis restructuring and related charges in Fiscal 2008, and $5 million in Fiscal 2007, in connection with the integration of the United home and garden business.

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of our distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. We recorded approximately $3 million and $22 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively.

We have implemented a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. In connection with the European Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize our manufacturing structure. These initiatives include the relocation of certain operations at our Ellwangen, Germany packaging center to the Dischingen, Germany battery plant, transferring private label battery production at our Dischingen, Germany battery plant to our manufacturing facility in China and restructuring Europe s sales, marketing and support functions. In connection with the European Initiatives, we recorded approximately $(1) million in pretax restructuring and related charges, representing the true-up of the reserve balance, and $7 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively.

We have implemented a series of initiatives within our Global Batteries & Personal Care business segment in Latin America to reduce operating costs. In connection with the Latin American Initiatives, which are substantially complete, we implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs. The initiatives include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. In connection with the Latin American Initiatives, we recorded de minimis pretax restructuring and related charges during Fiscal 2008 and approximately $11 million during Fiscal 2007.

In Fiscal 2007, we began managing our business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, our global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 12, Segment Results, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional discussion on the realignment of our operating segments. In connection with these changes we undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels. We recorded approximately $20 million and $53 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively, in connection with the Global Realignment Initiatives.

During Fiscal 2008, we implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize our manufacturing structure. These initiatives include the exit of our battery manufacturing facility in Ningbo Baowang China. We recorded approximately $16 million of pretax restructuring and related charges during Fiscal 2008 in connection with the Ningbo Exit Plan.

***Goodwill and Intangibles Impairment.*** ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008 and Fiscal 2007, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded a non-cash pretax impairment charge of $861 million

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and $362 million in Fiscal 2008 and Fiscal 2007, respectively. The $861 million non-cash pretax impairment charge incurred in Fiscal 2008 reflects $602 million related to the impairment of goodwill and $259 million related to the impairment of trade name intangible assets. Of the $602 million goodwill impairment; $426 million was associated with our Global Pet Supplies segment, $160 million was associated with the Home and Garden Business and $16 million was associated with our Global Batteries and Personal Care reportable segment. Of the $259 million trade name intangible assets impairment; $98 million was within our Global Pet Supplies reportable segment, $86 million was within our Global Batteries and Personal Care reportable segment and $75 million was within the Home and Garden reportable segment. The $362 million impairment charge incurred in Fiscal 2007 reflects the impairment of goodwill associated with our U.S. Home and Garden Business and our North America reporting unit, which is now included as part of our Global Batteries & Personal Care reportable segment, coupled with an impairment of trade name intangible assets primarily associated with our Global Batteries & Personal Care business segment. Future cash expenditures will not result from these impairment charges. See Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on these impairment charges.

***Interest Expense.*** Interest expense in Fiscal 2008 decreased to $229 million from $256 million in Fiscal 2007. The decrease in Fiscal 2008 was primarily due to the non recurrence of the write off of debt issuance costs and prepayment premiums related to our debt refinancing in March 2007. See *Liquidity and Capital Resources Debt Financing Activities* below, as well as, Note 8, Debt, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding our outstanding debt.

***Income Taxes.*** Our effective tax rate on losses from continuing operations is approximately 1.0% for Fiscal 2008. Our effective tax rate on income from continuing operations was approximately (9.9)% for Fiscal 2007. The primary drivers of the change in our effective tax rate relate to tax expense recorded for an increase in the valuation allowance associated with our net U.S. deferred tax asset in Fiscal 2008, the tax impact of the impairment charges recorded in Fiscal 2008 and Fiscal 2007 related to non-deductible goodwill and to changes in the mix of our taxable income between U.S. and foreign sources.

As of September 30, 2008, we have U.S. federal and state net operating loss carryforwards of approximately $960 and $854 million, respectively, which will expire between 2009 and 2028, and we have foreign net operating loss carryforwards of approximately $142 million, which will expire beginning in 2009. Certain of the foreign net operating losses have indefinite carryforward periods. As of September 30, 2007 we had U.S. federal, foreign and state net operating loss carryforwards of approximately $763, $117 and $1,141 million, respectively, which, at that time, were scheduled to expire between 2008 and 2027. Certain of the foreign net operating losses have indefinite carryforward periods. Limitations apply to a portion of these net operating loss carryforwards in accordance with Internal Revenue Code Section 382.

The ultimate realization of our deferred tax assets depends on our ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. We establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. ASC 740 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with ASC 740, we periodically assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, we recorded a non-cash deferred income tax charge of approximately $257 million related to a valuation allowance against U.S. net deferred tax assets during Fiscal 2008. In addition, we recorded a non-cash deferred income tax charge of approximately $3.6 million in the third quarter of Fiscal 2008 related to an increase in the valuation allowance against our net deferred tax assets in China in connection with the Ningbo Exit Plan. We also determined that a valuation allowance was no longer required in Brazil and thus recorded a $30.9 million benefit in the third quarter of Fiscal 2008 to reverse the valuation allowance previously established. Our total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, is approximately $496 million at September 30, 2008. Of this amount, approximately $468 million relates to U.S. net deferred tax assets and approximately $28 million relates to foreign net deferred tax assets.

ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. During Fiscal 2008 and 2007, the Company recorded non- cash pretax impairment charges of approximately $861 million and $362 million, respectively. The tax impact, prior to consideration of the current year valuation allowance, of the impairment charges was a deferred tax benefit of approximately $143 million and $77 million respectively, because a significant portion of the impaired assets are not deductible for tax purposes . See *Goodwill and Intangibles Impairment* above, as well as Note 3(c), Significant Accounting Policies and Practices Intangible Assets, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding these non-cash impairment charges.

ASC 740, which clarifies the accounting for uncertainty in tax positions, requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. We adopted this provision on October 1, 2007. As a result of the adoption, we recognized no cumulative effect adjustment. As of October 1, 2007 and September 30, 2008 we had approximately $8 million and $7 million of unrecognized tax benefits, respectively, of which approximately $5 million, for both October 1, 2007 and September 30, 2008, would affect our effective tax rate if recognized and approximately $3 million and $2 million, respectively, of which would result in a reduction in goodwill if recognized. The change from October 1, 2007 to September 30, 2008 is primarily a result of the accrual of additional interest and penalties and the settlement of a tax examination in Germany. See Note 10, Income Taxes, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information regarding the settlement of the tax examination in Germany.

***Discontinued Operations.*** On November 5, 2008, the board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. We believe the shutdown is consistent with what we have done in other areas of our business to eliminate unprofitable products from our portfolio. We completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the disposal of the growing products portion of the Home and Garden Business.

The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008 and Fiscal 2007, respectively:

| | 2008 | 2007 |
|---|---|---|
| Net sales | $ 261.4 | $ 232.0 |
| Loss from discontinued operations before income taxes | $ (27.1) | $ 6.3 |
| Provision for income tax benefit | (2.1) | |
| Loss from discontinued operations, net of tax | $ (25.0) | $ 6.3 |

In accordance with ASC 360, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, we recorded a non-cash pretax charge of $6 million in discontinued operations to reduce the carrying value of intangible assets related to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business.

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On November 1, 2007, we sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled approximately $15 million and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in our Consolidated Statements of Cash Flows included in this Annual Report on Form 10-K. On February 5, 2008, we finalized the contractual working capital adjustment in connection with this sale which increased our received proceeds by approximately $1 million. As a result of the finalization of the contractual working capital adjustments we recorded a loss on disposal of approximately $1 million, net of tax benefit. Accordingly, the presentation herein of the results of continuing operations excludes the Canadian division of its Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for further details on the sale of the Canadian division of the Home and Garden Business.

The following amounts related to the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2008 and Fiscal 2007, respectively:

| | 2008(A) | 2007 |
|---|---|---|
| Net sales | $ 4.7 | $ 88.7 |
| Loss from discontinued operations before income taxes | $ (1.9) | $ (46.3) |
| Provision for income tax benefit | (0.7) | (6.3) |
| Loss from discontinued operations, net of tax | $ (1.2) | $ (40.0) |

(A) Fiscal 2008 represents results from discontinued operations from October 1, 2007 through November 1, 2007, the date of sale. Included in the Fiscal 2008 loss is a loss on disposal of approximately $1 million, net of tax benefit.

In accordance with ASC 360, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, we recorded a non-cash pretax charge of $45 million in discontinued operations to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, related to the Canadian Home and Garden Business in order to reflect the estimated fair value of this business.

**Liquidity and Capital Resources**

***Operating Activities.*** Net cash provided by operating activities was $77 million during Fiscal 2009 compared to a cash use of $10 million during Fiscal 2008. The $87 million increase in cash provided by operating activities was primarily due to favorable changes in accounts receivable and inventories of $94 million (net of the inventory fair value adjustment reflected in fresh-start reporting), lower cash interest payments of $63 million, primarily related to the exchange of our Senior Subordinated Notes in accordance with the Plan, partially offset by unfavorable payments for fees and expenses related to the Bankruptcy Filing of $46 million and a use of cash from operating losses related to discontinued operations of $17 million.

We expect to fund our cash requirements, including capital expenditures, interest and principal payments due in Fiscal 2010 through a combination of cash on hand and cash flows from operations and available borrowings under our ABL Revolving Credit Facility. Going forward our ability to satisfy financial and other covenants in our senior credit agreements and senior subordinated indenture and to make scheduled payments or prepayments on our debt and other financial obligations will depend on our future financial and operating performance. There can be no assurances that our business will generate sufficient cash flows from operations or that future borrowings under the ABL Revolving Credit Facility will be available in an amount sufficient to satisfy our debt maturities or to fund our other liquidity needs. In addition, the current economic crisis could have a further negative impact on our financial position, results of operations or cash flows. See Item 1A. Risk Factors, for further discussion of the risks associated with our ability to service all of our existing indebtedness, our ability to maintain compliance with financial and other covenants related to our indebtedness and the impact of the current economic crisis.

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***Investing Activities.*** Net cash used by investing activities was $20 million for Fiscal 2009. For Fiscal 2008 investing activities used cash of $6 million. The $14 million increase in cash used in Fiscal 2009 was primarily due to the non-recurrence of proceeds received in connection with the November 2007 sale of the Canadian division of the Home and Garden Business of approximately $15 million. We also paid approximately $9 million in performance fees in Fiscal 2009, related to the Microlite acquisition. Offsetting these increased uses were capital expenditures for continuing operations of $11 million during Fiscal 2009 versus $19 million during Fiscal 2008. This decrease in capital expenditures was primarily attributable to our reorganization under Chapter 11 of the Bankruptcy Code.

**Debt Financing Activities**

*Restructuring of Pre-Petition Indebtedness*

The Bankruptcy Filing, as described in Note 2, Voluntary Reorganization Under Chapter 11, included in this Annual Report on Form 10-K, constituted an event of default under our senior secured term credit facility agreement and the respective indentures governing our Senior Subordinated Notes. In addition, on February 2, 2009, we did not make a $26 million interest payment due February 2, 2009 on our 7 3/8 Notes. While our pre-petition asset-based revolving credit facility agreement also provided for an event of default in the event of a bankruptcy filing, the credit agreement and related guarantee and collateral agreement were amended in connection with the Bankruptcy Cases to provide new debtor-in-possession financing for the Debtors.

Pursuant to and in accordance with the Plan, the allowed claims in the Bankruptcy Cases with respect to the senior secured term credit facility were reinstated and, as further described under *Senior Term Credit Facility* below; we entered into two amendments to the senior secured term credit facility agreement.

Also pursuant to and in accordance with the Plan, we refinanced our Senior Subordinated Notes. On the Effective Date, pursuant to the Plan, we and our U.S. subsidiaries, as guarantors, entered into an indenture (the 2019 Indenture ) with U.S. Bank National Association, as trustee (the Trustee ), and we issued a global note representing $218 million in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes ) under the 2019 Indenture for the benefit of holders of allowed claims with respect to our Senior Subordinated Notes. For more information on the 12% Notes and the 2019 Indenture, see the description under *12% Notes* below. We also issued an aggregate of approximately 27 million shares of our common stock to holders of such Senior Subordinated Notes.

Finally, pursuant to and in accordance with the Plan, our debtor-in-possession credit facility for the Bankruptcy Cases was refinanced through a $242 million asset-based revolving loan facility pursuant to a credit agreement amongst us, our subsidiaries party thereto, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto. For more information on the terms of the facility, see the description under *ABL Revolving Credit Facility* below. In addition, pursuant to and in accordance with the Plan, we issued an aggregate of 3 million shares of our common stock to participants in our supplemental debtor-in-possession credit facility in respect of the equity fee earned under the facility.

*Senior Term Credit Facility*

During the second quarter of Fiscal 2007, we refinanced our then outstanding senior credit facility with a new senior secured credit facility pursuant to a new senior credit agreement (the Senior Credit Agreement ) consisting of a $1,000 million U.S. Dollar Term B Loan facility (the U.S. Dollar Term B Loan ), a $200 million U.S. Dollar Term B II Loan facility (the U.S. Dollar Term B II Loan ), a 262 million Term Loan facility (the Euro Facility ), and a $50 million synthetic letter of credit facility (the L/C Facility and together with the U.S. Dollar Term B Loan, the U.S. Dollar Term B II Loan and the Euro Facility, collectively, the Senior Term Credit

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Facility ). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under our Fourth Amended and Restated Credit Agreement, dated as of February 7, 2005, to pay fees and expenses in connection with the refinancing and the exchange offer completed on March 30, 2007, relating to certain of our senior subordinated notes, and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, upon the day that is five business days prior to maturity of the Senior Credit Agreement. In connection with our emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, we entered into certain amendments to the Senior Credit Agreement the Term Credit Amendments . Among other things, the Term Credit Amendments provide for a minimum Eurodollar interest rate floor of 1.5%, interest spreads over market rates of 6.5% for the U.S. Dollar Term B Loan and 7.0% for the Euro Facility, increases to the maximum Senior Secured Leverage Ratio and a shortened maturity date of June 30, 2012.

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

During the eleven month period ended August 30, 2009, we made scheduled, and in connection with asset sales, mandatory, prepayments of term loan indebtedness totaling $12,666 under the Senior Credit Agreement. During the eleven month period ended August 30, 2009 and pursuant to an order from the Bankruptcy Court entered on April 22, 2009, we made certain adequate protection payments with respect to the Senior Term Credit Facility. These payments included fees, costs and expenses incurred by the agent under the Senior Term Credit Facility and the agent s professionals. We also made certain cash payments of interest at the non-default rate as and when due pursuant to the terms of the Senior Credit Agreement. In connection with our emergence from our voluntary reorganization under Chapter 11 of the Bankruptcy Code and the Term Credit Amendments, we agreed to incur non-cash default interest at 1.5% for the pendency of the Bankruptcy Cases. As a result, $8 million of principal was added to the U.S. Dollar Term B Loan and 2 million ($3 million) of principal was added to the Euro Facility at August 28, 2009 related to such default interest.

During the one month period ended September 30, 2009, we made scheduled, and in connection with asset sales, mandatory, prepayments of term loan indebtedness totaling $3 million under the Senior Credit Agreement.

At September 30, 2009, the aggregate amount outstanding under our senior secured term credit facility totaled a U.S. Dollar equivalent of $1,391 million, consisting of principal amounts of $973 million under the U.S. Dollar Term B Loan, 255 million under the Euro Facility (USD $372 million at September 30, 2009) as well as letters of credit outstanding under the L/C Facility totaling $46 million.

As of September 30, 2009, we were in compliance with all covenants under the Senior Credit Agreement.

*ABL Revolving Credit Facility*

On August 28, 2009, in connection with our emergence from our voluntary reorganization under Chapter 11 of the Bankruptcy Code, we entered into a $242 million U.S. Dollar asset based revolving loan facility (the ABL Revolving Credit Facility and together with the Senior Term Credit Facility, the Senior Credit Facilities ) pursuant to a credit agreement (the ABL Credit Agreement ) with General Electric Capital Corporation as

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administrative and co-collateral agent (the Agent ) with a participating interest from each of Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P., D. E. Shaw Laminar Portfolios, L.L.C. and Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund V, L.P., Avenue Special Situations Fund IV, L.P. and Avenue-CDP Global Opportunities Fund, L.P. The ABL Revolving Credit Facility replaced our debtor-in-possession credit facility, which was simultaneously prepaid using cash on hand generated from our operations and available cash from prior borrowings under the ABL Revolving Credit Facility. The ABL Revolving Credit Facility consists of (a) revolving loans (the Revolving Loans ), with a portion available for letters of credit and a portion available as swing line loans, in each case subject to the terms and limits described therein, and (b) a supplemental loan (the Supplemental Loan ), in the form of an asset based revolving loan, in an amount up to $45 million.

The Revolving Loans may be drawn, repaid and reborrowed without premium or penalty. The Supplemental Loan shall be repaid after payment in full of the Revolving Loans and all other obligations due and payable under the ABL Revolving Credit Facility. The proceeds of borrowings under the ABL Revolving Credit Facility and Supplemental Loan are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for our working capital requirements, restructuring costs and other general corporate purposes.

The ABL Revolving Credit Facility carries an interest rate, at our option, of either (a) the base rate plus 3.0% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate ) plus 4.0% per annum, except that the Supplemental Loan carries an interest rate, equal to the Eurodollar Rate plus 14.5% per annum. No amortization will be required with respect to the ABL Revolving Credit Facility. For purposes of the Revolving Loans, the Eurodollar Rate shall at no time be less than 2.5%. For purposes of the Supplemental Loans, the Eurodollar Rate shall at no time be less than 3.00%. The ABL Revolving Credit Facility will mature on March 31, 2012.

As a result of borrowings and payments under the ABL Revolving Credit Facility during the one month period ended September 30, 2009, we had aggregate borrowing availability of approximately $129 million, net of lender reserves of $20 million and outstanding letters of credit of $6 million under the ABL Revolving Credit Facility.

The ABL Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting and a maximum fixed charge coverage ratio. The ABL Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

At September 30, 2009, the aggregate amount outstanding under the ABL Revolving Credit Facility totaled $84 million under the Revolving ABL Credit Facility, which includes the Supplemental Loan of $45 million and $6 million in outstanding letters of credit.

As of September 30, 2009, we were in compliance with all covenants under the ABL Credit Agreement.

*12% Notes*

On August 28, 2009, in connection with our emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, we issued $218 million in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at our option, we may elect to pay interest on the 12% Notes in cash or as payment in kind, or PIK . PIK interest would be added to principal upon the relevant semi-annual interest payment date. Under the Term Credit Amendments, we agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods.

We may redeem all or a part of the 12% Notes, upon not less than 30 or more than 60 days notice, beginning August 28, 2012 at specified redemption prices. Further, the indenture governing the 12% Notes require we make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control, as defined in such indenture.

As of September 30, 2009, we had outstanding principal of approximately $218 million under the 12% Notes.

The indenture governing the 12% Notes, or the 2019 Indenture, contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2019 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 12% Notes. If any other event of default under the 2019 Indenture occurs and is continuing, the trustee for the indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 12% Notes, may declare the acceleration of the amounts due under those notes.

As of September 30, 2009, we were in compliance with all covenants under the 12% Notes and the 2019 Indenture. However, we are subject to certain limitations as a result of our Fixed Charge Coverage Ratio under the 2019 indentures being below 2:1. Until the test is satisfied, we and certain of our subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. We do not expect the inability to satisfy the Fixed Charge Coverage Ratio test to impair our ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of our existing business, although no assurance can be given in this regard.

We currently believe that cash on hand, funds from our operations and availability under the ABL Revolving Credit Facility and other foreign credit facilities will provide us with sufficient liquidity to fund our operations, capital expenditures and debt service obligations although no assurance can be given in this regard.

*Interest Payments and Fees*

In addition to principal payments on our Senior Credit Facilities, we have annual PIK interest payment obligations of approximately $26 million in the aggregate under our 12% Notes. We also incur interest on our borrowings under the Senior Credit Facilities, and such interest would increase borrowings under the ABL Revolving Credit Facility if cash were not otherwise available for such payments. Interest on the 12% Notes is payable semi-annually in arrears and interest under the Senior Credit Facilities is payable on various interest payment dates as provided in the Senior Credit Agreement and the ABL Credit Agreement. Interest is payable in cash, except that interest under the 12% Notes is required to be paid for the first three semi-annual payments dates by increasing the aggregate principal amount due under the subject notes. Thereafter, we may make the semi-annual payments, by increasing the aggregate principal amount due under the notes subject to certain conditions. Based on amounts currently outstanding under the Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect as of September 30, 2009, we estimate annual interest payments of approximately $121 million in the aggregate under our Senior Credit Facilities would be required assuming no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps. We are required to pay certain fees in connection with the Senior Credit Facilities and the L/C Facility. Such fees include a quarterly commitment fee of up to 1.00% on the unused portion of the ABL Revolving Credit Facility, certain additional fees with respect to the letter of credit subfacility under the ABL Revolving Credit Facility and a quarterly commitment fee of 4.15% on the L/C Facility.

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***Equity Financing Activities.*** During Fiscal 2009, Old Spectrum granted approximately 0.2 million shares of restricted stock. Of these grants, approximately 18% of the shares were time-based and vest on a pro rata basis over a three year period and 82% of the shares were performance-based and vest upon achievement of certain performance goals. All vesting dates were subject to the recipient s continued employment with us. The total market value of the restricted stock on the date of the grant was approximately $0.1 million which has been recorded as unearned restricted stock compensation. On the Effective Date, all of the existing common stock of Old Spectrum was extinguished and deemed cancelled. Subsequent to September 30, 2009, we granted an aggregate of approximately 0.6 million shares of restricted common stock of New Spectrum to certain employees and non-employee directors. All such shares are subject to time-based vesting. All vesting dates are subject to the recipient s continued employment, or service as a director, with us.

**Off-Balance Sheet Arrangements**

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

**Contractual Obligations & Other Commercial Commitments**

***Contractual Obligations***

The following table summarizes our contractual obligations as of September 30, 2009 and the effect such obligations are expected to have on our liquidity and cash flow in future periods. The table excludes other obligations we have reflected on our Consolidated Statements of Financial Position included in this Annual Report on Form 10-K, such as pension obligations. See Note 11, Employee Benefit Plans, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our employee benefit plans (in millions):

| | Contractual Obligations Payments due by Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2010** | **2011** | **2012** | **2013** | **2014** | **Thereafter** | **Total** |
| Debt: | | | | | | | |
| Debt, excluding capital lease obligations | $ 53 | $ 13 | $ 1,362 | $ | $ | $ 218 | $ 1,646 |
| Capital lease obligations(1) | 2 | 2 | 1 | 1 | 1 | 12 | 19 |
| | 55 | 15 | 1,363 | 1 | 1 | 230 | 1,665 |
| Operating lease obligations | 23 | 20 | 19 | 16 | 12 | 26 | 116 |
| Total Contractual Obligations | $ 78 | $ 39 | $ 1,382 | $ 17 | $ 13 | $ 256 | $ 1,781 |

(1) Capital lease payments due by fiscal year include executory costs and imputed interest not reflected in the Consolidated Statements of Financial Position included in this Annual Report on Form 10-K.

***Other Commercial Commitments***

The following table summarizes our other commercial commitments as of September 30, 2009, consisting entirely of standby letters of credit that back the performance of certain of our entities under various credit facilities, insurance policies and lease arrangements (in millions):

| Other Commercial Commitments Amount of Commitment Expiration by Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|
| **2010** | **2011** | **2012** | **2013** | **2014** | **Thereafter** | **Total** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Letters of credit | $ 56 | $ | $ | $ | $ | $ 2 | $ 58 |
| Total Other Commercial Commitments | $ 56 | $ | $ | $ | $ | $ 2 | $ 58 |

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**Critical Accounting Policies**

Our Consolidated Financial Statements included in this Annual Report on Form 10-K have been prepared in accordance with GAAP and fairly present our financial position and results of operations. We believe the following accounting policies are critical to an understanding of our financial statements. The application of these policies requires management s judgment and estimates in areas that are inherently uncertain.

***Valuation of Assets and Asset Impairment***

We evaluate certain long-lived assets to be held and used, such as property, plant and equipment and definite-lived intangible assets for impairment based on the expected future cash flows or earnings projections associated with such assets. Impairment reviews are conducted at the judgment of management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. An asset s value is deemed impaired if the discounted cash flows or earnings projections generated do not substantiate the carrying value of the asset. The estimation of such amounts requires management s judgment with respect to revenue and expense growth rates, changes in working capital and selection of an appropriate discount rate, as applicable. The use of different assumptions would increase or decrease discounted future operating cash flows or earnings projections and could, therefore, change impairment determinations.

ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2009, Fiscal 2008 and Fiscal 2007, we tested our goodwill and indefinite-lived intangible assets. As a result of this testing, we recorded non-cash pretax impairment charges of $34 million, $861 million and $362 million in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. The $34 million impairment charge incurred in Fiscal 2009 reflects an impairment of trade name intangible assets consisting of the following: (i) $18 million related to the Global Pet Supplies Business; (ii) $15 million related to the Global Batteries and Personal Care segment; and (iii) $1 million related to the Home and Garden Business. The $861 million impairment charge incurred in Fiscal 2008 reflects impaired goodwill of $602 million and impaired trade name intangible assets of $259 million. The $602 million of impaired goodwill consisted of the following: (i) $426 million associated with our Global Pet Supplies reportable segment; (ii) $160 million associated with the Home and Garden Business; and (iii) $16 million related to our Global Batteries & Personal Care reportable segment. The $259 million of impaired trade name intangible assets consisted of the following: (i) $86 million related to our Global Batteries & Personal Care reportable segment; (ii) $98 million related to Global Pet Supplies; and (iii) $75 million related to the Home and Garden Business. The $362 million impairment charge incurred in Fiscal 2007 reflects $214 million of goodwill associated with our North America reporting unit, which is now part of our Global Batteries & Personal Care reportable segment, a goodwill impairment of $124 million within the U.S. Home and Garden Business and an impairment of trade name intangible assets of $24 million, primarily associated with our Global Batteries & Personal Care reportable segment. Future cash expenditures will not result from these impairment charges.

We used a discounted estimated future cash flows methodology, third party valuations and negotiated sales prices to determine the fair value of our reporting units (goodwill). Fair value of indefinite-lived intangible assets, which represent trade names, was determined using a relief from royalty methodology. Assumptions critical to our fair value estimates were: (i) the present value factors used in determining the fair value of the reporting units and trade names or third party indicated fair values for assets expected to be disposed; (ii) royalty rates used in our trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. We also tested fair value for reasonableness by comparison to our total market capitalization, which includes both our equity and debt securities. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. In

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light of a sustained decline in market capitalization coupled with the decline of the fair value of our debt securities, we also considered these factors in the Fiscal 2008 annual impairment testing.

In accordance with ASC 740, we establish valuation allowances for deferred tax assets when we estimate it is more likely than not that the tax assets will not be realized. We base these estimates on projections of future income, including tax-planning strategies, by individual tax jurisdictions. Changes in industry and economic conditions and the competitive environment may impact the accuracy of our projections. In accordance with ASC 740, during each reporting period we assess the likelihood that our deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. As a result of this assessment, during Fiscal 2009 we recorded a reduction in the valuation allowance of approximately $363 million. Of the total, $314 million was recorded as a non-cash deferred income tax benefit and $49 million as a reduction to goodwill. During Fiscal 2008 and Fiscal 2007 we recorded a non-cash deferred income tax charge of approximately $200 million and $245 million, respectively, related to increasing the valuation allowance against our net deferred tax assets.

See Note 3(h), Significant Accounting Policies and Practices Property, Plant and Equipment, Note 3(i), Significant Accounting Policies and Practices Intangible Assets, Note 5, Property, Plant and Equipment, Note 6, Assets Held for Sale, Note 7, Goodwill and Intangible Assets, Note 9, Income Taxes, and Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information about these assets.

***Revenue Recognition and Concentration of Credit Risk***

We recognize revenue from product sales generally upon delivery to the customer or the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; there is persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. We are generally not obligated to allow for, and our general policy is not to accept, product returns for battery sales. We do accept returns in specific instances related to our electric shaving and grooming, electric personal care, lawn and garden, household insect control and pet supply products. The provision for customer returns is based on historical sales and returns and other relevant information. We estimate and accrue the cost of returns, which are treated as a reduction of net sales.

We enter into various promotional arrangements, primarily with retail customers, including arrangements entitling such retailers to cash rebates from us based on the level of their purchases, which require us to estimate and accrue the costs of the promotional programs. These costs are generally treated as a reduction of net sales.

We also enter into promotional arrangements that target the ultimate consumer. Such arrangements are treated as either a reduction of net sales or an increase in cost of sales, based on the type of promotional program. The income statement presentation of our promotional arrangements complies with ASC Topic 605: *Revenue Recognition*, formerly the Emerging Issues Task Force ( EITF ) No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products).* Cash consideration, or an equivalent thereto, given to a customer is generally classified as a reduction of net sales. If we provide a customer anything other than cash, the cost of the consideration is classified as an expense and included in cost of sales.

For all types of promotional arrangements and programs, we monitor our commitments and use statistical measures and past experience to determine the amounts to be recorded for the estimate of the earned, but unpaid, promotional costs. The terms of our customer-related promotional arrangements and programs are tailored to each customer and are generally documented through written contracts, correspondence or other communications with the individual customers.

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We also enter into various arrangements, primarily with retail customers, which require us to make an upfront cash, or slotting payment, to secure the right to distribute through such customer. We capitalize slotting payments, provided the payments are supported by a time or volume based arrangement with the retailer, and amortize the associated payment over the appropriate time or volume based term of the arrangement. The amortization of slotting payments is treated as a reduction in net sales and a corresponding asset is reported in Deferred charges and other in our Consolidated Statements of Financial Position included in this Annual Report on Form 10-K.

Our trade receivables subject us to credit risk which is evaluated based on changing economic, political and specific customer conditions. We assess these risks and make provisions for collectibility based on our best estimate of the risks presented and information available at the date of the financial statements. The use of different assumptions may change our estimate of collectibility. We extend credit to our customers based upon an evaluation of the customer s financial condition and credit history and generally do not require collateral. Our credit terms generally range between 30 and 90 days from invoice date, depending upon the evaluation of the customer s financial condition and history. We monitor our customers credit and financial condition in order to assess whether the economic conditions have changed and adjust our credit policies with respect to any individual customer as we determine appropriate. These adjustments may include, but are not limited to, restricting shipments to customers, reducing credit limits, shortening credit terms, requiring cash payments in advance of shipment or securing credit insurance.

See Note 3(b), Significant Accounting Policies and Practices Revenue Recognition, Note 3(c), Significant Accounting Policies and Practices Use of Estimates and Note 3(e), Significant Accounting Policies and Practices Concentrations of Credit Risk and Major Customers and Employees, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for more information about our revenue recognition and credit policies.

***Pensions***

Our accounting for pension benefits is primarily based on a discount rate, expected and actual return on plan assets and other assumptions made by management, and is impacted by outside factors such as equity and fixed income market performance. Pension liability is principally the estimated present value of future benefits, net of plan assets. In calculating the estimated present value of future benefits, net of plan assets, we used discount rates of 5.0 to 11.8% in Fiscal 2009 and 5.0 to 7.0% in Fiscal 2008. In adjusting the discount rates from Fiscal 2008 to 2009, we considered the change in the general market interest rates of debt and solicited the advice of our actuary. We believe the discount rates used are reflective of the rates at which the pension benefits could be effectively settled.

Pension expense is principally the sum of interest and service cost of the plan, less the expected return on plan assets and the amortization of the difference between our assumptions and actual experience. The expected return on plan assets is calculated by applying an assumed rate of return to the fair value of plan assets. We used expected returns on plan assets of 4.5% to 8.0% in both Fiscal 2009 and Fiscal 2008. Based on the advice of our independent actuary, we believe the expected rates of return are reflective of the long-term average rate of earnings expected on the funds invested. If such expected returns were overstated, it would ultimately increase future pension expense. Similarly, an understatement of the expected return would ultimately decrease future pension expense. If plan assets decline due to poor performance by the markets and/or interest rate declines our pension liability will increase, ultimately increasing future pension expense.

Effective September 30, 2007, we adopted ASC Topic 715: *Compensation-Retirement Benefits,* formerly SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* , ( ASC 715 ). The recognition and disclosure provisions of this statement require recognition of the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in the statement of financial position, and recognition of changes in that funded status in Accumulated Other Comprehensive Income in the year in which the adoption occurs. The measurement date provisions of ASC 715, became effective during Fiscal 2009 and we now measure all of our defined benefit pension and postretirement plan assets and obligations as of September 30 which is our fiscal year end.

See Note 11, Employee Benefit Plans, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our employee benefit plans.

***Restructuring and Related Charges***

Restructuring charges are recognized and measured according to the provisions of ASC Topic 420: *Exit or Disposal Cost Obligations,* formerly SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ( ASC 420 ). Under ASC 420, restructuring charges include, but are not limited to, termination and related costs consisting primarily of severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by us, include, but are not limited to, other costs directly associated with exit and integration activities, including impairment of property and other assets, departmental costs of full-time incremental integration employees, and any other items related to the exit or integration activities. Costs for such activities are estimated by us after evaluating detailed analyses of the cost to be incurred. We present restructuring and related charges on a combined basis.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustment and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating detailed analyses of the cost to be incurred. Such liabilities could include amounts for items such as severance costs and related benefits (including settlements of pension plans), impairment of property and equipment and other current or long term assets, lease termination payments and any other items directly related to the exit activities. While the actions are carried out as expeditiously as possible, restructuring and related charges are estimates. Changes in estimates resulting in an increase to or a reversal of a previously recorded liability may be required as management executes a restructuring plan.

We report restructuring and related charges associated with manufacturing and related initiatives in cost of goods sold. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the restructuring initiatives implemented.

We report restructuring and related charges associated with administrative functions in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the initiatives implemented.

The costs of plans to (i) exit an activity of an acquired company, (ii) involuntarily terminate employees of an acquired company or (iii) relocate employees of an acquired company are measured and recorded in accordance with the provisions of the ASC Topic: 805 Business Combinations, formerly EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* ( ASC 805 ). Under ASC 805, if certain conditions are met, such costs are recognized as a liability assumed as of the consummation date of the purchase business combination and included in the allocation of the acquisition cost. Costs related to terminated activities or employees of the acquired company that do not meet the conditions prescribed in ASC 805 are treated as restructuring and related charges and expensed as incurred.

See Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K for a more complete discussion of our restructuring initiatives and related costs.

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***Loss Contingencies***

Loss contingencies are recorded as liabilities when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The outcome of existing litigation, the impact of environmental matters and pending or potential examinations by various taxing authorities are examples of situations evaluated as loss contingencies. Estimating the probability and magnitude of losses is often dependent upon management s judgment of potential actions by third parties and regulators. It is possible that changes in estimates or an increased probability of an unfavorable outcome could materially affect future results of operations.

See further discussion in Item 3, Legal Proceedings, and Note 13, Commitments and Contingencies, of Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

***Other Significant Accounting Policies***

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the Consolidated Financial Statements included in this Annual Report on Form 10-K. The Notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K contain additional information related to our accounting policies and should be read in conjunction with this discussion.

***Recently Issued Accounting Standards***

***Business Combinations***

In December 2007, the FASB issued new accounting guidance on business combinations and non-controlling interests in consolidated financial statements. The objective is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. The guidance applies to all transactions or other events in which an entity (the acquirer ) obtains control of one or more businesses (the acquiree ), including those sometimes referred to as true mergers or mergers of equals and combinations achieved without the transfer of consideration. In April 2009, the FASB issued additional guidance which addresses application issues arising from contingencies in a business combination. The new guidance is effective for our financial statements for the fiscal year that began October 1, 2009. We will adopt the new guidance prospectively as applicable.

***Noncontrolling Interests in Consolidated Financial Statements***

In December 2007, the FASB issued new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The new guidance also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expands disclosures in the consolidated financial statements that clearly identify and distinguish between the parent s ownership interest and the interest of the noncontrolling owners of a subsidiary. The provisions are to be applied prospectively as of the beginning of the fiscal year in which the guidance is adopted, except for the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. The new guidance is effective for our financial statements for the fiscal year that began October 1, 2009. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

***Determination of the Useful Life of Intangible Assets***

In April 2008, the FASB issued new accounting guidance which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. The new guidance applies to: (a) intangible assets that are acquired individually or with a group of other assets and (b) intangible assets acquired in both business combinations and asset acquisitions. Entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. The new guidance requires certain additional disclosures beginning October 1, 2009 and prospective application to useful life estimates for intangible assets acquired after September 30, 2009. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

***Employers Disclosures About Postretirement Benefit Plan Assets***

In December 2008, the FASB issued new accounting guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for our financial statements for the fiscal year that began October 1, 2009. We are in the process of evaluating the impact that the guidance may have on our financial statement disclosures.

***Accounting for Transfers of Financial Assets***

In June 2009, the FASB issued new accounting guidance to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial assets. The provisions are effective for our financial statements for the fiscal year beginning October 1, 2010. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

***Variable Interest Entities***

In June 2009, the FASB issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The provisions are effective for our financial statements for the fiscal year beginning October 1, 2010. We are in the process of evaluating the impact that the guidance may have on our financial statements and related disclosures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**Market Risk Factors**

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

A discussion of our accounting policies for derivative financial instruments is included in Note 3(r), Significant Accounting Policies and Practices-Derivative Financial Instruments, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Interest Rate Risk**

We have bank lines of credit at variable interest rates. The general level of U.S. interest rates, LIBOR and EURIBOR affect interest expense. We use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life

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of the swap agreements as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counter-parties are included in accrued liabilities or accounts receivable.

**Foreign Exchange Risk**

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

**Commodity Price Risk**

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

**Sensitivity Analysis**

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

As of September 30, 2009, there were no interest rate derivative instruments outstanding. As of September 30, 2008, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1 percentage point unfavorable shift in the underlying interest rates would have resulted in a loss of $4.0 million. The net impact on reported earnings, after also including the reduction in one year s interest expense on the related debt due to the same shift in interest rates, would be a net gain of $10.3 million.

As of September 30, 2009, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates would be a loss of $10.8 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of $10.8 million. The same hypothetical shift in exchange rates as of September 30, 2008 would have resulted in a loss of $25.0 million in the fair value of outstanding foreign exchange derivative instruments, and the net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would have been a net gain of $5.0 million.

As of September 30, 2009, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of $1.5 million. The net impact on reported earnings, after also including the reduction in cost of one year s purchases of the related commodities due to the same change in commodity prices, would be a net gain of $.8 million. The same hypothetical shift in commodity prices as of September 30, 2008 would have resulted in a loss of $4.7 million in the fair value of outstanding commodity price derivative instruments, and the net impact on reported earnings, after also including the reduction in cost of one year s purchases of the related commodities due to the same change in commodity prices, would have been a net gain of $3.5 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required for this Item is included in this Annual Report on Form 10-K on pages 101 through 175, inclusive and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

*Management s Annual Report on Internal Control over Financial Reporting.* The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company s management assessed the effectiveness of its internal control over financial reporting as of September 30, 2009. In making this assessment, the Company s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control-Integrated Framework*. This annual report does not include an attestation report of the company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management s report in this annual report.

*Changes in Internal Control Over Financial Reporting.* There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

ITEM 9B. OTHER INFORMATION

None.

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## PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position with the Company of each of our executive officers and directors as of December 21, 2009:

| Name | Age | Position |
|---|---|---|
| Kent J. Hussey | 63 | Chief Executive Officer and Chairman of the Board |
| Anthony L. Genito | 53 | Executive Vice President, Chief Financial Officer and Chief Accounting Officer |
| David R. Lumley | 55 | Co-Chief Operating Officer and President, Global Batteries and Personal Care |
| John A. Heil | 57 | Co-Chief Operating Officer and President, Global Pet Supplies |
| Kenneth C. Ambrecht | 64 | Director |
| Eugene I. Davis | 54 | Director |
| Marc S. Kirschner | 67 | Director |
| Norman S. Matthews | 76 | Director |
| Terry L. Polistina | 46 | Director |
| Hugh R. Rovit | 49 | Director |

Mr. Hussey was appointed Chairman of our Board of Directors in August 2009, has served as Chief Executive Officer since May 2007 and has served as one of our directors since October 1996. He served as our Vice Chairman of the Board of Directors from January, 2007 until May 2007. Mr. Hussey served as our President and Chief Operating Officer from August 2002 until January 2007 and from April 1998 until November 2001. From December 2001 through July 2002, he served as our President and Chief Financial Officer. From October 1996 until April 1998, he served as our Executive Vice President of Finance and Administration and our Chief Financial Officer. From 1994 to 1996, Mr. Hussey was Vice President and Chief Financial Officer of ECC International, a producer of industrial minerals and specialty chemicals. From 1991 to 1994, he served as Vice President and Chief Financial Officer of The Regina Company. Mr. Hussey also serves as a director of American Woodmark Corporation and various privately-held companies.

Mr. Genito was appointed Executive Vice President, Chief Financial Officer and Chief Accounting Officer in October 2007. He previously had served as Senior Vice President, Chief Financial Officer and Chief Accounting Officer since June 2007. From October 2005 until June 2007, Mr. Genito served as Senior Vice President and Chief Accounting Officer and from June 2004, when he joined the Company, until October 2005 he served as Vice President, Finance and Chief Accounting Officer. Before joining the Company, Mr. Genito was employed for twelve years at Schering-Plough Corporation in various financial management positions, including serving as Vice President Global Supply Chain from July 2002 to June 2004. He began his career at Deloitte & Touche.

Mr. Lumley was appointed our Co-Chief Operating Officer and President, Global Batteries and Personal Care in January 2007, and in October 2008 his area of responsibility was expanded to include the Home and Garden Business. Prior to that time, he had served as our President, North America from the time he joined the Company in January 2006. Mr. Lumley joined the Company from his position as President, Rubbermaid Home Products North America, which he had held since January 2004. Prior to his position at Rubbermaid, Mr. Lumley had been president and Chief Executive Officer of EAS, a leading sports nutrition company, since 2001. His background includes more than 25 years experience in the consumer products industry, including having served as President of Brunswick Bicycles, President of OMC International, Senior Vice President, Sales and Marketing at Outboard Marine Corporation, and in a variety of leadership positions with Wilson Sporting Goods and other companies.

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Mr. Heil was appointed our Co-Chief Operating Officer and President, Global Pet Supplies in January 2007. He served as our President, Global Pet, from October 2005 until January 2007. Prior to that time he had served as our President, United Pet Group division of United, since April 2005, shortly after our acquisition of United in February 2005. Mr. Heil served as President and Chief Executive Officer of United Pet Group division of United since United acquired United Pet Group in June 2004. Mr. Heil joined United Pet Group as Chairman and CEO in June 2000. Prior to that time, he spent twenty-five years with the H.J. Heinz Company in various executive management positions including President and Managing Director of Heinz Pet Products, President of Heinz Specialty Pet and Executive Vice President of StarKist Seafood. Mr. Heil also serves as a director and member of the audit committee of VCA Antech, Inc. and a director and member of the Compensation Committee of Tempur-Pedic International, Inc.

Mr. Ambrecht was appointed to our Board of Directors in August 2009. Since December 2005, Mr. Ambrecht has served as a principal of KCA Associates LLC. From July 2004 to December 2005, Mr. Ambrecht served as a Managing Director with the investment banking firm First Albany Capital, Inc. Prior to that, Mr. Ambrecht was a Managing Director with Royal Bank Canada Capital Markets. Prior to that post, Mr. Ambrecht worked with the investment bank Lehman Brothers as Managing Director with its capital market division. Mr. Ambrecht is also a member of the Boards of Directors of American Financial Group, Inc., Fortescue Metals Group Limited, and Dominion Petroleum Ltd. Mr. Ambrecht serves as the Chairman of our Compensation Committee and is a member of our Nominating and Corporate Governance Committee.

Mr. Davis was appointed to our Board of Directors in August 2009. Since 1999, Mr. Davis has served as the Chairman and Chief Executive Officer of PIRINATE Consulting Group, LLC, a turn-around and corporate consulting firm. Mr. Davis was the Chairman and Chief Executive Officer of RBX Industries, Inc., a manufacturer and distributor of rubber and plastic-based foam products, from September 2001 to November 2003, and served as the Restructuring Officer for RBX Industries, Inc. from January to September 2001. Mr. Davis currently serves as Chairman of the board of directors for Atlas Air Worldwide Holdings, Inc., and as a director for Knology, Inc., American Commercial Lines, Inc. and Silicon Graphics, Inc. Mr. Davis is the Chairman of our Audit Committee and is a member of our Compensation Committee.

Mr. Kirschner was appointed to our Board of Directors in August 2009. Mr. Kirschner provides consulting services in the corporate restructuring and reorganization fields. He is a Fellow of the American College of Bankruptcy and has over 30 years of significant experience as a lawyer in private practice specializing in bankruptcy, restructuring, complex financing and capital markets transactions. From 1987 through January 2001, Mr. Kirschner was the head of the bankruptcy and reorganization practice in the New York office of the global law firm, Jones Day. During 2006, he was the Chapter 11 Trustee of Refco Capital Markets, Ltd., a global financial services firm. Since its emergence from Chapter 11 of the Bankruptcy Code in December 2006, Mr. Kirschner has been the Plan Administrator for Refco Capital Markets and the Trustee for 2 Refco Trusts created as part of its bankruptcy process. Mr. Kirschner is also currently the Liquidation Trustee for Le Nature s, Inc. and its affiliates (formerly a manufacturer and distributor of beverage products) and of the Yellowstone Mountain Club and its affiliates (formerly resort property owners and developers). From February 2001 through January 2006, Mr. Kirschner was a Managing Director of Resurgence Asset Management Company. Mr. Kirschner also served as General Counsel and Chief Operating Officer at Resurgence during his time there. Mr. Kirschner currently serves on the board of directors of both ION Media Networks, Inc. and First Equity Card Corporation. Mr. Kirschner is a member of our Audit Committee and our Nominating and Corporate Governance Committee.

Mr. Matthews was appointed to our Board of Directors in August 2009. Mr. Matthews has over three decades of experience as a business leader in marketing and merchandising, and is currently an independent business consultant. As former President of Federated Department Stores, he led the operations of one of the nation s leading department store retailers with over 850 department stores, including those under the names of Bloomingdales, Burdines, Foley s, Lazarus and Rich s, as well as various specialty store chains, discount chains and Ralph s Grocery. In addition to his senior management roles at Federated Department Stores, Mr. Matthews

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also served as Senior Vice President and General Merchandise Manager at E.J. Korvetter and Senior Vice President of Marketing and Corporate Development at Broyhill Furniture Industries. Mr. Matthews is a Princeton University graduate, and earned his Master s degree in Business Administration from Harvard Business School. He also currently serves on the Boards of Directors at The Progressive Corporation, Oneida Ltd., Henry Schein, Inc., The Children s Place Retail Stores, Inc., is a director emeritus of Sunoco, Toys R Us, and Federated Department Stores, and is a trustee emeritus at the American Museum of Natural History. Mr. Matthews is the Chairman of our Nominating and Corporate Governance Committee and is a member of our Compensation Committee.

Mr. Polistina was appointed to our Board of Directors in August 2009. Mr. Polistina is currently the CEO and President of Salton, Inc., which is based in Miramar, Florida. Salton and its subsidiaries are leading marketers and distributors of a broad range of branded small kitchen and home appliances, pet products and personal care products. Salton has a broad portfolio of well recognized brand names, including Black & Decker®, George Foreman®, Toastmaster®, LitterMaid® and Russell Hobbs®. Prior to joining Salton, Mr. Polistina served as Chief Operating Officer at Applica Incorporated in 2006 to 2007 and Chief Financial Officer from 2001 to 2007. Mr. Polistina also served as a Senior Vice President of Applica since June 1998. Mr. Polistina has been a Director for Island Sky Australia Ltd. since September 2008. Mr. Polistina is a member of our Audit Committee and of our Nominating and Corporate Governance Committee.

Mr. Rovit was appointed to our Board of Directors in August 2009. Mr. Rovit is presently Chief Executive Officer of Sure-Fit, Inc., a marketer and distributor of home furnishing products, and was a Principal at a turnaround management firm Masson & Company from 2001 through 2005. Previously, Mr. Rovit held the positions of Chief Financial Officer of Best Manufacturing, Inc., a manufacturer and distributor of institutional service apparel and textiles, from 1998 through 2001 and Chief Financial Officer of Royce Hosiery Mills, Inc., a manufacturer and distributor of men s and women s hosiery, from 1991 through 1998. Mr. Rovit served as Chairman of the Board of Atkins Nutritionals Inc. after its emergence from bankruptcy in January 2006 and currently serves on the Boards of Directors for Nellson Nutraceutical Inc., Cosmetics Essence, Inc. and Oneida, Ltd. Mr. Rovit received his Bachelor of Arts degree with distinction in government from Dartmouth College and has a Masters of Business Administration from the Harvard Business School. Mr. Rovit is a member of our Audit Committee and of our Compensation Committee.

See Item 13. Certain Relationships and Related Transactions and Director Independence for information concerning the election of our current directors.

Stockholders may recommend nominees to Spectrum Brands, Inc. s board of directors in accordance with the procedures set forth in Spectrum Brands, Inc. s bylaws and under applicable law. Spectrum Brands, Inc. s bylaws are included as Exhibit 3.2 to this Annual Report on Form 10-K.

**Audit Committee Financial Expert and Audit Committee**

*Audit Committee*. We have a separately-designated standing audit committee that was established in accordance with Section 3(a)(58)(A) of the Exchange Act for the overall purpose of overseeing our accounting and financial reporting processes and audits of our financial statements. The current members of our Audit Committee are Eugene I. Davis, Marc S. Kirschner, Terry L. Polistina and Hugh R. Rovit.

*Audit Committee Financial Expert.* Our Board of Directors has determined that Eugene I. Davis, Director, is our Audit Committee Financial Expert, as defined under Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC in furtherance of Section 407. Our Board of Directors has determined that Mr. Davis is independent, evaluating such independence based on the definition of that term in the listing standards of the NYSE.

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**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, officers and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Based solely upon review of Forms 3, 4 and 5 (and amendments thereto) furnished to us during or in respect of the fiscal year ended September 30, 2009, we are not aware of any director or executive officer who has not timely filed reports required by Section 16(a) of the Exchange Act during or in respect of such fiscal year, except for (1) the inadvertent late filing of each of the directors of reorganized Spectrum Brands, Inc. of the Form 3 following their election as directors pursuant to the Plan; (2) the inadvertent late filing of Mr. Hussey, Mr. Genito, Mr. Lumley and Mr. Heil of the reporting of their deemed disposition of equity interests in Spectrum Brands, Inc. in connection with the effectiveness of the Plan; and (3) the inadvertent late reporting by Mr. Lumley of his forfeiture of 19,705 shares of restricted stock of the Company.

**Code of Ethics**

We have adopted the Code of Ethics for Principal Executive Officer and Senior Financial Officers, a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer and other senior finance organization employees. The Code of Ethics for Principal Executive Officer and Senior Financial Officers is publicly available on our website at *www.spectrumbrands.com* under Investor Relations Corporate Governance. We intend to disclose amendments to, and, if applicable, waivers of, this code of ethics on that section of our website.

We have also adopted the Spectrum Brands, Inc. Code of Business Conduct and Ethics, a code of ethics that applies to all of our directors, officers and employees. The Spectrum Brands, Inc. Code of Business Conduct and Ethics is publicly available on our website at *www.spectrumbrands.com* under Investor Relations Corporate Governance. Any amendments to this code of ethics or any waiver of this code of ethics for executive officers or directors may be made only by our Board of Directors as a whole or our Audit Committee and will be promptly disclosed to our shareholders via that section of our website.

ITEM 11. EXECUTIVE COMPENSATION

**Report of the Compensation Committee of the Board of Directors**

The Compensation Committee of the Board of Directors has reviewed and discussed the following section of this report entitled Compensation Discussion and Analysis with management. Based on this review and discussion, the Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

Compensation Committee

Kenneth C. Ambrecht (Chairman)

Eugene I. Davis

Norman S. Matthews

Hugh R. Rovit

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**Compensation Discussion and Analysis**

The Company s named executive officers for Fiscal 2009 consist of the following persons:

| Named Executive | Position |
|---|---|
| Kent J. Hussey | Chief Executive Officer and Chairman of the Board |
| Anthony L. Genito | Executive Vice President, Chief Financial Officer and Chief Accounting Officer |
| David R. Lumley | Co-Chief Operating Officer and President - Global Batteries and Personal Care |
| John A. Heil | Co-Chief Operating Officer and President - Global Pet Supplies |
| Amy J. Yoder | Former President, United Industries |

Ms. Yoder was an executive officer through the end of Fiscal 2008, but ceased to be an employee of the Company as of October 8, 2008. When we refer to our current named executive officers we are referring to Mr. Hussey, Mr. Genito, Mr. Lumley and Mr. Heil. The Company had no other executive officers during Fiscal 2009.

The Company pursues several objectives in determining its executive compensation programs. It seeks to attract and retain highly qualified executives and ensure continuity of senior management for the Company as a whole and for each of the Company s three business segments to the extent consistent with the overall objectives and circumstances of the Company. It seeks to align the compensation paid to our executives with the overall business strategies of the Company while leaving the flexibility necessary to respond to changing business priorities and circumstances. It also seeks to align the interests of our executives with those of our shareholders and seeks to reward our executives when they perform in a manner that creates value for our shareholders. The Compensation Committee of our Board of Directors (which we will refer to as the Compensation Committee ) is responsible for developing, adopting, reviewing and maintaining the Company s executive compensation programs in order to ensure that they continue to benefit the Company. The current members of the Compensation Committee are Kenneth C. Ambrecht, Eugene I. Davis, Norman S. Matthews and Hugh R. Rovit. Prior to the Company s emergence from Chapter 11 of the Bankruptcy Code on August 28, 2009, the members of the Compensation Committee were Thomas R. Shepherd, William C. Carmichael and John S. Lupo. In order to carry out this function, the Compensation Committee:

- Considers the advice of independent compensation consultants engaged to advise on executive compensation issues and program design, including advising on the Company s compensation program as it compares to similar companies;

- Reviews compensation summaries for each named executive officer periodically, including the compensation and benefit values offered to each executive, accumulated value of equity and other past compensation awards, and other contributors to compensation;

- Consults with our Chief Executive Officer and other management personnel, including our Vice President of Corporate Human Resources with and without the presence of the Chief Executive Officer, in connection with compensation matters and periodically meets in executive session without management to evaluate management s input; and

- Solicits comments and concurrence from other board members regarding its recommendations and actions at the Company s regularly scheduled board meetings.

The Compensation Committee has designed the Company s executive compensation programs so that, at target levels of performance and absent guarantees of minimum payout levels given as retention devices (described below under the headings *Management Incentive Plan* , *Equity-Based Long Term Incentive Plan* and *Cash-Based Long Term Incentive Plan* ), a significant portion of the value of each executive s annual

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compensation (consisting of salary and incentive plans) is represented by compensation based on the Company s achievement of performance objectives set by the Compensation Committee. However, in applying these compensation programs to individual circumstances and circumstances facing the Company as a whole, the percentage of annual compensation based on the Company s achievement of performance objectives set by the Compensation Committee varies by individual, and the Compensation Committee is free to design compensation programs that provide for target-level performance based compensation to be an amount equal to or less than 50% of total annual compensation. For example, for Fiscal 2010, the percentage of annual compensation based on the Company s achievement of performance objectives set by the Compensation Committee is as set forth below for each named executive officer who continues to be employed by the Company:

| Named Executive | % Performance Based |
|---|---|
| Kent J. Hussey | 12.9% |
| Anthony L. Genito | 11.2% |
| David R. Lumley | 10.6% |
| John A. Heil | 12.2% |

The remainder of each executive s compensation is made up of amounts that do not vary based on performance. For all named executive officers, these non-performance based amounts are set forth in such executive s employment agreement and such executive s retention agreement, as described below, subject to review and potential increase or augmentation by the Compensation Committee. These amounts are determined by the Compensation Committee taking into account current market conditions, the Company s financial condition at the time such compensation levels are determined, compensation levels for similarly situated executives with other companies, experience level and the duties and responsibilities of such executive s position, including with respect to Mr. Lumley and Mr. Heil the relative sizes of the business segments they manage or managed.

***Employment Agreements***

The Compensation Committee evaluates from time to time the appropriateness of entering into employment agreements or other written agreements with members of the Company s management to govern compensation and other aspects of the employment relationship and has generally favored entering into employment agreements with its executive officers. With respect to the named executive officers who continue to be employed by the Company, at the direction of the Compensation Committee the Company has entered into the following employment agreements with our current executive officers: (i) an Amended and Restated Employment Agreement with Mr. Hussey dated as of October 22, 2009, (ii) an Amended and Restated Employment Agreement with Mr. Lumley dated January 16, 2007, as amended by that certain Amendment to Amended and Restated Employment Agreement dated as of November 10, 2008 and that certain Second Amendment to Amended and Restated Employment Agreement dated as of February 24, 2009; (iii) an Amended and Restated Employment Agreement with Mr. Heil dated January 16, 2007, as amended by that certain Amendment to Amended and Restated Employment Agreement dated as of November 10, 2008 and that certain Second Amendment to Amended and Restated Employment Agreement dated as of February 24, 2009; and (iv) an Employment Agreement dated as of June 9, 2008 with Mr. Genito, as amended by that certain Amendment to Employment Agreement dated as of February 24, 2009. As described below under the heading *Termination and Change in Control Provisions* , in connection with the termination of the employment of Ms. Yoder, the Company entered into a separation agreement with Ms. Yoder terminating her then-existing employment agreement.

The current term of the agreement for Mr. Hussey expires on September 30, 2012 and the current terms of the employment agreements for Mr. Genito, Mr. Lumley and Mr. Heil expire on September 30, 2010. Mr. Hussey s employment agreement provides that upon expiration of the initial term (and any subsequent renewal term), the employment agreement terminates unless both Mr. Hussey and the Company agree to extend the term for an additional one-year period. The employment agreements for each of Mr. Genito, Mr. Heil and

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Mr. Lumley provides that upon expiration of the initial term (and any subsequent renewal term), unless earlier terminated in accordance with such agreement, the agreement will automatically renew for an additional one-year period.

Each employment agreement permits the Company to terminate the executive s employment upon notice in the event of cause (as defined in each such agreement), or to terminate such executive s employment without cause for any reason upon 60 days prior written notice (or, in the case of Mr. Hussey, payment in lieu thereof), or upon 30 days notice in the event that the executive is unable to perform his or her duties for a period of at least 6 months by reason of any mental, physical or other disability. Each employment agreement allows the executive to voluntarily terminate his or her employment for any reason upon 60 days prior written notice. Each agreement also terminates immediately upon the death of the executive. The agreements with Messrs. Hussey, Genito, Lumley and Heil also provide that if the executive officer resigns upon the occurrence of specified circumstances that would constitute good reason , or in the case of Mr. Hussey a constructive termination (as each is defined in each such agreement), the executive s resignation will be treated as a termination by the Company without cause and entitle the executive to the payments and benefits due with respect to a termination without cause. Mr. Hussey s employment agreement provides that the failure of Mr. Hussey and the Company to renew the employment agreement at the end of the then-current term shall be treated as a termination by the Company without cause and entitle the executive to payments and benefits due with respect to a termination without cause. The amounts and benefits payable to each such executive upon the termination of such executive s employment in accordance with their employment agreements are further described under the heading *Termination and Change in Control Provisions*.

***Compensation Components***

*Base Salary*

Annual base salary for each of the named executive officers is set forth in the employment agreement with the named executive officer, as increased by subsequent action by the Compensation Committee. In determining the annual base salary reflected in each named executive officer s employment agreement, the Compensation Committee considered current market conditions, the Company s financial condition at the time such compensation levels are determined, compensation levels for similarly situated executives with other companies, experience level and the duties and responsibilities of such executive s position, including with respect to Mr. Lumley, Mr. Heil and Ms. Yoder (prior to the end of her employment) the relative sizes of the business segments they manage or managed. This base salary level is subject to evaluation from time to time by the Compensation Committee to determine whether any increase in the contractual base salary is appropriate. As of the end of Fiscal 2009 (or the end of employment, in the case of Ms. Yoder), the annual base salaries were as set forth below for the named executive officers.

| Named Executive | Annual Base Salary at FYE | |
|---|---|---|
| Kent J. Hussey | $ | 825,000 |
| Anthony L. Genito | $ | 425,000 |
| David R. Lumley | $ | 600,000 |
| John A. Heil | $ | 500,000 |
| Amy J. Yoder | $ | 400,000 |

*Management Incentive Plan*

Each of our continuing named executive officers, as well as other management personnel of the Company, participate in the Company s annual performance-based cash bonus program referred to as the Management Incentive Plan ( MIP ), which is designed to compensate executives and other managers based on achievement of annual corporate, business segment and/or divisional goals. Under the MIP, each participant has the opportunity to earn a threshold, target or maximum bonus amount that is contingent upon achieving the performance goals set by the Compensation Committee and reviewed by the Board of Directors. The particular

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performance goals are typically established during the first quarter of the relevant fiscal year and reflect the Compensation Committee s then-current views of the critical indicators of success of the Company in light of the Company s then-current primary business priorities.

The specific performance targets with respect to each of these performance goals are set by the Compensation Committee based on the Company s annual operating plan, as approved by our Board of Directors. Consistent with the Company s operation of each of its three business segments, Global Batteries and Personal Care, the Home and Garden Business and Global Pet Supplies, as standalone business segments, the annual operating plan includes performance targets for the Company as a whole as well as for each business segment. In the case of divisional managers within those business segments, divisional level performance targets have also been established.

For Fiscal 2009, the Compensation Committee established adjusted EBITDA and cash flow as the performance goals of the Company, weighted at 50% each, after considering the annual operating plan, the cash requirements imposed by the interest due with respect to the Company s outstanding indebtedness, the financial condition of the Company and the Company s publicly stated intention to explore potential strategies which may be available to us to reduce or restructure our significant outstanding indebtedness. For purposes of the 2009 MIP, adjusted EBITDA was measured as earnings (defined as operating income (loss) plus other income less other expenses) before interest, taxes, depreciation and amortization and excluding restructuring and other one-time charges. In order to emphasize management s and the Board of Directors intention to minimize restructuring expenditures going forward and ensure that senior management is fully focused on the total cash costs of such expenditures, the Compensation Committee took these factors into account to adjust how cash flow was measured for the 2009 MIP. For the 2009 MIP, cash flow was measured as adjusted EBITDA (as described above) plus or minus changes in current and long term assets and liabilities, less payments for taxes, cash restructuring and interest (defined as the variance between actual and planned interest payments), but excluding proceeds from dispositions and payments for financing fees (if incurred). The Compensation Committee also provided that neither adjusted EBITDA nor cash flow would be impacted by fees, expenses and savings associated with the Company s restructuring efforts. The Compensation Committee retained the ability to modify the measurement criteria if, in its view, the circumstances so warrant.

For Fiscal 2009 the performance targets for each of Mr. Hussey and Mr. Genito were those established for the Company as a whole. With respect to Mr. Heil, the Fiscal 2009 MIP performance targets were based 80% on the performance targets established for the Global Pet Supplies business segment and 20% on the performance targets established for the Company as a whole. With respect to Mr. Lumley, the Fiscal 2009 MIP performance targets were based 50% on the performance targets established for the Global Batteries & Personal Care business segment, 30% on the performance targets established for the Home and Garden Business and 20% on the performance targets established for the Company as a whole. Ms. Yoder was not eligible to participate in the Fiscal 2009 MIP.

The target MIP award levels achievable by each of the current named executive officers (that is to say, the amount achievable if 100% of the applicable performance targets are met) are as set forth in each such current named executive officer s employment agreement, expressed as a percentage of annual base salary. For purposes of the 2009 MIP, the target award percentages for the named executive officers were as follows:

| Named Executive | MIP Target as % of Annual Base |
|---|---|
| Kent J. Hussey | 125% |
| Anthony L. Genito | 100% |
| David R. Lumley | 100% |
| John A. Heil | 100% |

It was possible to receive an award amount under the 2009 MIP above or below the target award percentage. The potential 2009 MIP awards for each of our named executive officers, expressed as a percentage of the target

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award, ranged from 50% for achievement of threshold performance levels established by the Compensation Committee, 100% for performance at the target performance levels, increasing from there up to a maximum payout of 200% of the target award if actual performance had risen to the specified upper achievement thresholds. As a retention device, the Compensation Committee guaranteed that each of the current executive officers would receive a 2009 MIP award at least equal to 50% of his target award amount. The actual performance of the Company resulted in award amounts in excess of this minimum level.

In addition, the Compensation Committee retains the flexibility to increase the MIP award amount for individual management personnel on a case by case basis to the extent it deems it appropriate in light of specific performance circumstances.

The chart below reflects the 2009 MIP award amounts earned by each of the named executive officers, expressed as a percentage of target award amount, based on the Company s performance in light of the performance goals established by the Compensation Committee. The dollar amount of the awards for each named executive are set forth in the *Summary Compensation Table*. These award amounts were paid in December 2009.

| Named Executive | MIP Award as % of Target |
|---|---|
| Kent J. Hussey | 187.5% |
| Anthony L. Genito | 187.5% |
| David R. Lumley | 192.1% |
| John A. Heil | 144.9% |

For Fiscal 2010, as of the date of this report, the Compensation Committee has not finalized various aspects of the 2010 MIP, including the performance targets that will result in target payout and the thresholds for and levels of minimum and maximum payouts. Those aspects of the 2010 MIP that have been finalized and approved are described below. As with Fiscal 2009, the Compensation Committee has again established adjusted EBITDA as a performance goal of the Company, weighted to represent 50% of the total evaluation. Adjusted EBITDA for the 2010 MIP is measured in the same manner as for the 2009 MIP. The remaining performance metrics will be determined by the Compensation Committee after additional consideration. The Compensation Committee retains the ability to modify the measurement criteria if, in its view, the circumstances so warrant.

Only our current named executive officers are eligible to participate in the 2010 MIP. As of the date of this report, for purposes of the 2010 MIP, the target award percentages for each participating named executive officer are as follows:

| Named Executive | MIP Target as % of Annual Base |
|---|---|
| Kent J. Hussey | 125% |
| Anthony L. Genito | 100% |
| David R. Lumley | 100% |
| John A. Heil | 100% |

The Fiscal 2010 MIP performance targets for each of Mr. Hussey and Mr. Genito will continue to be those established for the Company as a whole. The performance targets for Mr. Heil will again be based 80% on the performance targets established for the Global Pet Supplies business segment and 20% on the performance targets for the Company as a whole. The performance targets for Mr. Lumley will again be based 50% on the performance targets established for the Global Batteries & Personal Care business segment, 30% on the performance targets established for the Home and Garden Business, and 20% on the performance targets for the Company as a whole.

It is possible to receive an award amount under the MIP program above or below the target award percentage. With respect to the portion of the 2010 MIP measured by adjusted EBITDA, the potential 2010 MIP

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awards for each of our named executive officers, expressed as a percentage of the target award tied to adjusted EBITDA, range from 0% for failing to achieve at least 85% of the target performance levels established by the Compensation Committee, 100% for performance at the target performance levels, increasing from there up to a maximum payout of 200% of the target award if actual performance exceeds 115% of the target performance levels.

*Equity-Based Long Term Incentive Plan*

The Company offers to certain members of management a long term incentive plan ( LTIP ), which includes both cash and equity programs. In Fiscal 2009, as described below, only Mr. Hussey participated in the Company s equity incentive program. For Fiscal 2010, following the Company s emergence from Chapter 11 of the Bankruptcy Code, the Compensation Committee has re-evaluated the viability and effectiveness of using an equity incentive program to focus our management on the long-term performance of the Company as well as to enhance an ownership culture within the ranks of our senior management, and has determined it appropriate to expand the participation of management in such a program. As a result, commencing with Fiscal 2010 certain members of management determined by the Compensation Committee, including each of the current named executive officers, will participate in the Company s equity-based Long Term Incentive Program ( Equity LTIP ). For Fiscal 2010, participants designated by the Compensation Committee to participate in the Equity LTIP are not eligible to participate in the Company s cash-based long term incentive program ( Cash LTIP ) described in more detail below in the section entitled *Cash-Based Long Term Incentive Plan* .

For Fiscal 2010, all grants under the Equity LTIP are implemented through grants of restricted stock awards under the Spectrum Brands, Inc. 2009 Incentive Plan (the 2009 Incentive Plan ), although the Compensation Committee retains the discretion to make future grants in other forms. Those grants will then vest based on continued employment and the passage of time such that the restrictions on 75% of such shares would lapse on October 1, 2010 and the restrictions on the remaining 25% of such shares would lapse on October 1, 2011. It is the current intention of the Compensation Committee that for future fiscal years, awards made under the Company s Equity LTIP will be earned based on the performance of the Company over time and continued employment with the Company. With respect to the Fiscal 2010 Equity LTIP awards, those awards were made for each participant based on a specified number of shares, rather than based on a percentage tied to salary or any other amount. Going forward, with respect to our named executive officers other than Mr. Hussey, the minimum target LTIP award level, expressed as a percentage of annual base salary, is specified in their respective employment agreements with the Company, although the Compensation Committee has the discretion to make larger grants. In determining the target LTIP award levels, the Compensation Committee considers each executive s total compensation relative to other similarly situated executives within the Company, long term incentive compensation paid to similarly situated executives in other companies, experience level and the duties and responsibilities of such executive s position. With respect to Mr. Hussey, his employment agreement provides for an annual grant based on a fixed percentage of the shares initially reserved for issuance under the 2009 Incentive Plan.

As of the date hereof, only the current named executive officers have been made grants under the Equity LTIP for Fiscal 2010, however the Compensation Committee retains the discretion to expand participation to include other employees of the Company. For Fiscal 2010, the current named executive officers have been granted the restricted stock awards set forth below.

| Named Executive | Shares of Restricted Stock Granted |
|---|---|
| Kent J. Hussey | 222,222 |
| Anthony L. Genito | 111,111 |
| David R. Lumley | 166,667 |
| John A. Heil | 111,111 |

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Mr. Hussey also received a grant for Fiscal 2009 under the Company s then-existing equity-based long term incentive plan. However, as described below under *Pre-Bankruptcy Equity Grants* , that grant, as well as all other then-existing capital stock of the Company, was extinguished upon the Company s emergence from Chapter 11 of the Bankruptcy Code on August 28, 2009 in accordance with the Company s Plan of Reorganization.

*Cash-Based Long Term Incentive Plan*

For Fiscal 2010, in order to focus members of our management that do not participate in the Equity LTIP on the long-term performance of the Company, the Company has established a cash-based long-term incentive plan ( Cash LTIP ). Awards under the Cash LTIP are earned based on the performance of the Company over time and continued employment with the Company. In determining the target LTIP award levels, the Compensation Committee considers each executive s total compensation relative to other similarly situated executives within the Company, long term incentive compensation paid to similarly situated executives in other companies, experience level and the duties and responsibilities of such executive s position. In Fiscal 2009, as described below, our current named executive officers participated in the then-existing Cash LTIP; however, as described above under *Equity-Based Long Term Incentive Plan* for Fiscal 2010, our current named executive officers are not eligible to participate in the Cash LTIP.

The target levels for the cash awards under the Cash LTIP are determined at the beginning of the fiscal year for which such award is made, subject to increase in the event of changes in responsibility for the participant, which are then paid over a two or more year period based on continued employment and the achievement by the Company of performance goals established by the Compensation Committee that are tied to the Company s annual operating plan, based on the Compensation Committee s then-current view of the goal or goals the Compensation Committee determines to be most important in measuring the achievement of the Company s then-current long-term goals. In addition, the Compensation Committee retains the flexibility to increase the Cash LTIP award amount for individual management personnel; to the extent the Compensation Committee deems it appropriate to do so in light of specific performance circumstances.

For Fiscal 2009, the Compensation Committee, taking into account the remaining number of shares authorized to be issued under the 2004 Rayovac Incentive Plan and the then-current market value of the Company s stock, modified the equity-based and cash-based long term incentive programs applicable to those named executive officers who continued to be employed by the Company such that (i) for Mr. Hussey, approximately 8.6% of such award was an equity-based award (resulting from a grant of 187,500 shares on November 17, 2008) and the remainder of such award was a cash-based award and (ii) for all other then-current named executive officers, 100% of such award was a cash-based award. For each eligible named executive officer, the target value of such award was established pursuant to the employment agreement for such named executive officer, which in each case provides for a target long term incentive plan award equal in value to a defined percentage of such executive s annual base salary. Ms. Yoder was not eligible to participate in the Fiscal 2009 Cash LTIP. The target Cash LTIP award levels for each named executive officer eligible to receive a Cash LTIP award for Fiscal 2009 was:

| Named Executive | Cash LTIP Target Level as % of Annual Base |
|---|---|
| Kent J. Hussey | 175% |
| Anthony L. Genito | 150% |
| David R. Lumley | 150% |
| John A. Heil | 150% |

For Fiscal 2009, the Cash LTIP award was earned based on continued employment and on the achievement of the performance goals for Fiscal 2009 established by the Compensation Committee, which were based on the achievement of adjusted EBITDA and cash flow targets tied to the Company s annual operating plan. For Fiscal 2009, the performance targets for each of Mr. Hussey and Mr. Genito were based on the performance of the Company as a whole. The performance targets for Mr. Heil were based on the performance targets established for

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the Global Pet Supplies business segment. The performance targets for Mr. Lumley were based 65% on the performance targets established for the Global Batteries and Personal Care business segment and 35% on the performance targets established for the Home and Garden Business. If the Company achieved less than 80% of the Fiscal 2009 Cash LTIP performance goals, then the participant would receive no cash award under the Fiscal 2009 Cash LTIP. If the Company achieved at least 80% but less than 92%, of the Fiscal 2009 Cash LTIP performance goals, then the participant would not earn any cash-based award for Fiscal 2009 but would remain eligible to earn such award, as described below, based on Fiscal 2010 performance. If the Company achieved at least 92%, but less than 100% of the Fiscal 2009 Cash LTIP performance goals, then the participant would be eligible to earn a stated percentage of the award, payable as described below, and would remain eligible to earn any remaining unearned portion of the award based on Fiscal 2010 performance. For performance in excess of the Fiscal 2009 Cash LTIP performance goals, such participant would have received an award in excess of the target cash-based award amount, up to 200% of such target cash-based award amount for achieving the specified upper threshold amounts of the Fiscal 2009 Cash LTIP performance goals. For any Cash LTIP award so earned based on Fiscal 2009 performance, 50% of such earned amount is payable on or before December 31, 2009 and the remaining 50% of such cash award is payable on or before December 31, 2010; provided, that the executive s employment with the Company has not been terminated with cause by the Company or voluntarily by the executive prior to such date.

As a retention mechanism, the Compensation Committee guaranteed that each of Mr. Hussey, Mr. Genito, Mr. Heil and Mr. Lumley would receive a 2009 LTIP cash-based award equal to at least 75% of the target cash-based award amount; provided, that such executive s employment with the Company had not been terminated with cause by the Company or voluntarily by the executive prior to the payment date. However, the performance of the Company resulted in cash-based awards in excess of these amounts. The chart below reflects the 2009 Cash LTIP award amounts earned by each of the current named executive officers, expressed as a percentage of target award amount, based on the Company s performance in light of the performance goals established by the Compensation Committee. The dollar amount of the awards for each named executive is set forth in the *Summary Compensation Table* . These award amounts have been or will be paid in December 2009.

| Named Executive | LTIP Award as % of Target |
|---|---|
| Kent J. Hussey | 187.5% |
| Anthony L. Genito | 187.5% |
| David R. Lumley | 193.0% |
| John A. Heil | 134.3% |

In addition, after taking into account the overall performance of the business in the face of a difficult capital structure and economy, as well as the critical importance of each of the current named executive to the overall performance of the Company, in November 2008 the Compensation Committee elected to establish an additional incentive structure for the current named executive officers under the Company s LTIP. Under the terms of this new program, each current named executive officer is entitled to receive an additional cash amount equal to fifty percent of such executive s target LTIP amount, based on such executive s salary as of the end of Fiscal 2008. Such amounts are contingent upon continued employment and are payable in two installments, the first of which was paid in November 2008 and the second of which will be made on or before December 31, 2009. The dollar amount of the awards for each named executive is set forth in the *Summary Compensation Table* .

For Fiscal 2010, as of the date of this report, the Compensation Committee has not finalized various aspects of the 2010 LTIP, including the performance targets that will result in target payout and the thresholds for and levels of minimum and maximum payouts. Those aspects of the 2010 LTIP that have been finalized and approved are described below. As with Fiscal 2009, the Compensation Committee has again established adjusted EBITDA as a performance goals of the Company, weighted to represent 50% of the total evaluation. Adjusted EBITDA for the 2010 LTIP is measured in the same manner as for the 2009 LTIP. The remaining performance metrics will be determined by the Compensation Committee after additional consideration. The Compensation Committee retains the ability to modify the measurement criteria if, in its view, the circumstances so warrant.

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For the Fiscal 2010 Cash LTIP, if the Company achieves less than 85% of the Fiscal 2010 Cash LTIP performance goals, then the participant would receive no cash award under the Fiscal 2010 Cash LTIP. If the Company achieved at least 85% but less than 100% of the Fiscal 2010 Cash LTIP performance goals, then the participant would be eligible to earn a stated percentage of the award, payable as described below. For performance in excess of the Fiscal 2010 Cash LTIP performance goals, such participant would have received an award in excess of the target cash-based award amount, up to 200% of such target cash-based award amount for achieving 115% or more of the Fiscal 2010 Cash LTIP performance goals. For any Cash LTIP award so earned based on Fiscal 2010 performance, 33 1/3% of such earned amount is payable on or before December 31, 2010, 33 1/3% of such earned amount is payable on or before December 31, 2011 and the remaining 33 1/3% of such cash award is payable on or before December 31, 2012; provided, that the participant s employment with the Company has not been terminated with cause by the Company or voluntarily by the participant prior to such date. As mentioned above, none of the named executive officers participate in the 2010 Cash LTIP.

*Retention Agreements*

During Fiscal 2008, each of Mr. Lumley, Mr. Heil, Mr. Genito and Ms. Yoder executed retention agreements with the Company. Mr. Hussey executed a retention agreement with the Company in Fiscal 2009. The Compensation Committee, in evaluating the critical roles performed by the members of the Spectrum Leadership Team and the potential negative impact on the Company as a whole if any of those executives were to end their employment relationship with the Company, determined it to be in the best interests of the Company to put in place for those executives a retention program designed to give those executives additional incentive not to seek alternative employment opportunities. For each executive, the retention agreement provides such executive with the opportunity to earn an additional cash amount equal to 150% of such executive s annual base salary as in effect on the date the retention agreement was executed in two installments contingent upon such executive remaining employed by the Company through December 31, 2009. If the executive continued to be an employee of the Company on through December 31, 2008, such executive received the first payment in an amount equal to 75% of such executive s annual base salary. Each of Mr. Hussey, Mr. Genito, Mr. Lumley and Mr. Heil received this payment in January 2009. If the executive continues to be employed by the Company through December 31, 2009, such executive would receive the second and final payment in an amount equal to 75% of such executive s annual base salary. In the event that prior to December 31, 2009 (i) the executive s employment with the Company is considered to have been terminated by the executive for good reason (as defined in the relevant employment agreement) or Mr. Hussey experiences a constructive termination (as defined in Mr. Hussey s employment agreement) or (ii) the Company terminates such executive s employment without cause (as defined in the relevant employment agreement), the executive would be entitled to receive any portion of the total potential award that has not yet been paid. As a result of Ms. Yoder s departure on October 8, 2008 from the Company, she did not receive the foregoing retention payments.

*One-Time Cash Bonus Payment*

In connection with the Company s emergence from Chapter 11 of the Bankruptcy Code, the Company s Board of Directors approved one-time cash payments to certain members of Company management, including each of our current named executive officers, in recognition of efforts exerted during the bankruptcy process above and beyond the normal management functions for those members of management. Mr. Hussey received $300,000, Mr. Genito received $200,000, Mr. Lumley received $100,000 and Mr. Heil received $100,000, which were paid in September 2009.

*Pre-Bankruptcy Outstanding Equity and Equity Grants*

The Company emerged from bankruptcy on August 28, 2009. At that time, all of the outstanding capital stock of the Company was extinguished pursuant to the Company s Plan of Reorganization. As a result, (i) all outstanding stock held by any of the named executive officers and (ii) all outstanding unvested equity grants to the Company s named executive officers, including grants made under each such executive s employment agreement and all equity grants made under any than existing incentive plan, were cancelled.

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*Deferral and Post-Termination Rights*

*Retirement Benefits*. The Company has in effect or previously had in effect various retirement and other post-employment programs available to certain executives, including the named executive officers. These consist of the Rayovac Deferred Compensation Plan (the Deferred Compensation Plan ), the Spectrum Brands, Inc. Supplemental Executive Retirement Plan (the SERP ) and the Company s 401(k) plan.

The SERP is a supplemental executive retirement plan for eligible employees of the Company. The Board of Directors determines which employees are eligible to participate. Pursuant to the SERP, the Company establishes an account for each participant. Each October 1st, the Company credits the account of each participant with an amount equal to 15% of the participant s base salary. In addition, each calendar quarter, the Company credits each account by an amount equal to 2% of the participant s account value as of the first day of the plan year containing such calendar quarter. Each participant vests 20% per year in his account after becoming a participant in the plan, with immediate full vesting occurring upon death, disability or a change in control of the Company. Among the named executive officers, only Mr. Hussey, Mr. Lumley and Mr. Heil are active participants in the SERP. The current account balances for each such active participant are set forth in the table entitled *Non-Qualified Deferred Compensation.* Subsequent to the end of Fiscal 2008, the Company froze the SERP and made all active participants 100% vested. The full value of the account for each participant was paid to those participants in January 2009.

None of the named executive officers were participants in the Deferred Compensation Plan at the end of Fiscal 2009, and, in fact, the Company had no active participants in the Plan at such time. None of the named executive officers had had positive balances in the Deferred Compensation Plan at any time during Fiscal 2009. No contributions to the Deferred Compensation Plan were made by or on behalf of any named executive officer in Fiscal 2009.

*Supplemental Executive Life Insurance Program*. Each of the current named executive officers participates in a program instituted by the Company pursuant to which the Company on behalf of each participant makes an annual contribution on October 1 each year equal to 15% of such participant s base salary as of that date into a company-owned executive life insurance policy for such participant. The investment options for each such policy are selected by the participant from among a limited number of alternatives provided by the insurance provider. Upon termination of a participant for any reason, ownership of the policy would transfer to the participant and no further contributions would be made by the Company. The first contributions by the Company were made on October 1, 2009.

*Post-Termination Benefits*. As described above, the Company has entered into employment agreements with all its current named executive officers which govern, among other things, post-termination benefits payable to such named executive officers should his employment with the Company terminate. In connection with the termination of her employment with the Company, Ms. Yoder has entered into a Separation Agreement and Release with the Company to govern the parties relative rights and obligations arising out of the termination of her employment. A detailed description of the post-termination rights and benefits pursuant to each of the agreements described in this paragraph is set forth under the heading *Termination and Change in Control Provisions* .

*Perquisites and Benefits*

The Company provides certain limited perquisites and other special benefits to certain executives, including the named executive officers. Among these benefits are financial planning services, tax planning services, car allowances or leased car programs, executive medical exams and executive life and disability insurance. In addition, Mr. Hussey participates in the Company s medical expense reimbursement plan, which provides for reimbursement for certain annual medical expenses not covered by the Company s health insurance plan, up to a maximum of $10,000 per year (plus a tax gross-up as described below under *Tax Gross-Ups* ). In addition, prior to the time the Company surrendered its leased aircraft, the Company permitted Mr. Hussey to have personal use of the Company s aircraft when it was not being used for business purposes. In addition, prior to the time the

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Company surrendered its leased aircraft, in certain circumstances, Mr. Hussey was permitted to travel to outside board meetings on the Company s aircraft, in which case the Company received some reimbursement from the companies on whose boards Mr. Hussey served.

*Timing and Pricing of Stock-Based Grants*

Annual grants of restricted stock to our named executive officers are made on the date such grants are approved by the Compensation Committee. For purposes of valuing all grant awards, the grant price is the average of the high and low price of a share on the grant date.

*Tax Treatment of Certain Compensation*

Pursuant to Section 162(m) of the Internal Revenue Code, the Company may not be able to deduct certain forms of compensation paid to its executives who remain employed at the end of a fiscal year to the extent such compensation exceeds $1,000,000. This section also includes an exception for certain performance-based compensation awards. While the Compensation Committee believes that it is generally in the Company s best interests to satisfy these deductibility requirements, it retains the right to authorize payments in excess of the deductibility limits if it believes it to be in the interests of the Company and its shareholders. The Company has had in the past, and may have in the future, instances where it has paid compensation to its executives that exceed the deductibility limits. For example, for Fiscal 2009, the compensation paid to Mr. Hussey, Mr. Lumley, and Mr. Heil by the Company included $2,411,153, $619,489, and $494,353 in compensation respectively that is not deductible pursuant to Section 162(m) of the Internal Revenue Code.

*Tax Gross-Ups*

The Company provides increases in payments to the named executive officers and other management personnel to cover personal income tax due as a result of imputed income in connection with the provision of the following perquisites: car allowance or company leased car, financial planning and tax planning and executive life and disability insurance. To the extent the use of the Company s leased aircraft (prior to the surrender of that aircraft) for permitted personal travel results in imputed income to Mr. Hussey, the Company provides gross-up payments to cover personal income tax due on such imputed income. Beyond these tax gross-up payments, the Company does not make any other payment to the named executive officers to cover personal income taxes.

*Governing Plans*

Upon the Company s emergence from Chapter 11 of the Bankruptcy Code on August 28, 2009, pursuant to the Company s Plan of Reorganization, the 2009 Incentive Plan became effective. At the same time, all outstanding grants of stock options and restricted stock made pursuant to the 2004 Rayovac Incentive Plan, the 1997 Rayovac Incentive Plan or the Rayovac Corporation 1996 Stock Option Plan (the Prior Plans ) were extinguished by operation of the Plan of Reorganization. No additional grants may be made pursuant to the Prior Plans.

*Recoupment Policy*

Pursuant to the 2009 Incentive Plan, any equity award agreement made may provide that the Compensation Committee may in its sole discretion cancel such award, except as prohibited by applicable law, if the participant, without the consent of the Company, while employed by or providing services to the Company or any affiliate or after termination of such employment or service, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise engages in activity that is in conflict with or adverse to the interest of the Company or any affiliate, including fraud or conduct contributing to any financial restatements or irregularities engaged in activity, as determined by the Compensation Committee in its sole discretion. The Compensation Committee may also provide in any award agreement that the participant will forfeit any gain realized on the vesting or exercise of such award, and must repay the gain to the Company, in each case except as prohibited by applicable law, if (a) the participant engages in any activity referred to in the preceding sentence or (b) the amount of any such gain was calculated based on the achievement of certain financial results that were subsequently reduced due to a restatement. However, none of the existing equity awards expressly includes such provisions.

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***Summary Compensation Table***

The following table and footnotes show the compensation earned for service in all capacities during Fiscal 2009, Fiscal 2008 and Fiscal 2007 for the Company for the named executive officers.

**Summary Compensation Table**

| Name(1) | Year | Salary | Bonus(2) | Stock Awards(4) | Option Awards(5) | Non-Equity Incentive Plan Compensation(6) | Change in Pension Value and Nonqualified Deferred Comp Earnings(8) | All Other Compensation(9) | Total |
|---|---|---|---|---|---|---|---|---|---|
| Kent J. Hussey | 2009 | $ 804,375 | $ 1,279,688 | $ 337,847 | $ | $ 3,532,032 | $ 7,906(8) | $ 311,559 | $ 6,273,406 |
| *Chief Executive Officer* | 2008 | $ 775,000 | $ | $ 650,173 | $ | $ 1,828,406 | $ 21,449(8) | $ 338,926 | $ 3,613,954 |
| | 2007 | $ 604,688 | $ | $ 2,845,210 | $ 159 | $ 1,148,250 | $ 12,967(8) | $ 246,679 | $ 4,857,953 |
| Anthony L. Genito | 2009 | $ 369,792 | $ 575,000 | $ 87,964 | $ | $ 1,488,281 | $ | $ 58,200 | $ 2,579,237 |
| *Executive Vice President, Chief Financial Officer* | 2008 | $ 358,333 | $ | $ 291,833 | $ | $ 627,375 | $ | $ 63,099 | $ 1,340,640 |
| *and Chief Accounting Officer* | 2007 | $ 280,833 | $ 7,401(3) | $ 306,617 | $ | $ 373,181 | $ | $ 46,379 | $ 1,014,411 |
| David R. Lumley | 2009 | $ 578,750 | $ 690,625 | $ 389,158 | $ | $ 2,257,260 | $ 1,855(8) | $ 145,304 | $ 4,062,951 |
| *Co-Chief Operating Officer and* | 2008 | $ 525,000 | $ | $ 975,212 | $ | $ 1,162,875 | $ 3,884(8) | $ 188,789 | $ 2,855,760 |
| *President Global Batteries and Personal Care and Home and Garden* | 2007 | $ 518,056 | $ | $ 762,844 | $ | $ 886,515 | $ 1,403(8) | $ 384,434 | $ 2,553,252 |
| John A. Heil | 2009 | $ 483,333 | $ 606,250 | $ 415,971 | $ | $ 1,396,875 | $ 2,074 | $ 130,446 | $ 3,034,949 |
| *Co-Chief Operating Officer and* | 2008 | $ 450,000 | $ | $ 1,082,647 | $ | $ 523,800 | $ 4,819 | $ 183,015 | $ 2,244,281 |
| *President Global Pet Supplies* | 2007 | $ 436,113 | $ | $ 918,384 | $ | $ 429,570(7) | $ 2,182(8) | $ 116,505 | $ 1,902,754 |
| Amy J. Yoder | 2009 | $ 8,333 | $ | $ | $ | $ | $ | $ 178,131 | $ 186,464 |
| *President, United Industries* | 2008 | $ 400,000 | $ | $ 237,942 | $ | $ 364,000 | $ | $ 56,512 | $ 1,058,454 |
| | 2007 | $ 200,000 | $ | $ 39,293 | $ | $ 225,000 | $ | $ 10,000 | $ 474,293 |

(1) Titles included in this column are as of September 30, 2009 except for Ms. Yoder, who ceased to be an employee of the Company as of October 8, 2008.

(2) For Fiscal 2009, this column reflects one-time cash bonuses received by the current named executive officers, among other members of management, in connection with the Company s emergence from Chapter 11 of the Bankruptcy Code. For additional information on this payment, please see the

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section entitled *One-Time Cash Bonus Payment*. For Fiscal 2009, this column also reflects amounts paid to the current named executive officers pursuant to the non-performance based supplement to the Cash LTIP for Fiscal 2008 instituted in November 2009. For additional information, please see the section entitled *Cash-Based Long Term Incentive Plan*. Finally, for Fiscal 2009, this column reflects payments made in January 2009 to the current named executive officers pursuant to retention agreements entered into with each of those officers. For additional information, please see the section entitled *Retention Agreements*.

(3) Mr. Genito received a cash payment in December 2006 under the Company s spot award program, prior to the time Mr. Genito became a member of the Spectrum Leadership Team, the Company s executive committee. As a member of the Spectrum Leadership Team, Mr. Genito is no longer eligible for such awards.

(4) In Fiscal 2009, Mr. Hussey received a restricted stock award, which was granted under the 2004 Rayovac Incentive Plan and was strictly performance based. No other named executive officer received a stock award in Fiscal 2009. In Fiscal 2008, restricted stock awards were granted under the 2004 Rayovac Incentive Plan, with the majority of the awards being strictly performance-based. In Fiscal 2007, restricted stock awards were granted under the 1997 Rayovac Incentive Plan and the 2004 Rayovac Incentive Plan with the majority of the awards being strictly performance-based. Upon the Company s emergence from Chapter 11 of the Bankruptcy Code and pursuant to the Company s Plan of Reorganization, all existing equity securities of the Company as of the Effective Date, including all shares underlying the amounts reflected in this column, were extinguished. This column reflects the dollar amount recognized for financial statement reporting purposes for Fiscal 2009, Fiscal 2008 and Fiscal 2007 in accordance with ASC 718. For Fiscal 2009, no expense amount was recorded with respect to grants made in Fiscal 2009. See Note 3(w), Stock Compensation, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information as to the assumptions used in the valuation of these awards.

(5) This column reflects the dollar amount recognized for financial statement reporting purposes for Fiscal 2007 in accordance with ASC 718. See Note 3(w), Stock Compensation, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information as to the assumptions used in the valuation of these awards. Amount reflected for Mr. Hussey for Fiscal 2007 includes acceleration of expense relating to the vesting of 168,941 restricted shares in connection with Mr. Hussey s replacement as President and Chief Operating Officer prior to the time he was appointed Chief Executive Officer.

(6) Represents actual cash payments under (i) for Fiscal 2009 and Fiscal 2008, the Company s Management Incentive Plan and Long Term Incentive Plan earned in Fiscal 2009 and Fiscal 2008, respectively, and (ii) for Fiscal 2007, the Company s Management Incentive Plan earned in Fiscal 2007. For additional detail on the plan and the determination of the cash awards thereunder, please refer to the discussion under the heading *Management Incentive Plan*, under the heading *Cash-Based Long Term Incentive Plan*, and the table entitled Grants of Plan-Based Awards and its accompanying footnotes.

(7) In addition to the amounts reflected in this column, in November 2006, Mr. Heil received a Management Incentive Plan award for Fiscal 2006 in the amount of $78,103. Mr. Heil was the only named executive officer to receive an award for Fiscal 2006.

(8) Amounts reflected represent the aggregate above-market increase of the actuarial value of the named executive s benefit under the Company s Supplemental Executive Retirement Plan. See Note 11, Employee Benefit Plans, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information as to the assumptions used in the valuation of this plan.

(9) Please see the following tables for the details of the amounts that comprise the All Other Compensation column:

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**All Other Compensation Table**

**(Fiscal 2009)**

| Name | Financial Planning Services Provided to Executives | Life Insurance Premiums Paid on Executives Behalf(1) | Reimburse-ment of Medical Expenses Not Paid By Company Health Plan(2) | Personal Use of Company Jet(3) | Car Allowance/ Personal Use of Company Car(4) | Tax Equalization Payments(5) | Company Contributions to Executives Qualified Retirement Plan(6) | Company Contributions to Executives Nonqualified Retirement Plan(7) | Other Compensation | Cost of Living Differential Allowance(8) | Earned Severance Pay(9) | Relocation Expenses Provided to Executive | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Hussey | $ 30,000 | $ 22,473 | $ 10,866 | $ 7,168 | $ 17,410 | $ 65,942 | $ 9,200 | $ 112,500 | $ | $ 36,000 | $ | $ | $ 311,559 |
| Mr. Genito | $ 20,000 | $ 3,161 | $ | $ | $ 14,250 | $ 8,805 | $ 11,983 | $ | $ | $ | $ | $ | $ 58,200 |
| Mr. Lumley | $ 20,000 | $ 7,470 | $ | $ | $ 19,250 | $ 14,384 | $ 9,200 | $ 75,000 | $ | $ | $ | $ | $ 145,304 |
| Mr. Heil | $ 20,000 | $ 7,800 | $ | $ | $ 18,000 | $ 4,200 | $ 12,946 | $ 60,000 | $ | $ | $ | $ | $ 130,446 |
| Ms. Yoder | $ | $ 1,440 | $ | $ | $ | $ | $ | $ | $ | $ | $ 176,691 | $ | $ 178,131 |

(1) The amount represents the life insurance premium paid for the fiscal year. The Company provides life insurance coverage equal to three times base salary for each executive officer.

(2) Amounts represent reimbursements under the Medical Expenses Reimbursement Plan described under the heading *Perquisites and Benefits*.

(3) Amounts represent the aggregate incremental usage costs associated with the personal use of the Company aircraft by Mr. Hussey prior to the Company s disposal of its leased aircraft. This benefit is described under the heading *Perquisites and Benefits*.

(4) The Company sponsors a leased car and car allowance program. Under the leased car program, costs associated with using the vehicle are also provided. These include fuel costs (prior to elimination in April 2009), maintenance, insurance and license and registration. Under the car allowance program, the executive receives a fixed monthly allowance. Going forward, the Company expects to utilize only a car allowance program. All of the named executive officers other than Mr. Heil and Ms. Yoder, participate in the leased car program. Mr. Heil receives a $1,500 per month car allowance.

(5) Includes tax gross-up payments for the financial benefits received for the following executive benefits and perquisites: financial planning, executive life insurance, executive leased car program and personal use of the company jet, as described under the heading *Tax Gross-Ups*.

(6) Represents amounts contributed under the Company-sponsored 401(k) retirement plan.

(7) Represents the Company s contribution to each participating named executive officers SERP account, consisting of annual contribution.

(8) In connection with the relocation of the Company s corporate headquarters from Madison, Wisconsin to Atlanta, Georgia, Mr. Hussey was provided a cost of living differential allowance in the amount of $3,000 per month.

(9) Represents amounts paid to Ms. Yoder pursuant to her separation agreement.

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**All Other Compensation Table**

**(Fiscal 2008)**

| Name | Financial Planning Services Provided to Executive | Life Insurance Premiums Paid on Executives Behalf(1) | Reimburse-ment of Medical Expenses Not Paid By Company s Health Plan(2) | Personal Use of Company Jet(3) | Car Allowance/ Personal Use of Company Car(4) | Tax Equalization Payments(5) | Company Contributions to Executive s Qualified Retirement Plan(6) | Company Contributions to Executive s Nonqualified Retirement Plan(7) | Other Compen-sation | Cost of Living Differential Allowance(9) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Hussey | $ 31,000 | $ 12,537 | $ 7,463 | $ 30,805 | $ 18,963 | $ 84,143 | $ 5,515 | $ 112,500 | $ | $ 36,000 | $ 338,926 |
| Mr. Genito | $ 31,200 | $ 1,260 | $ | $ | $ 10,250 | $ 10,910 | $ 9,479 | $ | $ | $ | $ 63,099 |
| Mr. Lumley | $ 50,000 | $ 5,749 | $ | $ | $ 15,253 | $ 33,950 | $ 8,837 | $ 75,000 | $ | $ | $ 188,789 |
| Mr. Heil | $ 20,000 | $ 6,318 | $ | $ | $ 18,000 | $ 3,402 | $ 6,569 | $ 67,500 | $ 61,226(8) | $ | $ 183,015 |
| Ms. Yoder | $ 20,000 | $ 3,045 | $ | $ | $ 18,000 | $ | $ 15,467 | $ | $ | $ | $ 56,512 |

(1) The amount represents the life insurance premium paid for the fiscal year. The Company provides life insurance coverage equal to three times base salary for each executive officer.

(2) Amounts represent reimbursements under the Medical Expenses Reimbursement Plan described under the heading *Perquisites and Benefits* .

(3) Amounts represent the aggregate incremental usage costs associated with the personal use of the Company aircraft by Mr. Hussey. This benefit is described under the heading *Perquisites and Benefits* .

(4) The Company sponsors a leased car and car allowance program. Under the leased car program, costs associated with using the vehicle are also provided. These include fuel costs, maintenance, insurance and license and registration. Under the car allowance program, the executive receives a fixed monthly allowance. Going forward, the Company expects to utilize only a car allowance program. All of the named executive officers other than Mr. Heil and Ms. Yoder, participate in the leased car program. Mr. Heil and Ms. Yoder each receive a $1,500 per month car allowance.

(5) Includes tax gross-up payments for the financial benefits received for the following executive benefits and perquisites: financial planning, executive life insurance, executive leased car program, relocation and personal use of the company jet, as described under the heading *Tax Gross-Ups* .

(6) Represents amounts contributed under the Company-sponsored 401(k) retirement plan.

(7) Represents the Company s contribution to each participating named executive officers SERP account, consisting of annual contribution.

(8) In connection with the agreement to sell the Company s Global Pet Supplies business segment, Mr. Heil s accrued vacation was distributed to him in anticipation of the closing of that transaction. The agreement to sell the Global Pet Supplies business segment was later terminated.

(9) In connection with the relocation of the Company s corporate headquarters from Madison, Wisconsin to Atlanta, Georgia, Mr. Hussey was provided a cost of living differential allowance in the amount of $3,000 per month.

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**All Other Compensation Table**

**(Fiscal 2007)**

| Name | Financial Planning Services Provided to Executive | Life Insurance Premiums Paid on Executives Behalf(1) | Reimburse-ment of Medical Expenses Not Paid By Company Health Plan(2) | Personal s Use of Company Jet(3) | Car Allowance/ Personal Use of Company Car(4) | Tax Equalization Payments(5) | Company Contributions to Executive s Qualified Retirement Plan(6) | Company Contributions to Executive s Nonqualified Retirement Plan(7) | Other Compen-sation | Cost of Living Differential Allowance(8) | Earned Severance Pay | Relocation Expenses Provided to Executive(9) | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Hussey | $ 31,000 | $ 11,198 | $ 10,000 | $ 21,775 | $ 9,846 | $ 39,110 | $ 9,000 | $ 78,750 | $ | $ 36,000 | $ | $ | $ 246,679 |
| Mr. Genito | $ 11,200 | $ 1,150 | $ | $ | $ 11,797 | $ 9,462 | $ 12,770 | $ | $ | $ | $ | $ | $ 46,379 |
| Mr. Lumley | $ 30,000 | $ 3,603 | $ | $ | $ 6,750 | $ 100,194 | $ 15,250 | $ 75,000 | $ | $ | $ | $ 153,637 | $ 384,434 |
| Mr. Heil | $ 11,273 | $ 4,358 | $ | $ | $ 18,000 | $ 2,356 | $ 20,518 | $ 60,000 | $ | $ | $ | $ | $ 116,505 |
| Ms. Yoder | $ 1,000 | $ | $ | $ | $ 9,000 | $ | $ | $ | $ | $ | $ | $ | $ 10,000 |

(1) The amount represents the life insurance premium paid for the fiscal year. The Company provides life insurance coverage equal to three times base salary for each executive officer, with the exception of Ms. Yoder, whose coverage became effective in Fiscal 2008.
(2) Amounts represent reimbursements under the Medical Expenses Reimbursement Plan described under the heading *Perquisites and Benefits*.
(3) Amounts represent the aggregate incremental usage costs associated with the personal use of the Company aircraft by Mr. Hussey. This benefit is described under the heading *Perquisites and Benefits*.
(4) The Company sponsors a leased car and car allowance program. Under the leased car program, costs associated with using the vehicle are also provided. These include fuel costs, maintenance, insurance and license and registration. Under the car allowance program, the executive receives a fixed monthly allowance. Going forward, the Company expects to utilize only a car allowance program. All of the named executive officers other than Mr. Heil and Ms. Yoder, participate in the leased car program. Mr. Heil and Ms. Yoder each receive a $1,500 per month car allowance.
(5) Includes tax gross-up payments for the financial benefits received for the following executive benefits and perquisites: financial planning, executive life insurance, executive leased car program, relocation and personal use of the company jet, as described under the heading *Tax Gross-Ups*.
(6) Represents amounts contributed under the Company-sponsored 401(k) retirement plan. For Mr. Heil, the total includes Company profit sharing-based contribution based on 2006 results. None of the other named executive officers are eligible for such a profit sharing-based contribution.
(7) Represents the Company s contribution to each participating named executive officers SERP account, consisting of annual contribution.
(8) In connection with the relocation of the Company s corporate headquarters from Madison, Wisconsin to Atlanta, Georgia, Mr. Hussey was provided cost of living differential allowances in the amounts of $3,000 per month.
(9) Represents the expenses incurred for the relocation of Mr. Lumley to Madison, Wisconsin. The amount includes a $75,000 cash payment related to the sale price for Mr. Lumley s prior residence.

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***Grants of Plan-Based Awards***

The following table and footnotes provide information with respect to equity grants made to the named executive officers during Fiscal 2009 as well as the range of future payouts under non-equity incentive plans for the named executive officers.

**Grants of Plan-Based Awards Table**

| Name | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold $ | Target $ | Maximum $ | Estimated Future Payouts Under Equity Incentive Plan Awards Threshold # | Target # | Maximum # | All Other Stock Awards Number of Shares | Fair Value on Grant Date(1) |
|---|---|---|---|---|---|---|---|---|---|
| Kent J. Hussey | 11/17/2008(2) | | | | 93,750 | 187,500 | 187,500 | | $ 122,813 |
| | (3) | $ 515,625 | $ 1,031,250 | $ 2,062,500 | | | | | |
| | (4) | $ 660,000 | $ 1,320,000 | $ 2,640,000 | | | | | |
| Anthony L. Genito | (3) | $ 212,500 | $ 425,000 | $ 850,000 | | | | | |
| | (4) | $ 318,750 | $ 637,500 | $ 1,275,000 | | | | | |
| David R. Lumley | (3) | $ 300,000 | $ 600,000 | $ 1,200,000 | | | | | |
| | (4) | $ 450,000 | $ 900,000 | $ 1,800,000 | | | | | |
| John A. Heil | (3) | $ 250,000 | $ 500,000 | $ 1,000,000 | | | | | |
| | (4) | $ 375,000 | $ 750,000 | $ 1,500,000 | | | | | |

(1) This column reflects the average of the high and low price per share on the grant date as determined pursuant to ASC 718. See Note 3(w), Stock Compensation, of Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information as to the assumptions used in the valuation of these awards.

(2) Represents performance-based restricted stock granted to executives pursuant to the Company s 2009 Equity LTIP, granted under the 2004 Rayovac Incentive Plan. The 2009 Equity LTIP restricted stock grant is described under the heading *Equity-based Long Term Incentive Plan* . Upon the Company s emergence from Chapter 11 of the Bankruptcy Code and pursuant to the Company s Plan of Reorganization, all existing equity securities of the Company as of the Effective Date, including all shares reflected in this column, were extinguished.

(3) Represents the threshold, target and maximum payments under the Company s Management Incentive Plan for Fiscal 2009. The actual amount earned under these plans for Fiscal 2009 is disclosed in the Summary Compensation Table as part of the column entitled Non-Equity Incentive Plan Compensation .

(4) Represents the threshold, target and maximum payments under the Company s cash-based portion of the Long Term Incentive Plan for Fiscal 2009. The actual amount earned under these plans for Fiscal 2009 is disclosed in the Summary Compensation Table as part of the column entitled Non-Equity Incentive Plan Compensation .

We refer you to the Compensation Discussion and Analysis and the Termination and Change in Control Provisions sections of this report as well as the corresponding footnotes to the tables for material factors necessary for an understanding of the compensation detailed in the above two tables.

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***Outstanding Equity Awards at Fiscal Year End***

As described above under *Pre-Bankruptcy Outstanding Equity and Equity Grants* , all of the Company s outstanding equity as well as all outstanding unexercised stock options and unvested restricted stock were cancelled pursuant to the Company s Plan of Reorganization upon the Company s emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. As a result, there were no unexercised stock options or unvested restricted stock as of September 30, 2009 held by any of the named executive officers.

***Option Exercises and Stock Vested***

The following table and footnotes provide information regarding stock option exercises and stock vesting during Fiscal 2009 for the named executive officers. None of the named executive officers exercised any stock options during Fiscal 2009. As described above within *Pre-Bankruptcy Outstanding Equity and Equity Grants* all of the Company s outstanding equity was cancelled, including the shares acquired as set forth on the following table, pursuant to the Company s Plan of Reorganization upon the Company s emergence from Chapter 11 of the Bankruptcy Code on the Effective Date.

**Option Exercises and Stock Vested Information**

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| **Name** | **Number Of Shares Exercised** | **Market Value Realized** | **Shares Acquired on Vesting** | **Market Value Realized** |
| Kent J. Hussey | | | | |