

Spectrum Brands, Inc.
Form 10-Q
May 07, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 29, 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 Number 001-13615

Spectrum Brands, Inc.

(Exact name of registrant as specified in its charter)

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Wisconsin
(State or other jurisdiction of
incorporation or organization)

22-2423556
(I.R.S. Employer
Identification Number)

Six Concourse Parkway,

Suite 3300, Atlanta, Georgia
(Address of principal executive offices)

30328
(Zip Code)

(770) 829-6200

(Registrant's telephone number, including area code)

N/A

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of May 4, 2009, was 52,794,156.

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SPECTRUM BRANDS, INC.
Debtor and Debtor-in-Possession
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED March 29, 2009

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Balance Sheets****March 29, 2009 and September 30, 2008****(Unaudited)****(Amounts in thousands, except per share figures)**

	March 29, 2009	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,556	\$ 104,773
Receivables:		
Trade accounts receivable, net of allowances of \$14,226 and \$18,102, respectively	313,803	353,949
Other	21,981	40,756
Inventories	386,931	383,260
Deferred income taxes	14,632	13,957
Assets held for sale	12,486	7,452
Prepaid expenses and other	42,959	49,450
Total current assets	844,348	953,597
Property, plant and equipment, net	185,340	234,805
Deferred charges and other	38,628	44,129
Goodwill	228,803	235,468
Intangible assets, net	707,890	742,809
Debt issuance costs	20,144	36,671
Total assets	\$ 2,025,153	\$ 2,247,479
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 52,904	\$ 48,637
Debtor-in-possession revolving credit facility	136,206	
Accounts payable	186,820	278,126
Accrued liabilities:		
Wages and benefits	51,066	72,299
Income taxes payable	18,351	10,272
Restructuring and related charges	29,468	34,559
Accrued interest	25,438	50,514
Other	86,071	87,672
Total current liabilities	586,324	582,079
Long-term debt, net of current maturities	1,362,318	2,474,782
Employee benefit obligations, net of current portion	39,773	47,694
Deferred income taxes	126,357	114,674
Other	41,600	55,488
Total liabilities	2,156,372	3,274,717
Liabilities subject to compromise	1,093,137	

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Commitments and contingencies

Shareholders' deficit:

Common stock, \$.01 par value, authorized 150,000 shares; issued 69,370 and 69,202 shares, respectively; outstanding 52,908 and 52,775 shares, respectively	691	692
Additional paid-in capital	675,535	674,370
Accumulated deficit	(1,868,021)	(1,694,915)
Accumulated other comprehensive income	44,325	69,445
	(1,147,470)	(950,408)
Less treasury stock, at cost, 16,461 and 16,427 shares, respectively	(76,886)	(76,830)
 Total shareholders' deficit	 (1,224,356)	 (1,027,238)
 Total liabilities and shareholders' deficit	 \$ 2,025,153	 \$ 2,247,479

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

(Unaudited).

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Statements of Operations****For the three and six month periods ended March 29, 2009 and March 30, 2008****(Unaudited)****(Amounts in thousands, except per share figures)**

	THREE MONTHS		SIX MONTHS	
	2009	2008	2009	2008
Net sales	\$ 503,262	\$ 532,452	\$ 1,051,765	\$ 1,119,894
Cost of goods sold	315,767	326,762	664,253	697,435
Restructuring and related charges	2,661	195	12,807	316
Gross profit	184,834	205,495	374,705	422,143
Selling	94,848	120,003	206,181	248,315
General and administrative	37,562	55,354	74,447	93,689
Research and development	5,759	6,144	11,325	11,891
Intangibles impairment		12,400		12,400
Restructuring and related charges	13,479	5,175	24,361	10,067
Total operating expenses	151,648	199,076	316,314	376,362
Operating income	33,186	6,419	58,391	45,781
Interest expense (contractual interest: \$62,528 and \$114,992 for the three and six months ended March, 29, 2009, respectively)	47,446	58,221	99,910	115,393
Other expense (income), net	710	(1,054)	4,387	(1,163)
Loss from continuing operations before reorganization items and income taxes	(14,970)	(50,748)	(45,906)	(68,449)
Reorganization items, net	21,311		21,311	
Loss from continuing operations before income taxes	(36,281)	(50,748)	(67,217)	(68,449)
Income tax expense	8,348	65,871	23,949	83,072
Loss from continuing operations	(44,629)	(116,619)	(91,166)	(151,521)
(Loss) income from discontinued operations, net of tax	(15,820)	4,906	(81,940)	(3,594)
Net loss	\$ (60,449)	\$ (111,713)	\$ (173,106)	\$ (155,115)
Basic earnings per share:				
Weighted average shares of common stock outstanding	51,354	50,897	51,404	50,937
Loss from continuing operations	\$ (0.87)	\$ (2.29)	\$ (1.78)	\$ (2.98)
(Loss) income from discontinued operations	(0.31)	0.10	(1.59)	(0.07)
Net loss	\$ (1.18)	\$ (2.19)	\$ (3.37)	\$ (3.05)
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	51,354	50,897	51,404	50,937

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Loss from continuing operations	\$ (0.87)	\$ (2.29)	\$ (1.78)	\$ (2.98)
(Loss) income from discontinued operations	(0.31)	0.10	(1.59)	(0.07)
Net loss	\$ (1.18)	\$ (2.19)	\$ (3.37)	\$ (3.05)

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

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Condensed Consolidated Statements of Cash Flows****For the three and six month periods ended March 29, 2009 and March 30, 2008****(Unaudited)****(Amounts in thousands)**

	SIX MONTHS	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (173,106)	\$ (155,115)
Loss from discontinuing operations	(81,940)	(3,594)
Loss from continuing operations	(91,166)	(151,521)
Non-cash adjustments to loss from continuing operations:		
Depreciation	20,642	27,130
Amortization	11,477	20,230
Amortization of debt issuance costs	6,561	4,288
Impairment of intangibles		12,400
Reorganization items, net	21,311	
Write off of debt issuance costs	2,358	
Other non-cash adjustments	39,194	84,652
Net changes in assets and liabilities, net of discontinued operations	(130,467)	(95,293)
Net cash used by operating activities of continuing operations	(120,090)	(98,114)
Net cash used by operating activities of discontinued operations	(18,795)	(38,577)
Net cash used by operating activities	(138,885)	(136,691)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,267)	(8,572)
Proceeds from sale of equipment	322	126
Net cash used by investing activities of continuing operations	(2,945)	(8,446)
Net cash (used) provided by investing activities of discontinued operations	(860)	13,526
Net cash (used) provided by investing activities	(3,805)	5,080
Cash flows from financing activities:		
Debt issuance costs	(7,750)	(152)
Proceeds from debt financing	162,104	285,000
Reduction of debt	(240,937)	(146,201)
Debtor in possession revolving credit facility activity, net	136,206	
Proceeds from supplemental loan	45,000	
Treasury stock purchases	(56)	(690)
Net cash provided by financing activities	94,567	137,957
Effect of exchange rate changes on cash and cash equivalents	(5,094)	5,255

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Net (decrease) increase in cash and cash equivalents	(53,217)	11,601
Cash and cash equivalents, beginning of period	104,773	69,853
Cash and cash equivalents, end of period	\$ 51,556	\$ 81,454

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

(Unaudited).

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

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

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

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

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

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

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

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

In November 2007, the Company sold the Canadian division of the Home and Garden Business. See Note 3, Significant Accounting Policies Discontinued Operations, for further details on the sale of the Canadian division of the Home and Garden Business.

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

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

In November 2008, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business, which includes fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business for the Company's fiscal year ending September 30, 2009 (Fiscal 2009). The Company believes the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. As of March 29, 2009, the Company had completed the shutdown of the growing products portion of the Home and Garden Business. See Note 3, Significant Accounting Policies Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

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

2 VOLUNTARY REORGANIZATION UNDER CHAPTER 11

On February 3, 2009, the Company announced that it reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its outstanding senior subordinated notes (the Significant Noteholders), to pursue a refinancing that, if implemented as proposed, will significantly

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

reduce the Company's outstanding debt. The agreements contemplated that the refinancing would occur pursuant to a pre-arranged plan of reorganization that would be supported by each of the Significant Noteholders. On the same day, the Company and its wholly owned U.S. subsidiaries filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court (the Bankruptcy Court) for the Western District of Texas (the Bankruptcy Filing). The Company has filed with the Bankruptcy Court a proposed plan of reorganization (the Proposed Plan), as discussed below, that details its proposed terms for the refinancing. The Chapter 11 cases are being jointly administered by the Bankruptcy Court as Case No. 09-50456 (the Bankruptcy Cases).

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

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

Accounting for Reorganization

Subsequent to the date of the Bankruptcy Filing (the Petition Date), the Company's financial statements are prepared in accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7 (SOP 90-7), *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. SOP 90-7 does not change the application of generally accepted accounting principles (GAAP) in the preparation of the Company's financial statements. However, SOP 90-7 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 SOP 90-7 the Company has done the following:

On the Condensed Consolidated Balance Sheets (Unaudited), separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

On the Condensed Consolidated Statements of Operations (Unaudited), distinguished transactions and events that are directly associated with the reorganization from the ongoing operations of the business;

On the Condensed Consolidated Statements of Cash Flows, separately disclosed Reorganization items, net;

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Ceased accruing interest on the Company's Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes), the Company's 7/8% Senior Subordinated Notes due 2015 (the 7/8 Notes) and the Company's 1/8% Senior Subordinated Notes due 2013 (the 1/8 Notes) (collectively, the Senior Subordinated Notes); and

Presented Condensed Consolidating Financial Statements of entities not in Chapter 11 proceedings in Note 15, Condensed Consolidating Financial Statements. These Condensed Consolidating Financial Statements (Unaudited) of the Company's entities not in Chapter 11 proceedings have been prepared on the same basis as the Company's Condensed Consolidated Financial Statements (Unaudited).

Liabilities Subject to Compromise

Liabilities subject to compromise refer to known liabilities incurred prior to the Bankruptcy Filing by those entities that filed for Chapter 11 bankruptcy. These liabilities are considered by the Bankruptcy Court to be pre-petition claims. However, liabilities subject to compromise exclude pre-petition claims for which the Company has received the Bankruptcy Court's approval to pay, such as claims related to active employees and retirees and claims related to certain critical service vendors. Liabilities subject to compromise are subject to future adjustments that may result from negotiations, actions by the Bankruptcy Court and developments with respect to disputed claims or matters arising out of the proof of claims process whereby a creditor may prove that the amount of a claim differs from the amount that we have recorded.

Since the Petition Date, and in accordance with SOP 90-7, the Company ceased accruing interest on its Senior Subordinated Notes, as it is probable the debt and accrued interest are going to be settled as an allowed claim by the Bankruptcy Court, per the Company's Proposed Plan. Contractual interest on the Senior Subordinated Notes in excess of reported accrued interest was approximately \$15,081 for the three and six months ended March 29, 2009, excluding any potential compound or default interest arising from events of default related to the Chapter 11 proceedings.

Liabilities subject to compromise as of March 29, 2009 are as follows:

	March 29, 2009
Senior Subordinated Notes	\$ 1,049,885
Accrued interest on Senior Subordinated Notes	40,497
Other accrued liabilities	2,755
	\$ 1,093,137

Reorganization Items

In accordance with SOP 90-7, Reorganization items, net, are presented separately in the accompanying Condensed Consolidated Statements of Operations (Unaudited) and represent expenses, income, gains and losses that the Company has identified, or will identify, as directly relating to the Bankruptcy Cases. As required by SOP 90-7, the Company has begun recording the pre-petition debt instruments at the allowed claim amount as defined in the Proposed Plan. Accordingly, the Company accelerated the amortization of the related deferred debt issuance costs and recorded a non-cash charge of \$10,668 during the quarter ended March 29, 2009 to Reorganization items in the Condensed Consolidated Statements of Operations (Unaudited) included in this

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

Quarterly Report on Form 10-Q. Reorganization items for the three and six months ended March 29, 2009 are summarized as follows:

Legal and professional fees	\$ 10,263
Deferred financing costs	10,668
Provision for rejected leases	380
	\$ 21,311

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at March 29, 2009 and September 30, 2008, and the results of operations and cash flows for the three and six month periods ended March 29, 2009 and March 30, 2008. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP in the U.S. have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008. Certain prior period amounts have been reclassified to conform to the current period presentation.

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

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

Discontinued Operations: As discussed in Note 1, Description of Business, the Company's board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008. The Company believes the shutdown is consistent with what the Company has done in other areas of its business to eliminate unprofitable products from its portfolio. As of March 29, 2009, the Company had completed the shutdown of the growing products portion of the Home and Garden Business.

On November 1, 2007, the Company sold the Canadian division of the Home and Garden Business, which operated under the name Nu-Gro, to a new company formed by RoyCap Merchant Banking Group and Clarke Inc. Cash proceeds received at closing, net of selling expenses, totaled \$14,931 and were used to reduce outstanding debt. These proceeds are included in net cash provided by investing activities of discontinued operations in the Condensed Consolidated Statements of Cash Flows (Unaudited) included in this Quarterly Report on Form 10-Q. On February 5, 2008, the Company finalized the contractual working capital adjustment in connection with this sale which increased proceeds received by the Company by \$500. As a result of the finalization of the contractual working capital adjustments the Company recorded a loss on disposal of \$1,087, net of tax benefit.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

The presentation herein of the results of continuing operations has been changed to exclude the growing portion of the Home and Garden Business for the for the three and six months ended March 29, 2009 and March 30, 2008, respectively. The following amounts related to the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations for the three and six months ended March 29, 2009 and March 30, 2008, respectively:

	Three Months		Six Months	
	2009	2008	2009	2008 ^(A)
Net sales	\$ 15,620	\$ 114,691	\$ 31,306	\$ 136,665
(Loss) income from discontinued operations before income taxes	\$ (18,188)	\$ 5,364	\$ (85,972)	\$ (4,543)
Provision for income tax (benefit) expense	(2,368)	458	(4,032)	(949)
(Loss) income from discontinued operations, net of tax	\$ (15,820)	\$ 4,906	\$ (81,940)	\$ (3,594)

^(A) Included in the loss for the six month period ended March 20, 2008, is a loss on disposal of \$1,087, net of tax benefit, related to the Canadian division of the Home and Garden Business.

Assets Held for Sale: As of March 29, 2009 and September 30, 2008, the Company had \$12,486 and \$7,452, respectively, included in Assets held for sale in its Condensed Consolidated Balance Sheets (Unaudited). As of March 29, 2009, the Assets held for sale consisted of certain assets and liabilities related to the Ningbo Baowang China battery manufacturing facility, a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil. As of September 30, 2008, the Assets held for sale consisted of certain assets and liabilities related to a distribution facility in the Dominican Republic and manufacturing facilities in France and Brazil. These facilities are included in the Global Batteries and Personal Care reporting segment.

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

SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired. The fair values of the Company's goodwill and indefinite-lived intangible assets were not tested for impairment during the three month period ended March 29, 2009 as no event or circumstance arose which indicated that an impairment loss may have been incurred. Goodwill and trade name intangibles were tested as of December 31, 2007 in

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

conjunction with the Company's reclassification of the U.S. division of the Home and Garden Business from an asset held for sale to an asset held and used coupled with a change in circumstances which indicated that the carrying value of certain of the Company's reporting units may not be recoverable.

As a result, the Company concluded that as of December 31, 2007 the implied fair values of certain trade name intangible assets related to the Home and Garden Business were less than the carrying amounts of those assets. Accordingly, during the three months ended March 30, 2008, the Company recorded a non-cash pretax impairment charge of \$12,400, equal to the excess of the carrying amounts of these intangible assets over the implied fair value of such assets. This impairment of indefinite-lived intangible assets related to the Home and Garden Business is primarily attributed to lower forecasted sales of products sold under the respective impaired trade name. The Company also recorded a non-cash pretax impairment charge of \$800, related to certain trade name intangible assets related to the growing products portion of the Home and Garden Business, which is classified as discontinued operations. See Note 3, Significant Accounting Policies - Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

Shipping and Handling Costs: The Company incurred shipping and handling costs of \$36,991 and \$76,339 for the three and six month periods ended March 29, 2009, respectively, and \$44,288 and \$89,214 for the three and six month periods ended March 30, 2008, respectively. These costs are included in Selling expenses. Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company's products for shipment from its distribution facilities.

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

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represented approximately 21% and 22% of the Company's Net sales during the three and six month periods ended March 29, 2009, respectively, and 18% and 19% of the Company's Net sales during the three and six month periods ended March 30, 2008, respectively. This major customer also represented approximately 20% and 22% of the Company's trade accounts receivable, net as of March 29, 2009 and September 30, 2008, respectively.

Approximately 41% and 45% of the Company's Net sales during the three and six month periods ended March 29, 2009, respectively, and 48% and 51% of the Company's Net sales during the three and six month periods ended March 30, 2008, respectively, occurred outside the U.S. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

Stock-Based Compensation: The Company uses or has used two forms of stock based compensation. Shares of restricted stock have been awarded to certain employees and members of management since the fiscal year ended September 30, 2001. Prior to the fourth quarter of the fiscal year ended September 30, 2004, the

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Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Company also issued stock options to employees, some of which remained unvested as of October 1, 2005, the date the Company adopted SFAS No. 123(R), *Share Based Payment* (SFAS 123(R)). Restricted stock is now the only form of stock based compensation used by the Company.

SFAS 123(R) requires the Company to recognize expense related to the fair value of its employee stock option awards. Total stock compensation expense associated with both stock options and restricted stock awards recognized by the Company during the three and six month period ended March 29, 2009, was \$1,183, or \$734, net of taxes and \$1,163, or \$721, net of taxes, respectively. During the three and six month period ended March 30, 2008, total stock compensation expense was \$1,388, or \$861, net of taxes, and \$3,249, or \$2,014, net of taxes, respectively. The amounts before tax are included in General and administrative expenses in the Condensed Consolidated Statements of Operations (Unaudited). The Company expects that total stock compensation expense for Fiscal 2009 will be approximately \$2,930 before the effect of income taxes. As of March 29, 2009, there was \$3,523 of unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted average period of approximately 3 years.

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

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

Restricted stock shares granted in Fiscal 2009 and 2008 generally have vesting periods which can range from one to five years. Approximately 82% of the shares granted in Fiscal 2009 and 61% of the shares granted in Fiscal 2008 are purely performance based and vest only upon the achievement of certain performance goals. Such performance goals consist of reportable segment and consolidated company Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) and cash flow components, each as defined by the Company for purposes of such awards. The remaining shares granted in Fiscal 2008 and Fiscal 2007 are time based, which vest either 100% after three years or on a pro rata basis over three years.

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During the six month period ended March 29, 2009, the Company granted approximately 229 shares of restricted stock. All shares granted are purely performance based and vest only upon achievement of certain performance goals which consist of reportable segment and consolidated company EBITDA and cash flow components, each as defined by the Company for purposes of such awards. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Company's Board of Directors.

The Company currently has one active incentive plan under which additional shares may be issued to employees as equity compensation. In 2004, the Board adopted the 2004 Rayovac Incentive Plan (2004 Plan). Up to 3,500 shares of common stock, net of forfeitures and cancellations, may be issued under the 2004 Plan, which expires in July 2014. As of March 29, 2009, 2,612 of restricted shares had been granted, net of forfeitures and shares surrendered by employees for payment of taxes on such awards, and 1,148 restricted shares were outstanding under the 2004 Plan. No options have been granted under the 2004 Plan.

The Company also has two expired plans under which there remain equity based awards outstanding; the 1997 Rayovac Incentive Plan (1997 Plan), which expired on August 31, 2007, and the 1996 Rayovac Corporation Stock Option Plan (1996 Plan), which expired on September 12, 2006. As of March 29, 2009, there were options with respect to 367 shares of common stock and 410 restricted shares outstanding under the 1997 Plan, and options with respect to 86 shares of common stock outstanding under the 1996 Plan.

The fair value of restricted stock is determined based on the market price of the Company's shares on the grant date. A summary of the status of the Company's non-vested restricted stock as of March 29, 2009 is as follows:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	Fair Value
Restricted stock at September 30, 2008	1,873	\$ 10.74	\$ 20,111
Granted	229	0.66	150
Vested	(483)	12.94	(6,250)
Forfeited	(61)	9.10	(561)
Restricted stock at March 29, 2009	1,558	\$ 8.63	\$ 13,450

The following table summarizes the stock option transactions for the three month period ended March 29, 2009:

	Options	Weighted- Average Exercise Price
Outstanding, beginning of period	510	\$ 15.06
Granted		
Exercised		
Forfeited	(57)	14.96

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Outstanding, end of period	453	\$ 15.08
Options exercisable, end of period	364	\$ 15.35

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(Amounts in thousands, except per share figures)

The following table summarizes information about options outstanding and options outstanding and exercisable as of March 29, 2009:

Range of Exercise Prices	Number of Shares	Options Outstanding		Weighted- Average Exercise Price	Options Outstanding and Exercisable	
		Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price		Number of Shares	Weighted- Average Exercise Price
\$11.32 - \$14.60	380	3.33 years	\$ 13.58	298	\$ 13.70	
\$18.60 - \$21.50	7	3.99	20.28	4	20.35	
\$21.63 - \$27.13	66	0.99	23.17	62	22.93	
	453	3.00	\$ 15.08	364	\$ 15.35	

Derivative Financial Instruments: Effective December 29, 2008, the Company adopted SFAS No. 161, *Disclosures about Derivatives and Hedging Activities-an amendment to FASB Statement No. 131* (SFAS 161). SFAS 161 amends the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

The fair value of outstanding derivative contracts recorded as assets in the Condensed Consolidated Balance Sheets (Unaudited) were as follows:

Asset Derivatives	Balance Sheet Location	March 29, 2009	September 30, 2008
Derivatives designated as hedging instruments under SFAS 133:			
Commodity contracts	Current - Receivables - Other	\$	\$ 403
Foreign exchange contracts	Current - Receivables - Other		4,246
Foreign exchange contracts	Long term - Deferred charges		
	and other		1,299
Total asset derivatives designated as hedging instruments under SFAS 133		\$	\$ 5,948
Derivatives not designated as hedging instruments under SFAS 133:			
Foreign exchange contracts	Current - Receivables - Other	1,094	959
Total asset derivatives		\$ 1,094	\$ 6,907

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(Amounts in thousands, except per share figures)

The fair value of outstanding derivative contracts recorded as liabilities in the Condensed Consolidated Balance Sheets (Unaudited) were as follows:

Liability Derivatives	Balance Sheet Location	March 29, 2009	September 30, 2008
Derivatives designated as hedging instruments under SFAS 133:			
Commodity contracts	Accounts payable	\$	\$ 11,396
Commodity contracts	Long term Other		1,522
Interest rate contracts	Accounts payable		3,063
Interest rate contracts	Accrued interest		793
Interest rate contracts	Long term Other		2,749
Foreign exchange contracts	Accounts payable	833	387
Foreign exchange contracts	Long term Other	90	85
Total liability derivatives designated as hedging instruments under SFAS 133		\$ 923	\$ 19,995
Derivatives not designated as hedging instruments under SFAS 133:			
Interest rate contracts	Accounts payable	3,859	
Interest rate contracts	Accrued interest	1,133	
Interest rate contracts	Long term Other	1,200	
Foreign exchange contracts	Accounts payable	43	781
Total liability derivatives		\$ 7,158	\$ 20,776

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(Amounts in thousands, except per share figures)

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The following table summarizes the impact of derivative instruments on the Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended March 29, 2009 and March 30, 2008, respectively, net of tax:

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) Three month period ended		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three month period ended		Location of Gain (Loss) Recognized in Income on Derivative Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) Three month period ended	
	2009	2008		2009	2008		2009	2008
Commodity contracts	\$ (600)	\$ (224)	Cost of goods sold	\$ (2,083)	\$ (1,502)	Cost of goods sold	\$ 27	\$ (95)
Interest rate contracts	(2,624)	(4,991)	Interest expense	(64)	349	Interest expense	(3,316) ^(A)	
Foreign exchange contracts	169	315	Net Sales	29	(240)	Net sales		
Foreign exchange contracts	(114)	(4,771)	Cost of goods sold	1,626	(1,026)	Cost of goods sold		
Commodity contracts		1,378	Discontinued operations		2,614	Discontinued operations		8
Total	\$ (3,169)	\$ (8,293)		\$ (492)	\$ 195		\$ (3,289)	\$ (87)

^(A) Included in this amount is \$(1,457), net of tax, reflected in the Derivatives Not Designated as Hedging Instruments Under SFAS 133 table, as \$(2,350), pre-tax, as a result of a de-designated cash flow hedge as described below.

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(Amounts in thousands, except per share figures)

The following table summarizes the impact of derivative instruments on the Condensed Consolidated Statements of Operations (Unaudited) for the six month period ended March 29, 2009 and March 30, 2008, respectively, net of tax:

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Accumulated OCI on Derivatives (Effective Portion) Six month period ended		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Six month period ended		Location of Gain (Loss) Recognized in Income on Derivative Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) Six month period ended	
	2009	2008		2009	2008		2009	2008
Commodity contracts	\$ (4,303)	\$ (4,724)	Cost of goods sold	\$ (3,737)	\$ (2,223)	Cost of goods sold	\$ 25	\$ (450)
Interest rate contracts	(4,747)	(7,727)	Interest expense	(159)	691	Interest expense	(3,316) ^(A)	
Foreign exchange contracts	516	295	Net Sales	(96)	(754)	Net sales		
Foreign exchange contracts	4,599	(5,761)	Cost of goods sold	2,361	(2,677)	Cost of goods sold		
Commodity contracts		3,701	Discontinued operations	(243)	2,800	Discontinued operations	(1,643)	32
Total	\$ (3,935)	\$ (14,216)		\$ (1,874)	\$ (2,163)		\$ (4,934)	\$ (418)

^(A) Included in this amount is \$(1,457), net of tax, reflected in the Derivatives Not Designated as Hedging Instruments Under SFAS 133 table, as \$(2,350), pre-tax, as a result of a de-designated cash flow hedge as described below.

Derivative Contracts

For derivative instruments that are used to economically hedge the change in the fair value of the Company's third party and intercompany assets and liabilities subject to foreign currency fluctuation and interest rate payments, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three and six month periods ended March 29, 2009 and March 30, 2008, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under SFAS 133	Amount of Gain (Loss) Recognized in Income on Derivatives		Location of Gain or (Loss) Recognized in Income on
	Three month period ended	Six month period ended	

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	2009	2008	2009	2008	Derivatives
Interest rate contracts ^(A)	\$ (2,350)	\$	\$ (2,350)	\$	Interest expense
Foreign exchange contracts	4,963	(9,191)	6,458	(15,627)	Other expense (income), net
Total	\$ 2,613	\$ (9,191)	\$ 4,108	\$ (15,627)	

^(A) Amount represents ineffective portion of certain future payments related to an interest rate contract that was de-designated as a cash flow hedge during the pendency of the Bankruptcy Cases.

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Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Credit Risk

The Company is exposed to the default risk of the counterparties in which the Company transacts. The Company monitors counterparty credit risk on an individual basis by periodically assessing the counterparties credit rating exposure. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was \$0 at both March 29, 2009 and September 30, 2008. Additionally, the Company does not require collateral or other security to support financial instruments subject to credit risk.

The Company's standard contracts do not contain credit risk related contingencies whereby the Company would be required to post additional cash collateral as a result of a credit event. However, as a result of the Company's current credit profile, the Company is typically required to post collateral in the normal course of business to offset its liability positions. At March 29, 2009 and September 30, 2008, the Company had posted collateral of \$0 and \$13,227, respectively, related to such liability positions. The collateral is included in Current Receivables Other within the Condensed Consolidated Balance Sheets (Unaudited).

Derivative Financial Instruments

Cash Flow Hedges

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

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated Other Comprehensive Income (AOCI) and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three month periods ended March 29, 2009 and March 30, 2008, \$5,348 and \$662, of pretax derivative losses and gains, respectively, from such hedges were recorded as an adjustment to Interest expense. The hedges are generally highly effective, however, during the three month periods ended March 29, 2009 and March 30, 2008, and in connection with the pendency of the Bankruptcy Cases, \$5,348 and \$0, of losses, respectively, were recorded as adjustments to interest expense for ineffectiveness for such hedges and included in the amounts above. During the six month periods ended March 29, 2009 and March 30, 2008, \$6,171 and \$2,264, of pretax derivative losses and gains, respectively, from such hedges were recorded as an adjustment to Interest expense. The hedges are generally highly effective, however, during the six month periods ended March 29, 2009 and March 30, 2008, and in connection with the pendency of the Bankruptcy Cases, \$5,348 and \$0, of losses, respectively, were recorded as adjustments to Interest expense for ineffectiveness for such hedges and included in the amounts above. At March 29, 2009 the Company had a portfolio of USD-denominated interest rate swaps outstanding which effectively fixes the interest rates on

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

floating rate debt, exclusive of lender spreads, at the following rates: 5.48% for a notional principal amount of \$125,000 through March 2010. During the three month and six month periods ended March 29, 2009, as a result of the Bankruptcy Cases, a counterparty terminated a series of such contracts prior to their scheduled maturities at a loss to the Company of \$7,023. The Company expects the loss on the termination to remain unpaid during the pendency of the Bankruptcy Cases. Upon emergence from the Bankruptcy Filing, the Company expects the underlying transactions to occur in the future as forecast therefore, the related pretax derivative losses for the expected post-emergence period remain recorded in AOCI and will be reclassified from AOCI into earnings upon the contracts normal scheduled maturities. The derivative net loss on open and terminated contracts recorded in AOCI at March 29, 2009 was \$4,877, net of tax benefit of \$2,989. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was \$3,604, net of tax benefit of \$2,209. At March 29, 2009, the portion of derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months was \$3,362, net of tax benefit. As a result of the early termination of such contracts, the portion of derivative net losses included in the amounts above to be reclassified from AOCI into earnings over the next 12 months is \$1,724, net of tax benefit.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales or product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net sales or purchase price variance in Cost of goods sold. During the three month periods ended March 29, 2009 and March 30, 2008, \$56 and \$416, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Net sales. During the six month periods ended March 29, 2009 and March 30, 2008, \$19 and \$1,374, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Net sales. During the three and six month periods ended March 29, 2009 and March 30, 2008, the pretax derivative adjustment to earnings for ineffectiveness from these contracts was \$0. During the three month periods ended March 29, 2009 and March 30, 2008, \$2,281 and \$1,804, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. During the six month periods ended March 29, 2009 and March 30, 2008, \$5,625 and \$4,698, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to Cost of goods sold. During the three and six month periods ended March 29, 2009 and March 30, 2008, the pretax derivative adjustment to earnings for ineffectiveness from these contracts was \$0. During the six month period ended March 29, 2009, the Company terminated a series of such contracts prior to their scheduled maturities at a gain, receiving \$13,571 in cash. The hedged transactions are expected to occur in the future as forecast therefore, the related pretax derivative gains remain recorded in AOCI. These pretax derivative gains will be reclassified from AOCI into earnings upon the contracts normal scheduled maturities. The derivative net gain on open and terminated contracts recorded in AOCI at March 29, 2009 was \$6,441, net of tax expense of \$2,797. The derivative net gain on these contracts recorded in AOCI at September 30, 2008 was \$3,591, net of tax expense of \$1,482. At March 29, 2009, the portion of derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months was \$5,927, net of tax expense. As a result of the early termination of such contracts, the portion of non-cash derivative net gains to be reclassified from AOCI into earnings over the next 12 months included in the amounts above is \$6,526, net of tax expense. At March 29, 2009, the Company had a series of such foreign exchange contracts outstanding through September 2010, in the amount of \$5,314. At September 30, 2008, \$144,776 of such foreign exchange contracts were outstanding.

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

The Company is exposed to risk from fluctuating prices for raw materials, including zinc, used in its manufacturing processes. The Company hedges a portion of the risk associated with zinc through the use of commodity call options and swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affected earnings. The call options effectively cap the floating price on a specified quantity of raw materials through a specified date. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. During the three month periods ended March 29, 2009 and March 30, 2008, \$3,477 and \$2,564, of pretax derivative losses, respectively, were recorded as an adjustment to Cost of goods sold for swap or option contracts settled at maturity. The hedges are generally highly effective, however, during the three month periods ended March 29, 2009 and March 30, 2008, \$260 and \$61 of pretax derivative gains, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. During the six month periods ended March 29, 2009 and March 30, 2008, \$7,035 and \$4,429, of pretax derivative losses, respectively, were recorded as an adjustment to Cost of goods sold for swap or option contracts settled at maturity. The hedges are generally highly effective, however, during the six month periods ended March 29, 2009 and March 30, 2008, \$542 and \$291, of pretax derivative gains and losses, respectively, were recorded as an adjustment to Cost of goods sold for ineffectiveness. During the three month and six month periods ended March 29, 2009, as a result of the Bankruptcy Cases, a counterparty terminated the Company's open zinc contracts prior to their scheduled maturities at a loss requiring the Company to settle \$10,758 in cash. The underlying transactions are expected to occur in the future as forecast therefore, the related pretax derivative losses remain recorded in AOCI and will be reclassified from AOCI into earnings upon the contracts normal scheduled maturities. The derivative net loss on the terminated zinc contracts recorded in AOCI at March 29, 2009 was \$5,988, net of tax benefit of \$3,201. The derivative net loss on these contracts recorded in AOCI at September 30, 2008 was \$5,396, net of tax benefit of \$2,911. At March 29, 2009, the portion of non-cash derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is \$5,190, net of tax benefit. At March 29, 2009, no zinc commodity contracts were outstanding. At September 30, 2008, 13 metric tons of a series of zinc commodity contracts were outstanding with a contract value of \$31,030.

Prior to closure of the growing products portion of the Home and Garden Business, the Company was exposed to risk from fluctuating prices for raw materials, including urea and DAP. The Company hedged a portion of the risk associated with these materials through the use of commodity call options and swaps. The hedge contracts were designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts were reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The call options effectively capped the floating price on a specified quantity of raw materials through a specified date. The swaps effectively fixed the floating price on a specified quantity of raw materials through a specified date. During the three month periods ended March 29, 2009 and March 30, 2008, \$0 and \$3,291, of pretax derivative gains, respectively, were recorded as an adjustment to Loss from discontinued operations, net for swap or option contracts settled at maturity. The hedges were generally highly effective, however, during the three month periods ended March 29, 2009 and March 30, 2008, \$0 and \$37, of pretax derivative losses, respectively, were recorded as an adjustment to Loss from discontinued operations, net for ineffectiveness. During the six month periods ended March 29, 2009 and March 30, 2008, \$2,116 and \$4,993, of pretax derivative losses and gains, respectively, were recorded as an adjustment to Loss from discontinued operations, net for swap or option contracts settled at maturity. The hedges were generally highly effective, however, during the six month periods ended March 29, 2009 and March 30, 2008, \$0 and \$12, of pretax derivative losses, respectively, were recorded as an adjustment to Loss from discontinued operations, net for ineffectiveness. In connection with closure of the growing products portion of the Home and Garden Business, all amounts related to remaining urea and DAP

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

hedge contracts were deemed ineffective and reclassified from AOCI into earnings. As a result, during the three and six month periods ending March 29, 2009, \$74 and \$12,803, of pretax derivative losses, respectively, were recorded as an adjustment to Loss from discontinued operations, net for ineffectiveness. The derivative net loss on urea and DAP contracts recorded in AOCI at September 30, 2008 was \$1,886, net of tax benefit of \$1,127. At March 29, 2009, there were no amounts remaining in AOCI for urea or DAP contracts. At September 30, 2008, 41 short tons of a series of such contracts were outstanding with a contract value of \$29,174. See Note 3, Significant Accounting Policies - Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

Derivative Contracts

The Company periodically enters into forward, swap or put option foreign exchange contracts to economically hedge the risk from the change in the fair value of third party and intercompany assets and liabilities subject to foreign currency fluctuation. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Brazilian Reals or Canadian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the Condensed Consolidated Balance Sheets (Unaudited). The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. During the three month periods ended March 29, 2009 and March 30, 2008, \$4,963 and \$9,191, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. During the six month periods ended March 29, 2009 and March 30, 2008, \$6,458 and \$15,627, of pretax derivative gains and losses, respectively, from such hedges were recorded as an adjustment to earnings in Other income, net. At March 29, 2009, \$87,108 of such foreign exchange derivative contracts were outstanding. At September 30, 2008, \$110,174 of such foreign exchange derivative contracts were outstanding.

During the Company's three month period ended March 29, 2009, as a result of the Bankruptcy Cases, the Company determined that a previously designated cash flow hedge relationship associated with an interest rate swap became ineffective as of the Company's Petition Date. As a result, the Company reclassified approximately \$(2,350), pretax, or \$(1,457), net of tax, of losses from AOCI that were recorded as an adjustment to earnings in Interest expense for the three and six month periods ended March 29, 2009. The Company expects the underlying transactions to occur in the future as forecasted; therefore, the related derivative losses for the expected post-emergence period remain recorded in AOCI, net of tax, and will be reclassified from AOCI into earnings upon the underlying normal scheduled maturities. As a result, the portion of derivative net losses to be reclassified from AOCI into earnings over the next 12 months is \$1,638, net of tax benefit. The Company has reclassified this derivative contract as an economic derivative hedge for the pendency of the Bankruptcy Cases.

Fair Value of Financial Instruments: Effective October 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. Broadly, the SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The Company utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of the fair values considers various factors, including closing exchange or over-the-counter market pricing quotations, time value and credit quality factors underlying options and contracts. The fair value of

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

certain derivative financial instruments is estimated using pricing models based on contracts with similar terms and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of the Company's derivative financial instruments assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance which is calculated based on the probability of default by the Company, the Company adjusts its derivative contract liabilities to reflect the price at which a potential market participant would be willing to assume the Company's liabilities. The adoption of SFAS 157 did not have a material affect on the Company's statements of operations, financial position or cash flows.

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

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

The Company maintains policies and procedures to value instruments using the best and most relevant data available. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls must be determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. In addition, the Company has risk management teams that review valuation, including independent price validation for certain instruments. Further, in other instances, the Company retains independent pricing vendors to assist in valuing certain instruments.

The Company's derivatives are valued using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities. The Company's derivative portfolio as of March 29, 2009 contains Level 2 instruments and represents interest rate and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	\$	\$ 1,094	\$	\$ 1,094
Total Assets	\$	\$ 1,094	\$	\$ 1,094
Liabilities:				
Foreign exchange contracts	\$	\$ (966)	\$	\$ (966)
Interest rate contracts		(6,192)		(6,192)

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Total Liabilities	\$	\$ (7,158)	\$	\$ (7,158)
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Effective October 1, 2008, the Company also adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115*, (SFAS 159), which

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

(Amounts in thousands, except per share figures)

permits an entity to measure many financial instruments and certain other items at fair value by electing a fair value option. Once elected, the fair value option may be applied on an instrument by instrument basis, is irrevocable and is applied only to entire instruments. SFAS 159 also requires companies with trading and available-for-sale securities to report the unrealized gains and losses for which the fair value option has been elected. The adoption of SFAS 159 did not affect the Company's results of operations, financial position or cash flows as the Company did not elect the fair value option for any of its financial instruments.

4 OTHER COMPREHENSIVE LOSS

Comprehensive loss and the components of other comprehensive loss, net of tax, for the three and six month periods ended March 29, 2009 and March 30, 2008, respectively, are as follows:

	Three Months		Six Months	
	2009	2008	2009	2008
Net loss	\$ (60,449)	\$ (111,713)	\$ (173,106)	\$ (155,115)
Other comprehensive income:				
Foreign currency translation	(3,986)	30,082	(28,285)	39,482
Valuation allowance adjustments	1,029	(3,269)	557	(4,636)
Pension liability adjustments		103		206
Net unrealized gain (loss) on derivative instruments	269	(8,365)	2,609	(11,622)
Net change to derive comprehensive income for the period	(2,688)	18,551	(25,119)	23,430
Comprehensive loss	\$ (63,137)	\$ (93,162)	\$ (198,225)	\$ (131,685)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders' deficit. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three and six month periods ended March 29, 2009 and March 30, 2008, were primarily attributable to the impact of translation of the net assets of the Company's European operations, primarily denominated in Euros and Pounds Sterling.

5 NET LOSS PER COMMON SHARE

Net loss per common share for the three and six month periods ended March 29, 2009 and March 30, 2008, respectively, is calculated based upon the following number of shares:

	Three Months		Six Months	
	2009	2008	2009	2008
Basic	51,354	50,897	51,404	50,937
Effect of restricted stock and assumed conversion of options				
Diluted	51,354	50,897	51,404	50,937

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For the three and six month periods ended March 29, 2009 and March 30, 2008, respectively, the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

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(Amounts in thousands, except per share figures)

6 INVENTORIES

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

	March 29, 2009	September 30, 2008
Raw materials	\$ 75,266	\$ 89,811
Work-in-process	28,608	26,160
Finished goods	283,057	267,289
	\$ 386,931	\$ 383,260

7 GOODWILL AND ACQUIRED INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	Global Batteries & Personal Care	Home and Garden	Global Pet Supplies	Total
Goodwill:				
Balance as of September 30, 2008	\$ 117,649	\$	\$ 117,819	\$ 235,468
Additions	2,762			2,762
Effect of translation	(6,556)		(2,871)	(9,427)
Balance as of March 29, 2009	\$ 113,855	\$	\$ 114,948	\$ 228,803
Intangible Assets:				
Trade names Not Subject to Amortization				
Balance as of September 30, 2008	\$ 286,260	\$ 57,000	\$ 218,345	\$ 561,605
Reclassification ^(A)		(12,000)		(12,000)
Effect of translation	(4,322)		(5,496)	(9,818)
Balance as of March 29, 2009	\$ 281,938	\$ 45,000	\$ 212,849	\$ 539,787
Intangible Assets Subject to Amortization				
Balance as of September 30, 2008, net	\$ 11,829	\$ 58,357	\$ 111,018	\$ 181,204
Additions ^(A)	500	12,000	27	12,527
Disposals ^(B)		(11,595)		(11,595)
Amortization during period	(525)	(3,398)	(6,390)	(10,313)
Effect of translation	(716)		(3,004)	(3,720)
Balance as of March 29, 2009, net	\$ 11,088	\$ 55,364	\$ 101,651	\$ 168,103

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Total Intangible Assets, net as of March 29, 2009	\$	293,026	\$ 100,364	\$ 314,500	\$ 707,890
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- (A) During the first quarter of Fiscal 2009, the Company reclassified the Home and Garden Business growing products trade names not subject to amortization to intangible trade names subject to amortization as the trade names have been assigned a useful life through the term of the shutdown period. The Company substantially completed the shut down of the growing products portion of the Home and Garden Business as of January 31, 2009. See Note 1, Description of Business, for further details on the committed shutdown of the growing products portion of the Home and Garden Business.
- (B) During the second quarter of Fiscal 2009, the Company reclassified the growing products portion of the Home and Garden Business to discontinued operations as the Company completed the shutdown of the

Table of Contents**SPECTRUM BRANDS, INC.****Debtor and Debtor-in-Possession****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****(Amounts in thousands, except per share figures)**

business during that period. The Company disposed of all intangible assets related to the growing products portion of the Home and Garden Business. See Note 3, Significant Accounting Policies - Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

Intangible assets subject to amortization include proprietary technology, customer relationship intangibles and certain trade names. The carrying value of technology assets was \$29,983, net of accumulated amortization of \$16,529, at March 29, 2009, and \$32,120, net of accumulated amortization of \$14,660, at September 30, 2008. The carrying value of customer relationship intangibles was \$136,257, net of accumulated amortization of \$66,995, at March 29, 2009, and \$147,264, net of accumulated amortization of \$58,913, at September 30, 2008. The carrying value of trade name intangibles was \$1,863, net of accumulated amortization of \$9,497 at March 29, 2009, and \$1,820, net of accumulated amortization of \$9,135 at September 30, 2008. Of the intangible assets acquired in the United acquisition and the Company's acquisition of Jungle Laboratories Corporation (Jungle Labs), customer relationships and technology assets have been assigned a life of approximately 12 years and other intangibles have been assigned lives of 1 year to 4 years. Of the intangible assets acquired in the Company's acquisition of Tetra, customer relationships have been assigned an estimated useful life of approximately 12 years and technology assets have been assigned a 6 year life.

Amortization expense for the three and six month periods ended March 29, 2009 and March 30, 2008, respectively, is as follows:

	Three Months		Six Months	
	2009	2008	2009	2008
Proprietary technology amortization	\$ 933	\$ 964	\$ 1,869	\$ 1,916
Customer relationships amortization	4,037	12,293	8,082	14,838
Trade names amortization	262	504	362	227
	\$ 5,232	\$ 13,761	\$ 10,313	\$ 16,981

The Company estimates annual amortization expense for the next five fiscal years will approximate \$18,049 per year.

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(Amounts in thousands, except per share figures)

8 DEBT

Debt consists of the following:

	March 29, 2009		September 30, 2008	
	Amount	Rate ^(A)	Amount	Rate ^(A)
Senior Subordinated Notes, due February 1, 2015	\$ 700,000	7.4%	\$ 700,000	7.4%
Senior Subordinated Notes, due October 1, 2013	2,873	8.5%	2,873	8.5%
Senior Subordinated Notes, due October 2, 2013	347,012	12.5%	347,012	12.0%
Term Loan B, U.S. Dollar, expiring March 30, 2013	973,998	6.1%	976,458	6.8%
Term Loan, Euro, expiring March 30, 2013	345,130	5.8%	369,283	9.6%
Un-reimbursed draws on letters of credit	19,699	6.3%		
Revolving Credit Facility, expiring September 28, 2011			80,000	5.0%
Revolving DIP Credit Facility	136,206	6.8%		
Supplemental Loan	45,000	17.5%		
Other notes and obligations	19,103	6.9%	34,210	9.7%
Capitalized lease obligations	12,292	4.9%	13,583	4.9%
	2,601,313		2,523,419	
Less pre-petition debt subject to compromise	1,049,885			
Less current maturities	189,110		48,637	
Long-term debt	\$ 1,362,318		\$ 2,474,782	

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

Defaults on Pre-Petition Indebtedness

The Bankruptcy Filing, as described above in Note 2, Voluntary Reorganization Under Charter 11, constituted an event of default under the Company's senior secured term credit facility agreement. As a result of such default, the commitments under the senior secured term credit facility immediately terminated and all borrowings, with accrued interest thereon, and all other amounts owed by the Company, including all amounts under outstanding letters of credit, became immediately due and payable. As further described under *Senior Term Credit Facility and ABL Facility* and *Debtor-In-Possession Financing* below, the Company's senior secured asset-based loan facility credit agreement has been amended and excludes the filing of the Bankruptcy Cases as an event of default. In addition, the filing constituted an event of default under the respective indentures governing the Company's Variable Rate Notes, the 7/8 Notes and the 8 1/2 Notes. As a result of such default, the principal amount plus accrued and unpaid interest on the respective related notes is due and payable. As of February 1, 2009, the aggregate principal amounts outstanding under the senior secured term loan facility is approximately \$1,304,557, and the aggregate principal amounts outstanding under the 7 3/8 Notes, the Variable Notes and the 8 1/2 Notes are approximately \$700,000, \$347,000 and \$3,000, respectively.

On February 2, 2009, the Company did not make a \$25,813 interest payment due February 2, 2009 on the Company's 7/8 Notes.

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

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Senior Term Credit Facility and ABL Facility

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

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

During the three month period ended March 29, 2009, the Company made \$3,373 of scheduled prepayments of term loan indebtedness under its Senior Credit Agreement. Pursuant to an order from the Bankruptcy Court entered on April 22, 2009, the Company is required to make certain adequate protection payments with respect to the Senior Term Credit Facility. These payments include fees, costs and expenses incurred by the agent under the Senior Term Credit Facility and the agent s professionals. The Company is also required until August 28, 2009 to make cash payments of interest at the non-default rate as and when due pursuant to the terms of the Senior Credit Agreement, subject to certain specified conditions, including, among others, sufficient availability as reflected in the Company s revised budget prepared in connection with the Company s DIP Facility.

At March 29, 2009, the aggregate amount outstanding under the Company s Senior Credit Facilities totaled a U.S. Dollar equivalent of \$1,509,739, including principal amounts of \$973,998 under the U.S. Dollar Term B Loan, 255,198 under the Euro Facility (USD \$345,130 at March 29, 2009), \$141,906 under the Revolving DIP Credit Facility, including \$5,700 in letters of credit, \$19,699 of un-reimbursed letters of credit, and letters of credit outstanding under the L/C Facility totaling \$29,006 at March 29, 2009.

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

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. As discussed above, the Bankruptcy Filing constituted an event of default under the Senior Term Credit Facility and the indebtedness under the facility has been accelerated; however, the claims in respect of the Senior Credit Agreement are not impaired under the Proposed Plan and the indebtedness under the Senior Term Credit Facility continues to be classified as Long-term debt, net of current maturities, in the Condensed Consolidated Balance Sheets (Unaudited).

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

Debtor-In-Possession Financing

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

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

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

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

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(Amounts in thousands, except per share figures)

Company has satisfied the 45 day requirement. The Company has classified the DIP Facility as current based on the requirement of Emerging Issues Task Force (EITF) Issue No. 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement*.

As a result of borrowings and payments under the DIP Facility during the quarter ended March 29, 2009, the Company had aggregate borrowing availability of approximately \$48,094, net of lender reserves of \$33,958 and outstanding letters of credit of \$5,700, under the DIP Facility.

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

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

The DIP Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting, a maximum variance to budget covenant and other provisions directly relating to the Bankruptcy Cases. The DIP Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts due outstanding under the DIP Facility may be accelerated and the rights and remedies of the lenders under the DIP Facility available under the applicable loan documents may be exercised, including rights with respect to the collateral securing obligations under the DIP Facility. As of March 29, 2009, the Company was in compliance with all covenants under the DIP Facility.

The Company currently believes that cash on hand, funds from its operations and availability under the DIP Facility will provide the Company with sufficient liquidity to fund its operations, capital expenditures and debt service obligations under the DIP Facility during Chapter 11 proceedings. Also, the Company expects to have additional liquidity during Chapter 11 proceedings as a result of the stay of certain pre-petition liabilities. However, the Company's ability to continue as a going concern is predicated upon, among other things, the timely confirmation and consummation of a satisfactory plan of reorganization, compliance with the provisions

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of the DIP Facility, the Company's ability to generate sufficient cash flows from operations and the Company's ability to obtain financing sufficient to satisfy its future obligations. The Company can provide no assurance that it will be successful in this regard.

Senior Subordinated Notes

At March 29, 2009, the Company had outstanding principal of \$700,000 under the 7³/₈ Notes, outstanding principal of \$2,873 under the 8¹/₂ Notes, and outstanding principal of \$347,012 under its Variable Rate Notes, collectively, the Senior Subordinated Notes. The Variable Rate Notes are subject to a variable rate of interest that increases semi-annually, varying depending on whether interest is paid in cash or increased principal. As of March 29, 2009, the Variable Rate Notes bore interest at a rate of 12¹/₂%.

The indentures governing the Senior Subordinated Notes contain 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 sell all or substantially all assets, and transactions with affiliates.

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

As discussed above, the Company did not make its February 2, 2009, interest payment on the 7³/₈ Notes. In addition, the Company did not make an April 1, 2009 interest payment on the Variable Rate Notes. The holders of Senior Subordinated Notes hold unsecured claims in the Bankruptcy Cases with respect to the indebtedness under the Senior Subordinated Notes as of the time of the Bankruptcy Filing. As of March 29, 2009, the Senior Subordinated Notes are presented within Liabilities subject to compromise in the Condensed Consolidated Balance Sheets (Unaudited).

9 EMPLOYEE BENEFIT PLANS

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

The Company also sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with

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(Amounts in thousands, except per share figures)

government-sponsored plans, which are not significant in the aggregate and therefore are not included in the information presented below.

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

The Company's results of operations for the three month periods ended March 29, 2009 and March 30, 2008, respectively, reflect the following pension and deferred compensation benefit costs:

Components of net periodic pension benefit and deferred compensation benefit cost	Three Months		Six Months	
	2009	2008	2009	2008
Service cost	\$ 601	\$ 668	\$ 1,202	\$ 1,336
Interest cost	1,727	1,669	3,453	3,338
Expected return on assets	(1,147)	(1,207)	(2,295)	(2,414)
Amortization of prior service cost	55	63	110	127
Recognized net actuarial loss	39	70	79	139
Employee contributions	(29)		(58)	
Net periodic benefit cost	\$ 1,246	\$ 1,263	\$ 2,491	\$ 2,526

Pension and deferred compensation contributions	Three Months		Six Months	
	2009	2008	2009	2008
Contributions made during period	\$ 713	\$ 1,309	\$ 1,250	\$ 1,979

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

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually from 3% to 6% of participants compensation based on age or service, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three and six month period ended March 29, 2009, was \$1,235 and \$2,449, respectively.

The measurement date provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, (SFAS 158), which for the Company becomes effective for the fiscal year ending September 30, 2009, will require the Company to measure all of its defined benefit pension and postretirement plan assets and obligations as of

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(Amounts in thousands, except per share figures)

September 30, its fiscal year end. The Company currently measures plan assets and obligations of its domestic pension plans as of June 30 each year and either June 30 or September 30 each year for its foreign pension plans and its domestic other postretirement plans. The Company is currently evaluating the impact of adopting the measurement date provisions of SFAS 158 on its consolidated financial statements.

10 INCOME TAXES

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

Certain of the Company's German legal entities are currently undergoing audits for the fiscal years ended September 30, 2002 through September 30, 2005. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

11 SEGMENT RESULTS

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

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

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

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

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(Amounts in thousands, except per share figures)

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting. Segment information for the three and six month periods ended March 29, 2009 and March 30, 2008, respectively, is as follows:

	Three Months		Six Months	
	2009	2008	2009	2008
<i>Net sales from external customers</i>				
Global Batteries & Personal Care	\$ 287,477	\$ 307,596	\$ 676,836	\$ 725,655
Global Pet Supplies	142,131	148,408	274,491	290,869
Home and Garden Business	73,654	76,448	100,438	103,370
Total segments	\$ 503,262	\$ 532,452	\$ 1,051,765	\$ 1,119,894

	Three Months		Six Months	
	2009	2008	2009	2008
<i>Segment profit (loss)</i>				
Global Batteries & Personal Care	\$ 33,829	\$ 24,675	\$ 87,090	\$ 71,766
Global Pet Supplies	14,523	15,276	26,578	32,089
Home and Garden Business	8,891	(6,620)	(1,775)	(17,786)
Total segments	57,243	33,331	111,893	86,069
Corporate expense	7,917	9,142	16,334	17,505
Restructuring and related charges	16,140	5,370	37,168	10,383
Intangibles impairment		12,400		12,400
Interest expense	47,446	58,221	99,910	115,393
Other expense (income), net	710	(1,054)	4,387	(1,163)
Loss from continuing operations before reorganization items and income taxes	\$ (14,970)	\$ (50,748)	\$ (45,906)	\$ (68,449)

	March 29, 2009	September 30, 2008
<i>Segment total assets</i>		
Global Batteries & Personal Care	\$ 1,025,367	\$ 1,182,515
Global Pet Supplies	678,499	700,475
Home and Garden Business	285,994	289,628
Total segments	1,989,860	2,172,618
Corporate	35,293	74,861
Total assets at period end	\$ 2,025,153	\$ 2,247,479

12 RESTRUCTURING AND RELATED CHARGES

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

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(Amounts in thousands, except per share figures)

The Company reports restructuring and related charges relating to administrative functions in Operating expenses, such as initiatives impacting sales, marketing, distribution, or other non-manufacturing related functions. Restructuring and related charges reflected in Operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above, and other costs directly related to the initiatives implemented as well as consultation, legal and accounting fees related to the evaluation of the Company's capital structure incurred prior to the Bankruptcy Filing.

The following table summarizes restructuring and related charges incurred by segment for the three and six month periods ended March 29, 2009 and March 30, 2008, respectively:

	Three Months		Six Months	
	2009	2008	2009	2008
Cost of goods sold:				
Global Batteries & Personal Care	\$ 2,135	\$ 73	\$ 12,275	\$ 207
Global Pet Supplies	526	122	532	109
Total restructuring and related charges in cost of goods sold	2,661	195	12,807	316
Operating expenses:				
Global Batteries & Personal Care	2,768	2,762	7,309	4,538
Global Pet Supplies	1,474	687	3,959	966
Home and Garden Business	233	711	1,781	1,950
Corporate	9,004	1,015	11,312	2,613
Total restructuring and related charges in operating expenses	13,479	5,175	24,361	10,067
Total restructuring and related charges	\$ 16,140	\$ 5,370	\$ 37,168	\$ 10,383

2009 Restructuring Initiatives

The Company has 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 the Company's opportunities to improve its capital structure (the Global Cost Reduction Initiatives). These initiatives include headcount reductions within the Global Batteries & Personal Care segment and the Global Pet Supplies segment 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 the Company's capital structure. The Company recorded \$10,092 of pretax restructuring and related charges during both the three and six month periods ended March 29, 2009, related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately \$11,200.

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Global Cost Reduction Initiatives Summary

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

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$	\$	\$
Provisions	2,299	7,916	10,215
Cash expenditures	(620)	(7,598)	(8,218)
Non-cash items	1,335	113	1,448
Accrual balance at March 29, 2009	\$ 3,014	\$ 431	\$ 3,445
Expensed as incurred ^(A)	\$ (123)	\$	\$ (123)

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

The following table summarizes the expenses as incurred during the six month period ending March 29, 2009, the cumulative amount incurred to date and the total future expected costs incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries and Personal Care	Global Pet Supplies	Corporate	Total
Restructuring and related charges during Fiscal 2009	\$ 502	\$ 1,999	\$ 7,591	\$ 10,092
Restructuring and related charges since initiative inception	\$ 502	\$ 1,999	\$ 7,591	\$ 10,092
Total future restructuring and related charges expected	\$	\$ 1,101	\$	\$ 1,101

2008 Restructuring Initiatives

The Company implemented an initiative within the Global Batteries & Personal Care segment in China to reduce operating costs and rationalize the Company's manufacturing structure. These initiatives include the plan to exit the Company's Ningbo Baowang China battery manufacturing facility (the Ningbo Exit Plan). The Company recorded \$1,867 and \$12,262 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, and \$28,661 of pretax restructuring and related charges since the inception of the Ningbo Exit Plan. Costs associated with these initiatives, which are expected to be incurred through September 30, 2009, are projected at approximately \$30,295.

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(Amounts in thousands, except per share figures)

Ningbo Exit Plan Summary

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

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 911	\$ 233	\$ 1,144
Provisions	769	362	1,131
Cash expenditures	(1,653)	(239)	(1,892)
Non-cash items	(27)	1	(26)
Accrual balance at March 29, 2009	\$	\$ 357	\$ 357
Expensed as incurred ^(A)	\$	\$ 11,131	\$ 11,131

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

2007 Restructuring Initiatives

The Company has implemented a series of initiatives within the Global Batteries & Personal Care segment in Latin America to reduce operating costs (the Latin American Initiatives). These initiatives, which are substantially complete, include the reduction of certain manufacturing operations in Brazil and the restructuring of management, sales, marketing and support functions. The Company recorded \$60 and \$146 of pretax restructuring and related charges during the three and six months periods ended March 29, 2009, respectively, and \$12 during both the three and six month periods ended March 30, 2008, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of \$11,383 since the inception of the Latin American Initiatives.

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

Latin American Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 124	\$ 777	\$ 901
Cash expenditures	\$ (373)		(373)
Non-cash items		(236)	(236)
Accrual balance at March 29, 2009	\$ (249)	\$ 541	\$ 292
Expensed as incurred ^(A)	\$ 146	\$	\$ 146

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

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments; Global Batteries & Personal Care, Global Pet Supplies and the Home and Garden Business. As part of this realignment, the Company's Global Operations organization, previously included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these

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changes the Company undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives). The Company recorded \$4,110 and \$11,051 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, and \$4,532 and \$9,011 during the three and six month periods ended March 30, 2008, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through December 31, 2009, relate primarily to severance and are projected at approximately \$97,000, the majority of which will be cash costs.

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

Global Realignment Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 17,575	\$ 3,688	\$ 21,263
Provisions	6,197	(5)	6,192
Cash expenditures	(8,293)	(300)	(8,593)
Non-cash items	(262)	(732)	(994)
Accrual balance at March 29, 2009	\$ 15,217	\$ 2,651	\$ 17,868
Expensed as incurred ^(A)	\$ 2,856	\$ 2,003	\$ 4,859

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

The following table summarizes the expenses as incurred during the six month period ending March 29, 2009, the cumulative amount incurred to date and the total future expected costs incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries and Personal Care	Home and Garden	Corporate	Total
Restructuring and related charges during Fiscal 2009	\$ 6,682	\$ 648	\$ 3,721	\$ 11,051
Restructuring and related charges since initiative inception	\$ 49,177	\$ 6,913	\$ 28,170	\$ 84,260
Total future restructuring and related charges expected	\$	\$ 5,400	\$ 7,334	\$ 12,734

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize the Company's manufacturing structure (the European Initiatives). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Company recorded no pretax restructuring and related charges during the three and six month periods ended March 29, 2009, and \$(10) and \$164 during the three and six month periods ended March 30, 2008, respectively, in connection

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with the European Initiatives. The Company has recorded pretax restructuring and related charges of \$27,039 since the inception of the European Initiatives.

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(Amounts in thousands, except per share figures)

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

European Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 3,054	\$ 479	\$ 3,533
Cash expenditures	(276)	(84)	(360)
Non-cash items	(193)	(23)	(216)
Accrual balance at March 29, 2009	\$ 2,585	\$ 372	\$ 2,957

2005 Restructuring Initiatives

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

Effective October 1, 2006, initiatives to integrate the activities of the Home and Garden Business into the Company's operations in Madison, Wisconsin were suspended. The Company recorded \$11 and \$1,192 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, and \$27 and \$121 during the three and six month periods ended March 30, 2008, respectively, representing the finalization of expenditures in connection with the integration of the United home and garden business. The Company recorded pretax restructuring and related charges of \$31,918 since the inception of the initiatives.

Integration activities within Global Pet Supplies were substantially complete as of March 29, 2009. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of the distribution network. As a result of these integration initiatives, two pet supplies facilities were closed in 2005, one in Brea, California and the other in Hazleton, Pennsylvania, one pet supply facility was closed in 2006, in Hauppauge, New York and one pet supply facility was closed in 2007 in Moorpark, California. The Company recorded \$0 and \$2,491 of pretax restructuring and related charges during the three and six month periods ended March 29, 2009, respectively, and \$809 and \$1,075 during the three and six month periods ended March 30, 2008, respectively, representing the finalization of expenditures in connection with its integration activities within the Global Pet Supplies business. The Company has recorded pretax restructuring and related charges of \$37,053 since the inception of the integration activities within Global Pet Supplies.

During the fiscal year ended September 30, 2005, the Company also announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries and Personal Care. The Company recorded \$(7) of pretax restructuring and related charges during both the three and six month periods ended March 29, 2009, in connection with this closure. The costs associated with the initiative are complete and totaled \$10,948.

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(Amounts in thousands, except per share figures)

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

2005 Restructuring Initiatives Summary

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2008	\$ 1,214	\$ 1,519	\$ 2,733
Provisions	2,259	1,071	3,330
Cash expenditures	(1,210)	(1,297)	(2,507)
Reclassification to Liabilities Subject to Compromise ^(A)		(2,004)	(2,004)
Non-cash items	(1,153)	1,103	(50)
Accrual balance at March 29, 2009	\$ 1,110	\$ 392	\$ 1,502
Expensed as incurred ^(B)	\$ 209	\$ 137	\$ 346

^(A) Leases previously exited as part of the Company's restructuring efforts have been reclassified as Liabilities subject to compromise in accordance with SOP 90-7. The amount was reclassified prior to a \$591 loss on rejected lease as a result of the Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Charter 11, for further details on the Company's Liabilities subject to compromise.

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

2005 Restructuring Initiatives Summary Pursuant to Acquisition^(A)

	Other Costs
Accrual balance at September 30, 2008	\$ 4,985
Provisions	73
Cash expenditures	(580)
Reclassification to Liabilities Subject to Compromise ^(B)	(1,131)
Non-cash expenditures	(300)
Accrual balance at March 29, 2009	\$ 3,047

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

^(B)

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Leases previously exited as part of the Company's restructuring efforts have been reclassified as Liabilities subject to compromise in accordance with SOP 90-7. The amount was reclassified prior to a \$211 gain on rejected lease as a result of the Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Chapter 11, for further details on the Company's Liabilities subject to compromise.

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

13 COMMITMENTS AND CONTINGENCIES

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of approximately \$3,957, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Included in long-term liabilities assumed in connection with the acquisition of Microlite S.A. (Microlite) is a provision for presumed credits applied to the Brazilian excise tax on Manufactured Products, or IPI taxes . Although a previous ruling by the Brazilian Federal Supreme Court has been issued in favor of a specific Brazilian taxpayer with similar tax credits, on February 15, 2007 the Brazilian Federal Supreme Court ruled against certain Brazilian taxpayers with respect to the legality and constitutionality of the IPI presumed credits. This decision is applicable to all similarly-situated taxpayers. At March 29, 2009 and September 30, 2008, these amounts totaled approximately \$3,630 and \$14,243, respectively, and are included in Other long-term liabilities in the Condensed Consolidated Balance Sheets (Unaudited).

On February 3, 2009, all of the Company's U.S. subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code. The Company is subject to a number of contingencies in connection with its Bankruptcy Filing and related Bankruptcy Cases. See Note 2, Voluntary Reorganization Under Chapter 11, for a further description of the Bankruptcy Cases.

As a result of the Bankruptcy Filing, with certain exceptions or unless otherwise ordered by the Bankruptcy Court, the automatic stay under the Bankruptcy Code prevents parties from pursuing any pre-petition claims and lawsuits against the Company and its U.S. subsidiaries. Claims and lawsuits based upon liabilities arising after the Petition Date generally are not subject to the automatic stay.

The Company is a defendant in various other matters of litigation generally arising out of the normal course of business.

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

14 NEW ACCOUNTING PRONOUNCEMENTS

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

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), an amendment of Accounting Research Bulletin No. 51, Consolidated Financial

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Statements, which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company does not believe the adoption of SFAS 160 will have a material impact on its financial position, results of operations or cash flows.

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

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

In September 2006, the FASB issued SFAS 157, Fair Value Measurements (SFAS 157), which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. In February 2008, the FASB issued FSP 157-2, Effective Date of FASB Statement 157 (FSP 157-2), which allows for a one year deferral of the adoption date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company elected to defer the adoption of SFAS 157 for the assets and liabilities within the scope of FSP 157-2. In October 2008, the FASB issued FSP 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. The adoption of SFAS 157 for those assets and liabilities not subject to the deferral permitted by FSP 157-2 did not have a material impact on its financial position, results of operations or cash flows. The Company does not expect the adoption of SFAS 157 for non-financial assets and liabilities to have a material impact on its consolidated financial statements.

In December 2008, the FASB issued FSP No. 132(R)-1, Employers' Disclosures about Pensions and Other Postretirement Benefits (FSP 132R-1). FSP 132R-1 requires enhanced disclosures about the plan assets of a company's defined benefit pension and other postretirement plans. The enhanced disclosures required by this FSP are intended to provide users of financial statements with a greater understanding of: (1) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (2) the major categories of plan assets; (3) the inputs and valuation techniques used to measure the fair value of plan assets; (4) the effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and (5) significant concentrations of risk within plan assets. FSP 132R-1

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SPECTRUM BRANDS, INC.

Debtor and Debtor-in-Possession

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

is effective for fiscal years beginning after December 15, 2009. The Company does not believe the adoption of FSP 132R-1 will have a material impact on its financial position, results of operations or cash flows.

15 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

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

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

The following condensed combined financial statements also present in one format the financial information required for entities that have filed for reorganization relief under Chapter 11 of the Bankruptcy Code pursuant to SOP 90-7, and the financial information required with respect to those entities which guarantee certain of the Company's debt.

As of March 29, 2009, the Senior Subordinated Notes were guaranteed by all or some combination of the Guarantor Subsidiaries. The foreign subsidiaries did not guarantee these notes.

Financial Statements for Entities in Reorganization Under Chapter 11

As discussed in Note 2, Voluntary Reorganization Under Chapter 11, all of the Company's U.S. subsidiaries filed voluntary petitions for reorganization relief under Chapter 11 of the Bankruptcy Code. In accordance with SOP 90-7, condensed consolidating financial information is presented below.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Balance Sheet****March 29, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,787	\$ 3,042	\$ 45,727	\$	\$ 51,556
Receivables, net	379,115	448,837	207,601	(699,769)	335,784
Inventories	76,361	154,941	158,792	(3,163)	386,931
Assets held for sale	5,720	316	6,450		12,486
Prepaid expenses and other	3,770	31,548	21,540	733	57,591
Total current assets	467,753	638,684	440,110	(702,199)	844,348
Property, plant and equipment, net	36,006	51,513	97,821		185,340
Goodwill		58,653	167,826	2,324	228,803
Intangible assets, net	213,944	286,733	207,400	(187)	707,890
Deferred charges and other	678,071	414,711	(809,777)	(244,377)	38,628
Debt issuance costs	20,144				20,144
Investments in subsidiaries	3,682,394	3,199,032	3,406,958	(10,288,384)	
Total assets	\$ 5,098,312	\$ 4,649,326	\$ 3,510,338	\$ (11,232,823)	\$ 2,025,153
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	\$ 295,074	\$ 11	\$ 19,864	\$ (125,839)	\$ 189,110
Accounts payable	564,699	394,885	100,470	(873,234)	186,820
Accrued liabilities	78,870	36,211	95,313		210,394
Total current liabilities	938,643	431,107	215,647	(999,073)	586,324
Long-term debt, net of current maturities	1,350,805	591,154	37,651	(617,292)	1,362,318
Employee benefit obligations, net of current portion	7,331	(1,382)	33,824		39,773
Deferred income taxes	187,467	(53,947)	(7,163)		126,357
Other	10,253		31,347		41,600
Total liabilities	2,494,499	966,932	311,306	(1,616,365)	2,156,372
Liabilities subject to compromise	1,093,137				1,093,137
Shareholders' equity:					
Common stock	691	451	612,615	(613,066)	691
Additional paid-in capital	675,238	2,172,023	2,756,194	(4,927,920)	675,535
Accumulated deficit	(1,738,649)	(475,671)	(233,633)	579,932	(1,868,021)
Accumulated other comprehensive income (loss)	2,650,282	1,985,591	63,856	(4,655,404)	44,325
	1,587,562	3,682,394	3,199,032	(9,616,458)	(1,147,470)

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Less treasury stock, at cost	(76,886)				(76,886)
Total shareholders' equity	1,510,676	3,682,394	3,199,032	(9,616,458)	(1,224,356)
Total liabilities and shareholders' equity	\$ 5,098,312	\$ 4,649,326	\$ 3,510,338	\$ (11,232,823)	\$ 2,025,153

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Balance Sheet****September 30, 2008****(Unaudited)****(Amounts in thousands)**

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

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	1,947,456	3,908,119	3,357,348	(10,163,331)	(950,408)
Less treasury stock, at cost	(76,830)				(76,830)
Total shareholders' equity (deficit)	1,870,626	3,908,119	3,357,348	(10,163,331)	(1,027,238)
Total liabilities and shareholders' equity (deficit)	\$ 5,253,390	\$ 4,847,966	\$ 3,737,210	\$ (11,591,087)	\$ 2,247,479

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Three Month Period Ended March 29, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 88,477	\$ 226,624	\$ 216,052	\$ (27,891)	\$ 503,262
Cost of goods sold	54,269	164,152	127,492	(30,146)	315,767
Restructuring and related charges	2,091	525	45		2,661
Gross profit	32,117	61,947	88,515	2,255	184,834
Operating expenses:					
Selling	14,090	31,943	48,819	(4)	94,848
General and administrative	16,492	6,736	14,334		37,562
Research and development	3,699	1,310	750		5,759
Restructuring and related charges	11,063	651	1,765		13,479
	45,344	40,640	65,668	(4)	151,648
Operating (loss) income	(13,227)	21,307	22,847	2,259	33,186
Interest expense	35,065	6,588	5,801	(8)	47,446
Other (income) expense, net	(11,884)	3,535	1,762	7,297	710
(Loss) income from continuing operations before reorganization items, net and income taxes	(36,408)	11,184	15,284	(5,030)	(14,970)
Reorganization items, net	20,931	380			21,311
(Loss) income from continuing operations before income taxes	(57,339)	10,804	15,284	(5,030)	(36,281)
Income tax expense (benefit)	6,508	(2,540)	4,380		8,348
(Loss) income from continuing operations	(63,847)	13,343	10,904	(5,030)	(44,629)
Income (loss) from discontinuing operations, net of tax	1,178	(16,998)			(15,820)
Net (loss) income	\$ (62,669)	\$ (3,654)	\$ 10,904	\$ (5,030)	\$ (60,449)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Three Month Period Ended March 30, 2008****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 71,562	\$ 223,176	\$ 267,660	\$ (29,946)	\$ 532,452
Cost of goods sold	39,459	157,041	160,914	(30,652)	326,762
Restructuring and related charges		122	73		195
Gross profit	32,103	66,013	106,673	706	205,495
Operating expenses:					
Selling	17,427	38,289	64,225	62	120,003
General and administrative	17,743	21,483	16,128		55,354
Intangibles impairment		12,400			12,400
Research and development	3,347	1,584	1,213		6,144
Restructuring and related charges	2,782	1,398	995		5,175
	41,299	75,154	82,561	62	199,076
Operating (loss) income	(9,196)	(9,141)	24,112	644	6,419
Interest expense	45,504	6,162	6,679	(124)	58,221
Other income, net	(10,620)	(56,637)	(4,577)	70,780	(1,054)
(Loss) income from continuing operations before income taxes	(44,080)	41,334	22,010	(70,012)	(50,748)
Income tax expense (benefit)	68,346	(4,079)	1,604		65,871
(Loss) income from continuing operations	(112,426)	45,413	20,406	(70,012)	(116,619)
(Loss) income from discontinued operations, net of tax	(11)	4,163	754		4,906
Net (loss) income	\$ (112,437)	\$ 49,576	\$ 21,160	\$ (70,012)	\$ (111,713)

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Debtor and Debtor-in-Possession****Condensed Consolidating Statement of Operations****Six Month Period Ended March 29, 2009****(Unaudited)****(Amounts in thousands)**

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	\$ 196,888	\$ 429,523	\$ 467,932	\$ (42,578)	\$ 1,051,765
Cost of goods sold	115,500	328,548	263,278	(43,073)	664,253
Restructuring and related charges	8,544	532	3,732	(1)	12,807
Gross profit	72,844	100,443	200,922	496	374,705
Operating expenses:					
Selling	38,124	61,513	106,673	(129)	206,181
General and administrative	33,073	14,483	26,892	(1)	74,447
Research and development	7,061	2,710	1,555	(1)	11,325
Restructuring and related charges	15,753	4,5			