

HARBINGER GROUP INC.

Form PREM14C

October 08, 2010

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

SCHEDULE 14C

**INFORMATION STATEMENT PURSUANT TO SECTION 14(C) OF
THE SECURITIES EXCHANGE ACT OF 1934**

(Amendment No. __)

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d))
- Definitive Information Statement

HARBINGER GROUP INC.

(Name of Registrant as specified in its charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

1) Title of each class of securities to which transaction applies:

Common stock, \$0.01 par value per share, of Spectrum Brands Holdings, Inc. (SB Holdings)

2) Aggregate number of securities to which transaction applies:

27,756,905 (shares of SB Holdings common stock to be contributed by Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. to Harbinger Group Inc.)

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

\$27.37 (computed pursuant to Exchange Act Rule 0-11(c)(1) and 0-11(a)(4), the average of the high and low prices per share of SB Holdings common stock on the New York Stock Exchange as of October 1, 2010)

4) Proposed maximum aggregate value of transaction:

\$759,706,490 (the maximum aggregate value was determined based upon the product of (i) 27,756,905 shares of SB Holdings common stock and (ii) \$27.37)

5) Total fee paid:

\$54,167 (computed in accordance with Exchange Act Rule 0-11(c)(1) and Section 14(g) of the Exchange Act by multiplying the proposed maximum aggregate value of the transaction by 0.0000713)

- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

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HARBINGER GROUP INC.
450 PARK AVENUE, 27th FLOOR
NEW YORK, NEW YORK 10022
(212) 906-8555

NOTICE OF STOCKHOLDER ACTION BY WRITTEN CONSENT

_____, 2010

To Stockholders of Harbinger Group Inc.:

The purpose of this letter is to inform you of the following corporate actions:

on September 10, 2010, a special committee of the board of directors of Harbinger Group Inc., a Delaware corporation (we, us, our or HGI) and the HGI board of directors (based in part on the unanimous approval and recommendation of the committee) approved the Contribution and Exchange Agreement, dated as of September 10, 2010 (the Exchange Agreement), by and among us, Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (collectively, the Harbinger Parties), funds affiliated with Harbinger Capital Partners LLC (together with its affiliates, including the Harbinger Parties,

Harbinger), in the form of Annex A attached to this information statement, pursuant to which we will issue 119,909,830 shares of our common stock, \$0.01 par value per share (our common stock) to the Harbinger Parties in exchange for an aggregate of 27,756,905 shares of common stock of Spectrum Brands Holdings, Inc., a Delaware corporation (SB Holdings), owned by the Harbinger Parties (the Spectrum Brands Acquisition); and

on September 10, 2010, the Harbinger Parties, who held a majority of our outstanding common stock on that date, approved the issuance of our common stock pursuant to the Exchange Agreement by written consent in lieu of a meeting pursuant to Section 228 of the General Corporation Law of the State of Delaware (the DGCL).

The Harbinger Parties currently own 9,950,061 shares of our common stock, or approximately 51.6% of our outstanding common stock. The Harbinger Parties currently also own 34,256,905 shares of SB Holdings common stock, \$0.01 par value per share (SB Holdings common stock), or approximately 67.1% of the outstanding SB Holdings common stock. Pursuant to the Exchange Agreement, the Harbinger Parties will contribute 27,756,905 of their shares of SB Holdings common stock, or approximately 54.4% of the outstanding SB Holdings common stock, to us in exchange for 119,909,830 newly issued shares of our common stock. The exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average trading prices of our common stock and SB Holdings common stock on the New York Stock Exchange (the NYSE) for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties proposal for the Spectrum Brands Acquisition. On September 9, 2010, the last full trading day before the Exchange Agreement was approved, the closing sales prices of our common stock and SB Holdings common stock were \$5.98 per share and \$26.09 per share, respectively.

The consummation of the Spectrum Brands Acquisition will result in the following:

the Harbinger Parties will own approximately 93.3% of our outstanding common stock;

SB Holdings will become our majority-owned subsidiary and its results will be consolidated with our results in our financial statements;

the persons serving as HGI s and SB Holdings executive officers and directors will continue to serve in their same respective positions with HGI and SB Holdings;

we will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares;

Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock; and

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the remaining 32.9% of the outstanding SB Holdings common stock will continue to be owned by stockholders of SB Holdings who are not affiliated with Harbinger and the SB Holdings common stock will continue to be traded on the NYSE under the symbol SPB .

A special committee of our board of directors (the Committee), consisting solely of directors who have been determined by our board of directors to be independent under the NYSE rules, unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. Our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. The Harbinger Parties, holding a majority of the issued and outstanding shares of our common stock as of September 10, 2010, approved the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting. The Spectrum Brands Acquisition is conditioned upon the satisfaction of the rules of Regulation 14C promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), receipt of applicable regulatory approvals and other conditions described in the enclosed information statement.

The enclosed information statement describes the Spectrum Brands Acquisition, the Exchange Agreement, the transactions contemplated by the Exchange Agreement and other documents related to the Spectrum Brands Acquisition, and other related matters that may be of interest to our stockholders. Please carefully read the entire information statement as it contains important information, including the section captioned Risk Factors beginning on page 92, for a discussion of the risks relating to the Spectrum Brands Acquisition. You can obtain additional information about HGI, SB Holdings and Spectrum Brands, Inc., a wholly owned operating subsidiary of SB Holdings, from documents we and they have filed with the Securities and Exchange Commission (the SEC). See Where You Can Find More Information for instructions on how to obtain that information.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.
NO ACTION IN CONNECTION WITH THIS INFORMATION STATEMENT IS REQUIRED BY YOU.**

This notice and the enclosed information statement shall constitute notice to you of the action by written consent required by Section 228 of the DGCL.

The enclosed information statement is intended to provide certain information, pursuant to Section 14(c) of the Exchange Act and the rules and regulations prescribed thereunder, regarding the Spectrum Brands Acquisition to our stockholders who have not given their written consent to the Exchange Agreement. In accordance with Rule 14c-2 under the Exchange Act, we will not consummate the Spectrum Brands Acquisition until at least 20 calendar days have elapsed from the date we first mail this information statement to our stockholders.

Sincerely yours,

/s/ Philip A. Falcone
Philip A. Falcone, Chairman of the Board,
Chief Executive Officer and President

Neither the SEC nor any state securities regulatory agency has approved or disapproved the Exchange Agreement or the Spectrum Brands Acquisition, passed upon the merits or fairness thereof or passed upon the adequacy or accuracy of the disclosure in this notice or the information statement. Any representation to the contrary is a criminal offense.

The enclosed information statement is dated _____, 2010 and
is first being mailed to our stockholders on or about _____, 2010

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LIST OF ANNEXES

- Annex A** Contribution and Exchange Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd.
- Annex B** Registration Rights Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd.
- Annex C** Opinion of Houlihan Lokey Financial Advisors, Inc.
- Annex D** Harbinger Group Inc. Unaudited Condensed Consolidated Financial Statements for the Three and Six Months Ended June 30, 2010
- Annex E** Harbinger Group Inc. Management's Discussion and Analysis of Financial Condition and Results of Operation for the Three and Six Months Ended June 30, 2010
- Annex F** Harbinger Group Inc. Consolidated Financial Statements for the Fiscal Years Ended December 31, 2009 and 2008
- Annex G** Harbinger Group Inc. Management's Discussion and Analysis of Financial Condition and Results of Operation for the Fiscal Years Ended December 31, 2009 and 2008
- Annex H** Old Mutual U.S. Life Holdings, Inc. (i) Unaudited Pro Forma Condensed Combined Financial Statements for the Fiscal Year Ended December 31, 2009 and for the Six Month Period Ended June 30, 2010; (ii) Consolidated Financial Statements for the Fiscal Years Ended December 31, 2009 and 2008; and (iii) Unaudited Consolidated Financial Statements for the Six Months Ended June 30, 2010 and 2009

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**HARBINGER GROUP INC.
450 PARK AVENUE, 27th FLOOR
NEW YORK, NEW YORK 10022
(212) 906-8555**

INFORMATION STATEMENT

_____, 2010

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

This information statement is being mailed to the stockholders of Harbinger Group Inc., a Delaware corporation (we, us or our), on or about _____, 2010, in connection with the Exchange Agreement and Spectrum Brands Acquisition (each term as defined below) described below. On September 10, 2010, a special committee of our board of directors and our board of directors (based in part on the unanimous approval and recommendation of the committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our stockholders (other than the Harbinger Parties (as defined below)), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, the Harbinger Parties, who on that date held a majority of the issued and outstanding shares of our common stock, \$0.01 par value per share (our common stock), approved the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting.

Accordingly, this information statement is furnished solely for the purpose of informing our stockholders of the Spectrum Brands Acquisition, in the manner required under Regulation 14C of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the General Corporation Law of the State of Delaware (the DGCL). No other stockholder approval of the Exchange Agreement is required. The record date for determining stockholders entitled to receive this information statement is 5:00 p.m., prevailing Eastern Time, on _____, 2010 (the Record Date).

CORPORATE ACTION

Section 228 of the DGCL and our Bylaws permit the holders of a majority of our outstanding common stock to approve and authorize actions by written consent as if the actions were undertaken at a duly constituted meeting of our stockholders. On September 10, 2010, the Harbinger Parties, which held approximately 51.6% of our outstanding common stock on that date, approved the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting. As a result, no further vote of our stockholders is needed to approve the issuance of our common stock pursuant to the Exchange Agreement. As of September 10, 2010 and as of the Record Date, there were 19,286,290 shares of our common stock issued and outstanding.

A special committee of our board of directors and our board of directors (based in part on the unanimous approval and recommendation of the committee) have unanimously approved the Contribution and Exchange Agreement, dated as of September 10, 2010 (the Exchange Agreement), by and among us, Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (collectively, the Harbinger Parties), funds affiliated with Harbinger Capital Partners LLC (Harbinger Capital and together with its affiliates, including the Harbinger Parties, Harbinger), in the form of Annex A attached to this information statement,

pursuant to which we will issue 119,909,830 shares of our common stock to the Harbinger Parties in exchange for an aggregate of 27,756,905 shares of common stock, \$0.01 par value per share (the SB Holdings common stock) of Spectrum Brands Holdings, Inc., a Delaware corporation (SB Holdings), owned by the Harbinger Parties (the Spectrum Brands Acquisition).

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The Harbinger Parties currently own 9,950,061 shares of our common stock, or approximately 51.6% of our outstanding common stock. The Harbinger Parties currently also own 34,169,285 shares of SB Holdings common stock, or approximately 67.1% of the outstanding SB Holdings common stock. Pursuant to the Exchange Agreement, the Harbinger Parties will contribute 27,756,905 of their shares of SB Holdings common stock, or approximately 54.1% of the outstanding SB Holdings common stock calculated on a fully diluted basis, to us in exchange for 119,909,830 newly issued shares of our common stock. The exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average trading prices of our common stock (\$6.33) and SB Holdings common stock (\$27.36) on the New York Stock Exchange (the NYSE) for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties' proposal for the Spectrum Brands Acquisition. On September 9, 2010, the last full trading day before the Exchange Agreement was approved, the closing sales prices of our common stock and SB Holdings common stock were \$5.98 per share and \$26.09 per share, respectively.

After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own approximately 93.3% of our outstanding common stock.

The consummation of the Spectrum Brands Acquisition will result in the following:

the Harbinger Parties will own approximately 93.3% of our outstanding common stock;

SB Holdings will become our majority-owned subsidiary and its results will be consolidated with our results in our financial statements;

the persons serving as HGI's and SB Holdings' executive officers and directors will continue to serve in their same respective positions with HGI and SB Holdings;

we will own approximately 54.4% of the outstanding SB Holdings common stock, or approximately 54.1% of the fully diluted shares;

Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock; and

the remaining 32.9% of the outstanding SB Holdings common stock will continue to be owned by stockholders of SB Holdings who are not affiliated with Harbinger and the SB Holdings common stock will continue to be traded on the NYSE under the symbol SPB.

We will pay the expenses of furnishing this information statement, including the cost of preparing, assembling and mailing this information statement.

We expect to consummate the Spectrum Brands Acquisition on _____, 2010, which date is 20 calendar days after we first mail this information statement to our stockholders, or as soon as practicable thereafter, subject to obtaining all regulatory approvals and satisfaction or waiver of the closing conditions set forth in the Exchange Agreement.

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QUESTIONS AND ANSWERS ABOUT THE SPECTRUM BRANDS ACQUISITION

Following are questions and related answers that address some of the questions you may have regarding the pending Spectrum Brands Acquisition and related matters. These questions and answers may not contain all of the information relevant to you, do not purport to summarize all material information relating to the Exchange Agreement or any of the other matters discussed in this information statement, and are subject to, and are qualified in their entirety by, the more detailed information contained in or attached to this information statement. Therefore, you should read carefully this entire information statement, including the attached annexes and materials we refer you to fully understand the Exchange Agreement and the transactions contemplated thereby.

Unless otherwise indicated in this information statement or the context otherwise requires, throughout this information statement we refer to Harbinger Group Inc. as we, us, our, our company or HGI, to Spectrum Brands Holdings, Inc., a recently formed holding company, and, where applicable, its subsidiaries (including Spectrum Brands and Russell Hobbs), as SB Holdings, to Spectrum Brands, Inc. and, where applicable, its subsidiaries, as Spectrum Brands, to Russell Hobbs, Inc. and, where applicable, its subsidiaries, as Russell Hobbs, to Harbinger Capital Partners Master Fund I, Ltd., as Master Fund, to Harbinger Capital Partners Special Situations Fund, L.P., as Special Situations Fund, to Global Opportunities Breakaway Ltd., as Global Fund, to Master Fund, Special Situations Fund and Global Fund, collectively, as the Harbinger Parties, to Harbinger Capital Partners, LLC, as Harbinger Capital, to Harbinger Capital and its affiliates, including the Harbinger Parties, as Harbinger, and to the Contribution and Exchange Agreement, dated as of September 10, 2010, by and among us and the Harbinger Parties, as the Exchange Agreement. SB Holdings was created in connection with the combination of Spectrum Brands and Russell Hobbs (the SB/RH Merger). We use the term Spectrum Brands to refer to both Spectrum Brands and its subsidiaries prior to the SB/RH Merger and to SB Holdings and its subsidiaries subsequent to the SB/RH Merger.

Q: What is the Spectrum Brands Acquisition?

A: The Spectrum Brands Acquisition involves the contribution by the Harbinger Parties of 27,756,905 of their shares of SB Holdings common stock (the SB Holdings Contributed Shares) to us, or approximately 54.4% of the outstanding SB Holdings common stock, in exchange for 119,909,830 newly issued shares of our common stock. The exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average price of our common stock (\$6.33) and SB Holdings common stock (\$27.36) on the NYSE for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties' proposal for the Spectrum Brands Acquisition. A copy of the Exchange Agreement is attached as Annex A to this information statement.

Q: What is HGI acquiring and what will be the effect of the Spectrum Brands Acquisition?

A: In the Spectrum Brands Acquisition, we are acquiring approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares of SB Holdings common stock. As a result of the Spectrum Brands Acquisition: (i) the Harbinger Parties will own approximately 93.3% of our outstanding common stock, (ii) SB Holdings will become our majority-owned subsidiary and its results will be consolidated with our results in our financial statements, (iii) the persons serving as HGI's and SB Holdings' executive officers and directors will continue to serve in their same respective positions with HGI and SB Holdings, (iv) Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock and (v) the remaining 32.9% of the outstanding SB Holdings common stock will continue to be owned by stockholders of SB Holdings who are not affiliated with Harbinger and the SB Holdings common stock will continue to be traded on the NYSE under the

symbol SPB .

The Exchange Agreement permits the Harbinger Parties to contribute additional SB Holdings common stock to us at the closing of the Spectrum Brands Acquisition at the same exchange ratio. If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the closing of the Spectrum Brands Acquisition they will own, in the aggregate, approximately 94.4% of our outstanding common stock. Unless we state otherwise, the number of SB Holdings Contributed Shares and the number of shares of our common stock we issue in the Spectrum Brands

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Acquisition assumes the Harbinger Parties do not elect to contribute additional shares of SB Holdings common stock to us.

Q: What are the benefits to HGI of the Spectrum Brands Acquisition?

A: We will be acquiring a majority ownership in a premier consumer products company with more than \$3 billion in annual revenue from products carried in more than one million retail outlets globally. SB Holdings was recently formed to effect the combination of Spectrum Brands and Russell Hobbs on June 16, 2010. The combination of Spectrum Brands and Russell Hobbs created a diverse portfolio of market leading brands, including *Rayovac*, *VARTA*, *Remington*, *Hot Shot*, *Cutter*, *Repel*, *Spectracide*, *Tetra*, *8 in 1*, *Dingo*, *Black & Decker*, *George Foreman*, *Russell Hobbs*, *LitterMaid* and *Toastmaster*.

Q: What are the prior relationships among the Harbinger Parties, Spectrum Brands and HGI?

A: The Harbinger Parties own approximately 51.6% of our outstanding common stock. The Harbinger Parties also own approximately 67.1% of the outstanding SB Holdings common stock and they will contribute to us the SB Holdings Contributed Shares, or approximately 54.4% of the outstanding SB Holdings common stock. Immediately prior to the SB/RH Merger, the Harbinger Parties owned 40.6% of the outstanding Spectrum Brands common stock and 100% of the outstanding capital stock of Russell Hobbs and had an outstanding term loan to Russell Hobbs.

After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own approximately 93.3% of our outstanding common stock and Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock. The Harbinger Parties may have interests that differ from, and/or are in addition to, those of our other stockholders. For additional information, see the sections captioned *The Spectrum Brands Acquisition Background of the Spectrum Brands Acquisition*, *The Spectrum Brands Acquisition Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition* and *Principal Stockholders of HGI Before and After the Spectrum Brands Acquisition*.

Q: Did a special committee of our board of directors approve the Exchange Agreement and related matters?

A: Yes. When the Harbinger Parties advised us that they were interested in pursuing a transaction with us with respect to their SB Holdings common stock, our board of directors delegated the consideration of that transaction to a special committee comprised of those directors our board has determined to be independent under the NYSE rules (the *Committee*). As a result of the *Committee* 's consideration of a number of factors and a review of a substantial amount of information, the *Committee* unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. To review the factors considered by the *Committee*, see *The Spectrum Brands Acquisition Approval of the Committee and HGI 's Board of Directors; Reasons for the Spectrum Brands Acquisition The Committee*.

Q: Did our board of directors approve the Exchange Agreement?

A: Yes. Our board of directors (based in part on the unanimous approval and recommendation of the *Committee*) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders

approve the issuance of our common stock pursuant to the Exchange Agreement. To review the factors considered by our board of directors, see The Spectrum Brands Acquisition Approval of the Committee and HGI s Board of Directors; Reasons for the Spectrum Brands Acquisition Board of Directors.

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Q: Did our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement?

A: Yes. The Harbinger Parties, which collectively held approximately 51.6% of our outstanding common stock as of September 10, 2010, executed a written consent to approve the issuance of our common stock pursuant to the Exchange Agreement.

Q: How will SB Holdings and HGI be managed following the Spectrum Brands Acquisition?

A: There will not be any changes to the board of directors of HGI or SB Holdings or their management teams as a result of the Spectrum Brands Acquisition.

Q: How will the Spectrum Brands Acquisition affect my shares of HGI common stock?

A: Your rights as a holder of shares of our common stock will not be affected by the Spectrum Brands Acquisition. However, your percentage ownership of our company will be reduced as a result of the issuance of additional shares of our common stock in the Spectrum Brands Acquisition.

Q: Do I have dissenters or appraisal rights with respect to the Spectrum Brands Acquisition?

A: No. Our stockholders are not entitled to dissenters rights or to demand appraisal of, or to receive payment for, their shares of our common stock under the DGCL in connection with the Spectrum Brands Acquisition.

Q: What are the material conditions to the Spectrum Brands Acquisition?

A: Among other things, the Spectrum Brands Acquisition is subject to the expiration of the waiting period under Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act), our compliance with certain SEC requirements, including the filing of a definitive information statement with the SEC, and the shares of our common stock to be issued in the Spectrum Brands Acquisition having been approved for listing on the NYSE. The Spectrum Brands Acquisition also is subject to other customary closing conditions, including that no material adverse effect (as discussed in the section captioned The Exchange Agreement Conditions Precedent to the Spectrum Brands Acquisition) shall have occurred with respect to SB Holdings or our company since the date of the Exchange Agreement. [We and the Harbinger Parties have submitted the required notices to the applicable antitrust regulatory authorities in the United States and the waiting period under the HSR Act has expired].

Q: When do you expect the Spectrum Brands Acquisition to be completed?

A: We expect to consummate the Spectrum Brands Acquisition on _____, 2010, the date that is 20 calendar days after we first mail this information statement to our stockholders, or as soon as practicable thereafter, subject to obtaining all regulatory approvals and satisfaction or waiver of the closing conditions set forth in the Exchange Agreement.

Q: What are the material United States federal income tax consequences of the Spectrum Brands Acquisition?

A: Assuming that the Harbinger Parties will own at least 80% of our common stock immediately following the closing of the Spectrum Brands Acquisition, the Spectrum Brands Acquisition should qualify for tax-free treatment under Section 351 of the Internal Revenue Code of 1986, as amended (the Code). As a result, our tax basis in the SB Holdings Contributed Shares should be equal to the tax basis that the Harbinger Parties had in such shares immediately prior to the Spectrum Brands Acquisition.

For our stockholders other than the Harbinger Parties, the Spectrum Brands Acquisition will not have any federal income tax consequences and their tax basis and holding period for our common stock will not be affected.

Q: Why am I not being asked to vote on the Spectrum Brands Acquisition?

A: The required stockholder approval for the issuance of our common stock pursuant to the Exchange Agreement was obtained on September 10, 2010 when the Harbinger Parties, which collectively held

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approximately 51.6% of our outstanding common stock on that date, executed a written consent to approve such issuance. No other stockholder approval is required in connection with the Spectrum Brands Acquisition. Accordingly, we are not soliciting your proxy or your vote with respect to these matters.

Q: Why did HGI send me this information statement?

A: Under the DGCL and applicable securities regulations, we are required to provide you with information regarding the written consent approving the issuance of our common stock pursuant to the Exchange Agreement, even though your vote or consent is neither required nor requested to consummate the Spectrum Brands Acquisition.

Q: What do I need to do now?

A: Because we are not soliciting your proxy or your vote with respect to Spectrum Brands Acquisition, there is no action you need to take.

Q: Who can help answer my questions?

A: If you have any questions about the Spectrum Brands Acquisition or if you need additional copies of this information statement, you should contact:

Harbinger Group Inc.

Attention: Investor Relations
450 Park Avenue, 27th Floor
New York, New York 10022
Telephone: (212) 906-8560

Q: Who is paying for this information statement?

A: We will pay all of the expenses of furnishing this information statement, including the cost of preparing, assembling and mailing this information statement.

Q: What does it mean if multiple members of my household are stockholders but we only received one copy of this information statement?

A: Some banks, brokers and other nominee record holders may be participating in the practice of householding information statements. This means that only one copy of this information statement may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of this document to you if you call or write our investor relations department at the address or telephone number listed above. If you wish to receive separate copies of our information statements, proxy statements or annual reports to our stockholders in the future, or if you are receiving multiple copies and wish to receive only one copy per household, then you should contact your bank, broker, or other nominee record holder.

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SUMMARY OF THE INFORMATION STATEMENT

*This summary highlights some of the information contained elsewhere in this information statement. It is not complete and may not contain all of the information you may want to consider. We urge you to read carefully this entire information statement, including the sections captioned *Risk Factors* and *Cautionary Statement Regarding Forward-Looking Statements* beginning on pages 92 and 121, respectively, and the other documents we refer you to for a more complete understanding of the Spectrum Brands Acquisition. See *Where You Can Find More Information*. Certain items in this summary include a page reference directing you to a more complete description of that item. **As your approval of the Exchange Agreement, the issuance of our common stock pursuant to the Exchange Agreement and the other matters described in this information statement is neither required nor requested, we are not asking you for a proxy and you are requested not to send us a proxy.***

The Companies (see page 20)

Harbinger Group Inc.

450 Park Avenue, 27th Floor
New York, New York 10022
Telephone: (212) 906-8555

We are a Delaware corporation and a holding company with approximately \$144.8 million in consolidated cash, cash equivalents and investments at June 30, 2010. Since December 2006, after the completion of the disposition of HGI's 57% ownership interest in the common stock of Omega Protein Corporation, we have held substantially all of our assets in cash, cash equivalents and investments in U.S. Government Agency or Treasury securities and have conducted a good faith search for an acquisition or business combination candidate.

On July 9, 2009, the Harbinger Parties purchased 9,937,962 shares, or approximately 51.6% of our common stock on that date. The Harbinger Parties subsequently purchased 12,099 additional shares of our common stock.

Our principal focus is to identify and evaluate business combinations or acquisitions of businesses. We expect to become a diversified holding company with interests in a variety of industries and market sectors. We anticipate that our affiliation with the Harbinger Parties will continue to give us access to new acquisition and business combination opportunities, which may include businesses which are controlled by, affiliated with or otherwise known to Harbinger. We have not focused and do not intend to focus our acquisition efforts solely on any particular industry. While we generally focus our attention in the United States, we will continue to investigate acquisition opportunities outside of the United States when we believe that such opportunities might be attractive.

The Spectrum Brands Acquisition is our first proposed business acquisition since the disposition of our interests in Omega Protein Corporation. We expect to make additional acquisitions in the future, and to own various businesses through ownership of a controlling interest in the underlying company. We will also consider minority equity ownership in a company so long as this does not adversely affect our status under the Investment Company Act of 1940 (the *Investment Company Act*). We will continue to review other acquisition and business combination proposals known to or affiliated with Harbinger, those presented by third parties and those sought out by us. There can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any agreement would be.

Our common stock trades on the NYSE under the symbol *HRG*. The closing sales price of our common stock on the NYSE on September 9, 2010, the last full trading day before the Exchange Agreement was approved, was \$5.98.

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Spectrum Brands Holdings, Inc.

601 Rayovac Drive
Madison, Wisconsin 53711
Telephone: (608) 275-3340

SB Holdings, a recently formed Delaware holding corporation, was organized to effect the SB/RH Merger. On June 16, 2010, as a result of the SB/RH Merger and the transactions consummated in connection therewith, Russell Hobbs became a wholly owned subsidiary of Spectrum Brands, Spectrum Brands became a wholly owned subsidiary of SB Holdings and the stockholders of Russell Hobbs and Spectrum Brands immediately prior to the consummation of the SB/RH Merger received SB Holdings common stock in exchange for their shares. SB Holdings common stock trades on the NYSE under the symbol *SPB*. The closing sales price of SB Holdings common stock on the NYSE on September 9, 2010, the last full trading day before the Exchange Agreement was approved, was \$26.09.

The combination of Spectrum Brands and Russell Hobbs created a diverse portfolio of market leading brands, including *Rayovac*, *VARTA*, *Remington*, *Hot Shot*, *Cutter*, *Repel*, *Spectracide*, *Tetra*, *8 in 1*, *Dingo*, *Black & Decker*, *George Foreman*, *Russell Hobbs*, *LitterMaid* and *Toastmaster*. Including Russell Hobbs \$800 million in annual revenues, SB Holdings is expected to have more than \$3 billion in annual revenues with \$430 million to \$440 million of adjusted EBITDA in fiscal year ending September 30, 2010. SB Holdings operates under the Spectrum Brands name. Spectrum Brands reporting segments are: Global Batteries and Personal Care, Global Pet Supplies, Home and Garden and Small Appliances (previously, the Russell Hobbs business). For a reconciliation of adjusted EBITDA to EBITDA, see Management's Discussion and Analysis of Financial Condition and Results of Operations of SB Holdings and Spectrum Brands Results of Operations SB Holdings.

The Harbinger Parties hold the controlling financial interests in both HGI and SB Holdings. Based on the accounting guidance for transactions between entities under common control, as described in the section captioned The Spectrum Brands Acquisition Accounting Treatment, HGI's financial statements will be retrospectively adjusted to reflect as its historical financial statements those of SB Holdings and Spectrum Brands. Although HGI is the issuer of shares in the Spectrum Brands Acquisition, during the historical periods presented SB Holdings was an operating business and HGI was not. Therefore, SB Holdings will be reflected as the predecessor entity in HGI's financial statements to provide a more meaningful presentation of the transaction. As Spectrum Brands was determined to be the accounting acquirer in the SB/RH Merger, the financial statements of Spectrum Brands will be included as the predecessor entity for periods preceding the SB/RH Merger.

The Spectrum Brands Acquisition (see page 41)

On September 10, 2010, we entered into the Exchange Agreement with the Harbinger Parties. Pursuant to the Exchange Agreement, (i) the Harbinger Parties will contribute the SB Holdings Contributed Shares, which represent approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares, to us and (ii) in exchange for such contribution we will issue to the Harbinger Parties 119,909,830 shares of our common stock. After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own approximately 93.3% of our outstanding common stock and Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock.

The Exchange Agreement permits the Harbinger Parties to contribute additional shares of SB Holdings common stock to us at the closing at the same exchange ratio of 4.32 to 1.00. If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the closing of the Spectrum Brands Acquisition they will own, in the aggregate, approximately 94.4% of our outstanding common stock.

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Unless we state otherwise, the number of SB Holdings Contributed Shares and the number of shares of our common stock we issue in the Spectrum Brands Acquisition assume the Harbinger Parties do not elect to contribute additional SB Holdings common stock to us.

The management and directors of HGI and of SB Holdings will continue to serve in their respective positions with HGI and SB Holdings and the SB Holdings common stock will continue to be traded on the NYSE under the symbol SPB .

Harbinger Parties Ownership of SB Holdings (see page 43)

The Harbinger Parties own approximately 67.1% of the outstanding SB Holdings common stock. Immediately prior to the SB/RH Merger, the Harbinger Parties owned 40.6% of the outstanding Spectrum Brands common stock and 100% of the outstanding capital stock of Russell Hobbs and had an outstanding term loan to Russell Hobbs.

No Financing Required for the Spectrum Brands Acquisition

We will not require any financing to consummate the Spectrum Brands Acquisition, as the consideration we will pay for the SB Holdings Contributed Shares pursuant to the Exchange Agreement consists solely of shares of our common stock. We will use our available cash to pay transaction expenses incurred in connection with the Spectrum Brands Acquisition.

The Exchange Agreement (see page 43)

The Exchange Agreement is attached as Annex A to this information statement and is incorporated by reference herein in its entirety. We encourage our stockholders to read the Exchange Agreement in its entirety, as the Exchange Agreement is the principal legal document governing the Spectrum Brands Acquisition.

Approval of the Exchange Agreement by the Committee, Our Board of Directors and Our Stockholders (see page 47)

When the Harbinger Parties advised us that they were interested in pursuing a transaction with us with respect to their SB Holdings common stock, our board of directors delegated the consideration of that transaction to the Committee. As a result of the Committee's consideration of a number of factors and review of a substantial amount of information, the Committee unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. Our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. The Harbinger Parties, which collectively held approximately 51.6% of our outstanding common stock as of September 10, 2010, executed a written consent on that date to approve the issuance of our common stock pursuant to the Exchange Agreement. To review the factors considered by the Committee and our board of directors, see The Spectrum Brands Acquisition Approval of the Committee and HGI's Board of Directors; Reasons for the Spectrum Brands Acquisition. You should be aware that certain of our directors who are affiliated with Harbinger may have interests in the Spectrum Brands Acquisition that may be different from, or in addition to, your interest as our stockholder. These interests are described in The Spectrum Brands Acquisition Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum

Brands Acquisition.

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HGI's Reasons for the Spectrum Brands Acquisition (see page 47)

In evaluating the Spectrum Brands Acquisition and making its approval and recommendation, the Committee consulted its legal and financial advisors and considered a number of factors, including those factors described under The Spectrum Brands Acquisition Background of the Spectrum Brands Acquisition and The Spectrum Brands Acquisition Approval of the Committee and HGI's Board of Directors; Reasons for the Spectrum Brands Acquisition The Committee. In the course of reaching its decision, HGI's board of directors considered, among other factors, the unanimous approval and recommendation of the Committee. See The Spectrum Brands Acquisition Approval of the Committee and HGI's Board of Directors; Reasons for the Spectrum Brands Acquisition Board of Directors.

Stockholder Approval of the Issuance of our Common Stock Pursuant to the Exchange Agreement; Record Date (see page 41)

In accordance with the requirements of applicable NYSE rules, we are required to obtain stockholder approval of the issuance of our common stock pursuant to the Exchange Agreement. See the section captioned NYSE Stockholder Approval Requirement below.

Accordingly, approval of the issuance of our common stock pursuant to the Exchange Agreement requires the affirmative votes of the holders of a majority of our outstanding common stock entitled to vote thereon (including the shares held by the Harbinger Parties). Under the DGCL and our By-laws, our stockholders may approve the issuance of our common stock by written consent of stockholders holding at least the minimum number of shares required to approve such actions. On September 10, 2010, the Harbinger Parties, which, as of that date, collectively held 51.6% of our outstanding common stock, approved the issuance of our common stock pursuant to the Exchange Agreement by a written consent in lieu of a meeting. As of September 10, 2010 and as of the Record Date, there were 19,286,290 shares of our common stock outstanding and entitled to vote.

Notwithstanding the execution and delivery of the written consent, U.S. federal securities laws provide that the Spectrum Brands Acquisition may not be consummated until at least 20 calendar days have elapsed after the date we first mail this information statement to our stockholders. We currently expect to consummate the Spectrum Brands Acquisition on _____, 2010, the date on which the 20 calendar day period expires, or as soon as practicable thereafter, subject to obtaining all regulatory approvals and satisfaction or waiver of the closing conditions set forth in the Exchange Agreement.

Ownership of SB Holdings After the Spectrum Brands Acquisition (see page 62)

After consummation of the Spectrum Brands Acquisition, we will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares, Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock and the other stockholders of SB Holdings unaffiliated with Harbinger will own the remaining 32.9% of the outstanding SB Holdings common stock. The SB Holdings common stock will continue to be traded on the NYSE under the symbol SPB .

Opinion of the Committee's Financial Advisor (see page 51)

On September 10, 2010, Houlihan Lokey Financial Advisors Inc. (Houlihan Lokey) rendered an oral opinion to the Committee (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated September 10, 2010), as to whether, as of September 10, 2010, the exchange ratio of 4.32 (the Exchange Ratio) provided for in the Spectrum Brands Acquisition pursuant to the Exchange Agreement was fair to HGI from a financial point of view, based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion.

Houlihan Lokey's opinion was directed to the Committee and only addressed the fairness from a financial point of view to HGI of the Exchange Ratio in the Spectrum Brands Acquisition and does not address any other aspect or implication of the Spectrum Brands Acquisition. The summary of Houlihan Lokey's opinion in this information statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex C to this information statement and sets forth the procedures followed, assumptions made,

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qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. We encourage our stockholders to carefully read the full text of Houlihan Lokey's written opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this information statement are intended to be, and do not constitute advice or a recommendation to the Committee or any stockholder as to how to act or vote with respect to the Spectrum Brands Acquisition or related matters. See The Spectrum Brands Acquisition Opinion of the Committee's Financial Advisor.

Risks Related to Our and Spectrum Brands' Respective Businesses and the Spectrum Brands Acquisition (see page 92)

You should understand that important factors, in addition to those discussed in the sections captioned Risk Factors, Cautionary Statement Regarding Forward-Looking Statements and elsewhere in this information statement and in the documents which are attached to this information statement, could affect the future results of our company, SB Holdings and Spectrum Brands after the consummation of the Spectrum Brands Acquisition and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. For a discussion of these Risk Factors, see the sections captioned Risk Factors Risks Related to Spectrum Brands Risks Related to the Spectrum Brands Business, Risk Factors Risks Related to the Spectrum Brands Acquisition and Cautionary Statement Regarding Forward-Looking Statements beginning on pages 104, 100 and 121, respectively, of this information statement.

Material United States Federal Income Tax Consequences (see page 64)

Assuming that the Harbinger Parties will own at least 80% of our common stock immediately after the Spectrum Brands Acquisition, the Spectrum Brands Acquisition should qualify for tax-free treatment under Section 351 of the Code. As a result, our tax basis in the SB Holdings Contributed Shares should be equal to the tax basis that the Harbinger Parties had in such SB Holdings common stock immediately prior to the Spectrum Brands Acquisition.

For our stockholders other than the Harbinger Parties, the Spectrum Brands Acquisition will not have any federal income tax consequences and their tax basis and holding period for our common stock will not be affected. See The Spectrum Brands Acquisition Material United States Federal Income Tax Consequences.

Regulatory Approvals (see page 63)

The Spectrum Brands Acquisition is subject to the expiration of the waiting period under the HSR Act. [We and the Harbinger Parties have each submitted the required notices to the applicable antitrust regulatory authorities in the United States and the waiting period under the HSR Act has expired].

Except for the notice requirements under the HSR Act, we are not aware of any governmental approvals or compliance with applicable laws and regulations that are required to consummate the Spectrum Brands Acquisition other than filings with the NYSE regarding the listing on the NYSE of the shares of our common stock to be issued to the Harbinger Parties under the Exchange Agreement and the filing with the SEC of a definitive information statement. We intend to seek any other approvals required to consummate the Spectrum Brands Acquisition. There can be no assurance, however, that any such approvals will be obtained.

Closing Conditions (see page 71)

The remaining conditions to closing under the Exchange Agreement include the following:

the representations and warranties made by each Harbinger Party and our company in the Exchange Agreement being true and correct as of the Closing Date as if made at and as of such time (other than representations and warranties that by their terms address matters only as of another specified time, which must be true only as of such time);

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the performance in all material respects by each Harbinger Party and our company of their respective obligations under the Exchange Agreement required to be performed by the respective party prior to the Closing Date;

since the date of the Exchange Agreement, there not having occurred any event, change, effect or circumstance that has had, or would be reasonably likely to have, a material adverse effect on SB Holdings or our company, as applicable;

the Harbinger Parties shall have delivered to us certain a certain lock-up letter;

approval for the listing on the NYSE of our shares of common stock to be issued under the Exchange Agreement;

the HGI Registration Rights Agreement and the SB Holdings Stockholder Agreement, as joined by us (each as discussed below), remaining in full force and effect;

all filings, consents, approvals and authorizations of any governmental authority required to consummate the Spectrum Brands Acquisition;

no law or other legal restraint or prohibition is in effect that prohibits, makes illegal, or enjoins the consummation of the Spectrum Brands Acquisition;

at least 20 calendar days shall have elapsed from the mailing of this information statement in accordance with Rule 14c-2(b) under the Exchange Act;

the aggregate number of SB Holdings Contributed Shares shall represent at least 52.0% of SB Holdings outstanding common stock as of the Closing calculated on a fully diluted basis; and

delivery of a certificate by each Harbinger Party with respect to the tax treatment of the Spectrum Brands Acquisition applicable to the Harbinger Parties.

NYSE Stockholder Approval Requirement (see page 41)

Shares of our common stock are listed on the NYSE. Under Section 312 of the NYSE Listed Company Manual, stockholder approval is required prior to the issuance of shares of common stock, or of securities convertible into common stock:

in any transaction or series of related transactions which would result in the issuance of shares of common stock, or securities convertible into shares of common stock, having 20% or more of the voting power of the company before such issuance, or

in any transaction or series of related transactions to a director, officer or substantial security holder of the company if the number of shares of common stock, or the number of shares of common stock into which the securities may be converted, exceeds one percent of the voting power of the company before such issuance.

The issuance of our common stock to the Harbinger Parties under the Exchange Agreement requires stockholder approval because it will constitute 20% or more of our voting power outstanding before such issuance and such

issuance will be made to a substantial security holder of our company and will exceed one percent of our voting power before such issuance.

Accounting Treatment (see page 63)

The Harbinger Parties hold controlling financial interests in both HGI and SB Holdings. As a result, the Spectrum Brands Acquisition will be considered a transaction between entities under common control under ASC Topic 805 *Business Combinations* . Although HGI is the issuer of shares in the Spectrum Brands Acquisition, during the historical periods presented SB Holdings was an operating business and HGI was not. Therefore, SB Holdings will be reflected as the predecessor and receiving entity to provide a more meaningful presentation of the transaction to HGI s stockholders. HGI s financial statements will be retrospectively adjusted to reflect as its historic financial statements those of SB Holdings and Spectrum Brands.

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No Dissenters or Appraisal Rights (see page 63)

Our stockholders are not entitled to dissenters' rights or to demand appraisal of, or to receive payment for, their shares of our common stock under the DGCL in connection with the Spectrum Brands Acquisition.

Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition (see page 60)

You should be aware that the Harbinger Parties and certain of our directors and officers affiliated with Harbinger have interests in the Spectrum Brands Acquisition that may differ from, or are in addition to, the interests of our other stockholders. These interests are disclosed under "The Spectrum Brands Acquisition - Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition."

Termination of the Exchange Agreement (see page 74)

The Exchange Agreement may be terminated at any time prior to completion of the Spectrum Brands Acquisition:

by the mutual written consent of our company (acting upon unanimous recommendation of the Committee) and the Harbinger Parties;

by either our company or the Harbinger Parties if:

the Closing has not occurred on or before January 31, 2011 (subject to an extension to March 31, 2011, if the SEC has not finished its review of this information statement on or before December 31, 2010), unless a breach of the Exchange Agreement by the party seeking to exercise such termination right caused, or resulted in, the failure of the transaction to be consummated on or before such date;

a governmental authority of competent jurisdiction shall have issued an order, or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Spectrum Brands Acquisition, which order or other action is final and nonappealable (except that this right to terminate the Exchange Agreement will not be available to any party which failed to comply with its obligations to use its best efforts to obtain the government approvals);

by our company (acting upon the recommendation of the Committee) (i) upon the occurrence of any event that has had, or would be reasonably likely to have, a material adverse effect on SB Holdings or (ii) if the Harbinger Parties breach any of their covenants or agreements or any of their representations and warranties set forth in the Exchange Agreement which breach would result in the failure to satisfy our closing conditions and which breach is not cured within the permitted time; and

by the Harbinger Parties (i) upon the occurrence of any event that has had, or would be reasonably likely to have, a material adverse effect on our company or (ii) if we breach any of our covenants or agreements or any of our representations and warranties set forth in the Exchange Agreement which breach would result in the failure to satisfy the Harbinger Parties' closing conditions and which breach is not cured within the permitted time.

Any decisions by us with respect to amendment or termination of the Exchange Agreement will be made by the Committee.

Expenses and Fees (see page 75)

Except as set forth in the Exchange Agreement, each party will be responsible for all of the fees and expenses it incurs in connection with the Exchange Agreement. Except for the fees and expenses of outside legal counsel to SB Holdings which the Harbinger Parties agree to be responsible for, we will be responsible to pay or promptly reimburse SB Holdings for all fees and expenses incurred by SB Holdings or any of its

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subsidiaries in connection with the Exchange Agreement and/or the Spectrum Brands Acquisition that the Harbinger Parties would otherwise be obligated to pay under the SB Holdings Stockholder Agreement.

Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition (see page 77)

HGI Registration Rights Agreement

In connection with the Spectrum Brands Acquisition, we and the Harbinger Parties entered into a registration rights agreement, dated as of September 10, 2010, pursuant to which, after the consummation of the Spectrum Brands Acquisition, the Harbinger Parties will, among other things and subject to the terms and conditions set forth therein, have certain demand and so-called "piggy back" registration rights with respect to (i) any and all shares of our common stock owned by the Harbinger Parties and their permitted transferees (irrespective of when acquired) and any shares of our common stock issuable or issued upon exercise, conversion or exchange of our other securities owned by the Harbinger Parties, and (ii) any of our securities issued in respect of our common stock issued or issuable to any of the Harbinger Parties with respect to the securities described in clause (i).

Under the agreement, after the consummation of the Spectrum Brands Acquisition any of the Harbinger Parties may demand that we register all or a portion of such Harbinger Party's shares of our common stock for sale under the Securities Act of 1933, as amended (the "Securities Act"), so long as the anticipated aggregate offering price of the securities to be offered is (i) at least \$30 million if registration is to be effected pursuant to a registration statement on Form S-1 or any similar "long-form" registration or (ii) at least \$5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar "short-form" registration. Under the agreement, we are not obligated to effect more than three such "long-form" registrations in the aggregate for all of the Harbinger Parties. See "Ancillary Agreements Entered Into in Connection with the Spectrum Brands Acquisition - HGI Registration Rights Agreement".

The agreement also provides that if we decide to register shares of our common stock for our own account or the account of a stockholder other than the Harbinger Parties (subject to certain exceptions set forth in the agreement), the Harbinger Parties may require us to include all or a portion of their shares of our common stock in the registration and, to the extent the registration is in connection with an underwritten public offering, to have such shares of our common stock included in the offering.

SB Holdings Stockholder Agreement

In connection with the Spectrum Brands Acquisition, upon the consummation of the Spectrum Brands Acquisition we will become a party to the existing Stockholder Agreement, dated as February 9, 2010 (the "SB Holdings Stockholder Agreement"), by and among the Harbinger Parties and SB Holdings. Pursuant to the SB Holdings Stockholder Agreement, the parties agree that, among other things and subject to the terms and conditions set forth therein:

SB Holdings will maintain (i) a special nominating committee of its board of directors (the "Special Nominating Committee") consisting of three Independent Directors (as defined in the SB Holdings Stockholder Agreement), (ii) a nominating and corporate governance committee of its board of directors (the "Nominating and Corporate Governance Committee") and (iii) an Audit Committee in accordance with the NYSE rules;

for so long as we (together with our affiliates, including the Harbinger Parties) own 40% or more of SB Holdings' outstanding voting securities, we will vote our shares of SB Holdings common stock to effect the structure of SB Holdings' board of directors described in the SB Holdings Stockholder Agreement and to ensure that SB Holdings' Chief Executive Officer is elected to its board of directors;

neither SB Holdings nor any of its subsidiaries will be permitted to pay any monitoring or similar fee to us or our affiliates, including the Harbinger Parties;

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we will not effect any transfer of SB Holdings' equity securities to any person that would result in such person and its affiliates owning 40% or more of SB Holdings' outstanding voting securities, unless (i) such person agrees to be bound by the terms of the SB Holdings Stockholder Agreement, (ii) the transfer is pursuant to a *bona fide* acquisition of SB Holdings approved by SB Holdings' board of directors and a majority of the members of the Special Nominating Committee, (iii) the transfer is otherwise specifically approved by SB Holdings' board of directors and a majority of the Special Nominating Committee, or (iv) the transfer is of 5% or less of SB Holdings' outstanding voting securities;

before June 16, 2011, we will not (and we will not permit any of our affiliates, including the Harbinger Parties, to) make any public announcement with respect to, or submit a proposal for, or offer in respect of, a Going-Private Transaction (as defined in the SB Holdings Stockholder Agreement) of SB Holdings unless such action is specifically requested in writing by the board of directors of SB Holdings with the approval of a majority of the members of the Special Nominating Committee. In addition, under SB Holdings' certificate of incorporation, no stockholder that (together with its affiliates) owns 40% or more of the outstanding voting securities of SB Holdings (the 40% Stockholder) shall, or shall permit any of its affiliates or any group which such 40% Stockholder or any person directly or indirectly controlling or controlled by such 40% Stockholder is a member (together with the 40% Stockholder, a Restricted Group) of, engage in any transactions that would constitute a Going-Private Transaction, unless such transaction satisfies certain requirements. See the section captioned "Description of SB Holdings Capital Stock and Related Matters - Restrictions on Going-Private Transactions" below;

we will have certain inspection rights so long as we and our affiliates, including the Harbinger Parties, own, in the aggregate, at least 15% of the outstanding SB Holdings' voting securities; and

we will have certain rights to obtain Spectrum Brands information, at our expense, for so long as we own at least 10% of the outstanding SB Holdings' voting securities.

The provisions of the SB Holdings Stockholder Agreement (other than with respect to information and investigation rights) will terminate on the date on which we and our affiliates (including the Harbinger Parties) no longer beneficially own 40% of outstanding SB Holdings' voting securities. The SB Holdings Stockholder Agreement terminates when any person or group owns 90% or more of the outstanding voting securities of SB Holdings. The SB Holdings Stockholder Agreement cannot be amended without the approval of the parties thereto and cannot be waived without the approval of the party against whom the waiver is to be effective; provided that no such amendment or waiver will be effective without approval of a majority of the members of the Special Nominating Committee. See "Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition - SB Holdings Stockholder Agreement".

SB Holdings Registration Rights Agreement

In connection with the Spectrum Brands Acquisition, we also will become a party to the existing Registration Rights Agreement, dated as February 9, 2010 (the "SB Holdings Registration Rights Agreement"), by and among the Harbinger Parties, SB Holdings, and Avenue International Master, L.P. ("Avenue International Master"), Avenue Investments, L.P. ("Avenue Investments"), Avenue Special Situations Fund IV, L.P. ("Avenue Fund IV"), Avenue Special Situations Fund V, L.P. ("Avenue Fund V") and Avenue-CDP Global Opportunities Fund, L.P. ("CDP Global") and collectively with Avenue International Master, Avenue Investments, Avenue Fund IV and Avenue Fund V, the "Avenue Parties"). Pursuant to the SB Holdings Registration Rights Agreement, upon the consummation of the Spectrum Brands Acquisition, we will, among other things and subject to the terms and conditions set forth therein, have certain

demand and so-called piggy back registration rights with respect our shares of SB Holdings common stock.

Under the SB Holdings Registration Rights Agreement, we, the Harbinger Parties or the Avenue Parties may demand that SB Holdings register all or a portion of our or their respective SB Holdings common stock for sale under the Securities Act, so long as the anticipated aggregate offering price of the securities to be

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offered is (i) at least \$30 million if registration is to be effected pursuant to a registration statement on Form S-1 or a similar long-form registration or (ii) at least \$5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar short-form registration. See Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition SB Holdings Registration Rights Agreement .

The SB Holdings Registration Rights Agreement also provides that if SB Holdings decides to register shares of its common stock for its own account or the account of a stockholder other than us, the Harbinger Parties and the Avenue Parties (subject to certain exceptions set forth in the agreement), HGI, the Harbinger Parties or the Avenue Parties may require SB Holdings to include all or a portion of their shares of SB Holdings common stock in the registration and, to the extent the registration is in connection with an underwritten public offering, to have such shares of SB Holdings common stock included in the offering.

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INFORMATION ABOUT HGI AND SPECTRUM BRANDS

Information about HGI

Harbinger Group Inc.

450 Park Avenue, 27th Floor

New York, New York 10022

Telephone: (212) 906-8555

General. We are a Delaware corporation and a holding company with approximately \$144.8 million in consolidated cash, cash equivalents and investments at June 30, 2010. We currently own approximately 98% of Zap.Com, a public shell company. Our principal executive offices are located at 450 Park Avenue, 27th Floor, New York, New York 10022. In December 2006, we completed the disposition of our 57% ownership interest in common stock of Omega Protein Corporation. Since that time, we have held substantially all of our assets in cash, cash equivalents and investments in U.S. Government Agency or Treasury securities, and have held no investment securities as defined by the Investment Company Act. In addition, we have not held, and do not hold, ourselves out as an investment company. During this time, we have conducted a good faith search for an acquisition or business combination candidate, and have repeatedly and publicly disclosed our intention to acquire or combine with such a business. Based on the foregoing, we believe that we are not an investment company under the Investment Company Act.

The Harbinger Parties. On July 9, 2009, the Harbinger Parties purchased 9,937,962 shares, or approximately 51.6%, of our common stock on that date. The Harbinger Parties subsequently purchased 12,099 additional shares of our common stock. The Harbinger Parties continue to own a majority of our outstanding common stock, and following the consummation of the Spectrum Brands Acquisition the Harbinger Parties are expected to own more than 93.0% of our outstanding common stock.

The Harbinger Parties are investment funds affiliated with Harbinger Capital, a private investment fund based in New York. The firm was founded in 2001 and employs a fundamental approach to deep value and distressed credit investing. Harbinger Capital is led by Philip A. Falcone, its Chief Executive Officer. Mr. Falcone is also our Chief Executive Officer and Peter Jenson, Harbinger Capital's Chief Operating Officer, is also our Chief Operating Officer. Messrs. Falcone and Jenson and two other senior Harbinger Capital officers constitute a majority of our board of directors. Harbinger Capital views HGI as an efficient, long-term capital market vehicle, principally for investment in controlled companies.

Business Strategy. Our principal focus is to identify and evaluate acquisitions of operating businesses. We plan to become a diversified holding company with interests in a variety of industries and market sectors. We expect our operating company portfolio to include principally wholly-owned and majority-owned companies, which may include additional companies, such as SB Holdings, that will remain stand-alone publicly traded companies. We may also acquire minority interests in companies, provided such investments will not result in our being deemed an investment company under the Investment Company Act.

We anticipate that our affiliation with the Harbinger Parties will continue to give us access to new acquisition and business combination opportunities, such as Spectrum Brands, and which may include other businesses which are controlled by, affiliated with or otherwise known to the Harbinger Parties. As of March 1, 2010, we entered into a Management and Advisory Services Agreement with Harbinger Capital which provides, among other things, that Harbinger Capital and its affiliates will assist us in investigating, analyzing and selecting possible investments and may conduct negotiations and due diligence (directly and through third party advisors) on our behalf. We have agreed

to reimburse Harbinger Capital for its out-of-pocket expenses and certain services performed by its legal and accounting personnel. We will continue to review acquisition and business combination proposals known to or affiliated with Harbinger, those presented by third parties and those sought out by us. There can be no assurance that any of these discussions will result in a definitive agreement and, if they do, what the terms or timing of any agreement would be.

We have not focused and do not intend to focus our acquisition efforts solely on any particular industry. At any time, we may be engaged in ongoing discussions with respect to possible acquisitions or business

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combinations of widely varying sizes and in disparate industries. While we generally focus our attention in the United States, we will continue to investigate acquisition opportunities outside of the United States when we believe that such opportunities might be attractive.

We may pay acquisition consideration in the form of cash, our debt or equity securities or a combination thereof. In addition, as a part of our acquisition strategy we will consider raising additional capital through the issuance of equity or debt securities, including the issuance of preferred stock. We believe that our status as a public entity and potential access to the public equity markets may give us a competitive advantage over privately-held entities with a similar business objective to acquire certain target businesses on favorable terms.

In identifying, evaluating and selecting a target business, we may encounter intense competition from other entities having similar business objectives such as strategic investors, private equity groups and special purpose acquisition corporations. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us, and our financial resources will be relatively limited when contrasted with many of these competitors. Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination.

The Harbinger Parties and their affiliates include other vehicles that actively are seeking investment opportunities, and any one of those vehicles may at any time be seeking investment opportunities similar to those targeted by us. Our directors and officers who are affiliated with Harbinger may consider, among other things, asset type and investment time horizon in evaluating opportunities for us. In recognition of the potential conflicts that these persons and our other directors may have with respect to corporate opportunities, our amended and restated certificate of incorporation permits our board of directors from time to time to assert or renounce our interests and expectancies in one or more specific industries. In accordance with this provision, our board of directors renounced our interests and expectancies in the wireless communications industry. However, a renunciation of interests and expectancies in specific industries does not preclude us from seeking business acquisitions in those industries. We have had discussions regarding potential investments in various industries, including wireless communications.

Employees. At June 30, 2010, we employed 8 persons. In the normal course of business, we use contract personnel to supplement our employee base to meet our business needs. We believe that our employee relations are generally satisfactory. We expect we will need to hire additional employees as a result of our ownership of a majority interest in SB Holdings and the increasing complexity of our business.

Recent Developments. An affiliate of Harbinger Capital has offered to assign to us its rights to acquire Old Mutual U.S. Life Holdings, Inc. (U.S. Life) and to transfer to us its interest in Front Street Re, Ltd. (Front Street), a Bermuda reinsurance company recently formed by Harbinger (together, the Insurance Transaction).

U.S. Life is a leading provider of annuity and life insurance products to the middle and upper-middle income markets in the U.S. Through its subsidiaries, U.S. Life offers a targeted suite of products, including fixed deferred, indexed and payout annuities, as well as indexed universal life insurance, through a network of 250 independent marketing organizations representing 30,000 agents. U.S. Life has over 800,000 policyholders nationwide and distributes insurance products in all states and the District of Columbia. U.S. Life had approximately \$16 billion annuity assets under management and \$104 billion life insurance in force at June 30, 2010.

The purchase price for U.S. Life is \$350 million, subject to adjustment, including with respect to minimum levels of statutory capital and risk based capital ratios at closing (\$818.6 million and 300%, respectively). The U.S. Life acquisition is subject to customary closing conditions for similar transactions, including approval by the Maryland and New York insurance departments of the purchase of U.S. Life by an affiliate of Harbinger Capital or us. The

acquisition is also subject to a reinsurance transaction between Front Street and U.S. Life as described below. The acquisition is expected to close in the first quarter of 2011 and payment of the purchase price is guaranteed by the Master Fund.

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Upon closing of the U.S. Life acquisition, HGI will capitalize Front Street, which will reinsure a portion of U.S. Life's annuity business and will enter into an investment management agreement with Harbinger Capital to manage a portion of Front Street's investments, expected to be approximately \$1 billion. We will capitalize Front Street at closing in an amount that we currently estimate to be \$80 million. In addition, if the U.S. Life acquisition is consummated, U.S. Life will recapture certain life insurance business previously reinsured by an affiliate of U.S. Life's former owner.

We are in the process of negotiating with the Master Fund a transfer agreement with respect to the Insurance Transaction and have had preliminary discussions with respect to financing the U.S. Life acquisition; such financing may include a high-yield securities offering, bank financing and/or the issuance of convertible preferred stock or other equity securities, and may include a bridge financing. There can be no assurance that we will be able to negotiate a definitive agreement with Harbinger Capital with respect to the Insurance Transaction or, if we do, that we will be able to obtain financing for the transaction on reasonable terms or at all. We expect that any definitive agreement with respect to the Insurance Transaction will include our agreement to indemnify the Master Fund for any losses incurred by it or its representatives in connection with the Master Fund's guaranty of the U.S. Life acquisition purchase price and that, pursuant to our management and advisory services agreement with Harbinger Capital, we will reimburse Harbinger Capital for its out-of-pocket expenses incurred and certain services performed in connection with the Insurance Transaction.

See Annex H for U.S. Life's audited consolidated financial statements for the fiscal years ended December 31, 2009 and 2008 and unaudited consolidated financial statements for the six months ended June 30, 2010 and 2009. Also included in Annex H are HGI's unaudited pro forma condensed combined financial statements for the fiscal year ended December 31, 2009 and for the six month period ended June 30, 2010 that give effect to the Spectrum Brands Acquisition and the contemplated Insurance Transaction.

Information about Spectrum Brands

Spectrum Brands Holdings, Inc.

601 Rayovac Drive
Madison, Wisconsin 53711
Telephone: (608) 275-3340

The Harbinger Parties hold the controlling financial interests in both HGI and SB Holdings. Based on the accounting guidance for transactions between entities under common control as described in the section captioned "The Spectrum Brands Acquisition - Accounting Treatment," HGI's financial statements will be retrospectively adjusted to reflect as its historic financial statements those of SB Holdings and Spectrum Brands. Although HGI is the issuer of shares in the Spectrum Brands Acquisition, during the historical periods presented SB Holdings was an operating business and HGI was not. Therefore, SB Holdings will be reflected as the predecessor and receiving entity in HGI's financial statements to provide a more meaningful presentation of the transaction to HGI's stockholders. As Spectrum Brands was the accounting acquirer in the SB/RH Merger, the financial statements of Spectrum Brands will be included as the predecessor entity for periods preceding the SB/RH Merger.

Overview of Spectrum Brands Business

SB Holdings, a Delaware corporation, is a global branded consumer products company operating in seven major product categories: consumer batteries, pet supplies, home and garden control, electric shaving and grooming, electric personal care, portable lighting products and small household, created in connection with the combination of Spectrum Brands, a global branded consumer products company, and Russell Hobbs, a small appliance brand company, to form SB Holdings, a new combined company. The SB/RH Merger was consummated on June 16, 2010. As a result of the SB/RH Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB

Holdings. SB Holdings trades on the New York Stock Exchange under the symbol SPB.

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In connection with the SB/RH Merger, Spectrum Brands refinanced its then existing senior debt and a portion of Russell Hobbs' then existing senior debt through a combination of a new \$750,000,000 Term Loan due June 16, 2016, \$750,000,000 of new 9.5% Senior Secured Notes maturing June 15, 2018 and a new \$300,000,000 ABL revolving facility due June 16, 2014. For a more complete discussion of Spectrum Brands' outstanding debt, see Note 8, Debt, to SB Holdings' unaudited consolidated financial statements, included elsewhere in this information statement.

On February 3, 2009, Spectrum Brands, at the time a Wisconsin corporation, and each of its wholly-owned U.S. subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court). On August 28, 2009 (the Effective Date), the Debtors emerged from Chapter 11 of the Bankruptcy Code. As of the Effective Date and pursuant to the Debtors' confirmed plan of reorganization, Spectrum Brands converted from a Wisconsin corporation to a Delaware corporation. The term Predecessor Company refers only to Spectrum Brands prior to the Effective Date and the term Successor Company refers to Spectrum Brands subsequent to the Effective Date. SB Holdings' fiscal year ends September 30. The term Fiscal refers to SB Holdings' fiscal year ended September 30 of any year.

Prior to and including August 30, 2009, all operations of the business of Spectrum Brands resulted from the operations of the Predecessor Company. In accordance with ASC Topic 852: Reorganizations, Spectrum Brands determined that all conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However, in light of the proximity of that date to Spectrum Brands' August accounting period close, which was August 30, 2009, Spectrum Brands elected to adopt a convenience date of August 30, 2009 (the Fresh-Start Adoption Date), for recording fresh-start reporting. Spectrum Brands analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, and August 30, 2009, the Fresh-Start Adoption Date, and concluded that such transactions represented less than one percent of the total net sales during Fiscal 2009. As a result, Spectrum Brands determined that August 30, 2009 would be an appropriate Fresh-Start Adoption Date to coincide with Spectrum Brands' normal financial period close for the month of August 2009. As a result, the fair value of the Predecessor Company's assets and liabilities became the new basis for the Successor Company's Consolidated Statement of Financial Position as of the Fresh-Start Adoption Date, and all operations beginning August 31, 2009 are related to the Successor Company. Financial information in Spectrum Brands' financial statements prepared for the Predecessor Company will not be comparable to financial information for the Successor Company.

Spectrum Brands manages its business in four reportable segments: (i) Global Batteries & Personal Care, which consists of Spectrum Brands' worldwide battery, shaving and grooming, personal care and portable lighting business (Global Batteries & Personal Care), (ii) Global Pet Supplies, which consists of Spectrum Brands' worldwide pet supplies business (Global Pet Supplies), (iii) Home and Garden Business, which consists of Spectrum Brands' lawn and garden and insect control businesses (the Home and Garden Business) and (iv) Small Appliances, which resulted from the acquisition of Russell Hobbs and consists of small electrical appliances primarily in the kitchen and home product categories (Small Appliances).

Spectrum Brands' operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Spectrum Brands' operations also include the manufacturing and marketing of specialty pet supplies. Spectrum Brands also manufactures and markets herbicides, insecticides and repellents in North America. With the addition of Russell Hobbs, Spectrum Brands designs, markets and distributes a broad range of branded small appliances and personal care products. Spectrum Brands' operations utilize manufacturing and product development facilities located in the U.S., Europe, Asia and Latin America.

SB Holdings sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors, global online partners, internal e-commerce 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

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than 80 years, and under the *Tetra*, *8-in-1*, *Spectracide*, *Cutter*, *Black & Decker*, *George Foreman*, *Russell Hobbs*, *Farberware* and various other brands.

Spectrum Brands' strategy is to provide quality and value to retailers and consumers worldwide. Most of its products are marketed on the basis of providing the same performance as Spectrum Brands' competitors for a lower price or better performance for the same price. Spectrum Brands' goal is to provide the highest returns to its customers and retailers, and to offer superior merchandising and category management. Its promotional spending focus is on winning at the point of sale, rather than incurring significant advertising expenses. Spectrum Brands operates in several business categories in which it believes there are high barriers to entry and it strives to achieve a low cost structure with a global shared services administrative structure, helping it to maintain attractive margins. This operating model, which it refers to as the Spectrum value model, is what Spectrum Brands believes will drive returns for its investors and its customers.

Voluntary Reorganization Under Chapter 11

On February 3, 2009, the Predecessor Company announced that it had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce the Predecessor Company's outstanding debt. On the same day, the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court and filed with the Bankruptcy Court a proposed plan of reorganization that detailed the Debtors proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455.

The Bankruptcy Court entered a written order on July 15, 2009 confirming the proposed plan (as so confirmed, the Plan).

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of the Predecessor Company's existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. The Successor Company filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, the Successor Company issued a total of 27,030,000 shares of common stock and \$218,076,405 of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes) to holders of allowed claims with respect to the Predecessor Company's 8 1/2% Senior Subordinated Notes due 2013, 7 3/8% Senior Subordinated Notes due 2015 and Variable Rate Toggle Senior Subordinated Notes due 2013. For a more complete discussion of the 12% Notes, see Note 8, Debt, to SB Holdings unaudited consolidated financial statements, included elsewhere in this information statement. Also on the Effective Date, the Successor Company issued a total of 2,970,000 shares of common stock to supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors' debtor-in-possession credit facility.

Products

Spectrum Brands competes in seven major product categories: consumer batteries, small appliances, pet supplies, electric shaving and grooming, electric personal care products, home and garden control products, and portable lighting. Its broad line of products includes:

consumer batteries, including alkaline and zinc carbon batteries, rechargeable batteries and chargers and hearing aid batteries and other specialty batteries;

small appliances, including small kitchen appliances and home product appliances;

pet supplies, including aquatic equipment and supplies, dog and cat treats, small animal foods, clean up and training aids, health and grooming products and bedding;

home and garden control products, including household insect controls, insect repellents and herbicides;

electric shaving and grooming devices;

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electric personal care and styling devices; and

portable lighting.

Net sales of each product category sold by Spectrum Brands (excluding Russell Hobbs), as a percentage of net sales of its consolidated operations (excluding the operations of Russell Hobbs), is set forth below. Since June 16, 2010, the date of the consummation of the SB/RH Merger, sales by Russell Hobbs have accounted for 28.3% of the net sales of Spectrum Brands consolidated operations.

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

Segment information as to revenues, profits and total assets as well as information concerning Spectrum Brands revenues and long lived assets by geographic location for the last three fiscal years is set forth in Note 11, Segment Results, in the notes to Spectrum Brands consolidated financial statements included elsewhere in this information statement.

Consumer Batteries

Spectrum Brands manufactures, markets and sells a full line of alkaline batteries (AA, AAA, C, D and 9-volt sizes) and zinc carbon batteries to retail and industrial customers. Its batteries are marketed and sold under the *Rayovac* (primarily in North America and Latin America) and *VARTA* (primarily in Europe) brands. Spectrum Brands also manufactures alkaline batteries for third parties who sell the batteries under their own private labels.

Spectrum Brands believes that it is currently the largest worldwide marketer and distributor of hearing aid batteries under several brand names and private labels, including *Beltone*, *Miracle Ear* and *Starkey*. Spectrum Brands also sells nickel metal hydride rechargeable batteries, battery chargers and other specialty battery products including camera batteries, lithium batteries, silver oxide batteries, keyless entry batteries and coin cells for use in watches, cameras, calculators, communications equipment and medical instruments.

Small Appliances

In the small appliances category, Russell Hobbs markets and sells a broad range of products in three major product categories: branded small household appliances, pet and pest products, and personal care products.

Russell Hobbs markets a broad line of small kitchen appliances under the *George Foreman*, *Black & Decker*, *Russell Hobbs*, *Farberware*, *Juiceman*, *Breadman* and *Toastmaster* brands, including grills, bread makers, sandwich makers, kettles, toaster ovens, toasters, blenders, juicers, can openers, coffee grinders, coffee makers, electric knives, deep fryers, food choppers, food processors, hand mixers, rice cookers and steamers.

Russell Hobbs also markets small home product appliances, including hand-held irons, vacuum cleaners, air purifiers, clothes shavers and heaters, primarily under the *Black & Decker* and *Russell Hobbs* brands.

Pet products include cat litter boxes sold under the *LitterMaid* brand. The consumable accessories, including privacy tents, litter carpets, crystal litter cartridges, charcoal filters, corn-based litter and replaceable

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waste receptacles. The pest control products include pest control and repelling devices that use ultra-sonic sound waves to control insects and rodents, primarily in homes.

Russell Hobbs personal care products in the small appliances category include hand-held dryers, curling irons, straightening irons, brush irons, air brushes, hair setters, facial brushes, skin appliances and electric toothbrushes, which are primarily marketed under the *Russell Hobbs*, *Carmen* and *Andrew Collinge* brands.

Pet Supplies

In the pet supplies product category, Spectrum Brands markets and sells a variety of leading branded pet supplies for fish, dogs, cats, birds and other small domestic animals. Spectrum Brands has a broad line of consumer and commercial aquatics products, including integrated aquarium kits, standalone tanks and stands, filtration systems, heaters, pumps, and other equipment, fish food and water treatment products. Spectrum Brands largest aquatics brands are *Tetra*, *Marineland*, *Whisper* and *Instant Ocean*. Spectrum Brands also sells a variety of specialty pet products, including dog and cat treats, small animal food and treats, clean up and training aid products, health and grooming aids, and bedding products. Spectrum Brands largest specialty pet brands include *8-in-1*, *Dingo*, *Nature's Miracle* and *Wild Harvest*.

Home and Garden Control Products

In the home and garden category, Spectrum Brands markets and sells several leading home and garden care products, including household insecticides, insect repellent, herbicides, garden and indoor plant foods and plant care treatments. Spectrum Brands markets a wide array of outdoor pest control products under the *Spectracide* and *Garden Safe* brands, including lawn and garden insect killers, disease control sprays, termite control and detection products, and herbicides. Its *Hot Shot*, *Rid-a-Bug* and *Real-Kill* brands offer complete indoor insect control with products such as roach and ant killers, flying insect killers, indoor foggers, wasp and hornet killers, bedbug and flea control products, rodenticides, and roach and ant baits. Spectrum Brands also markets the complete lines of *Cutter* and *Repel* insect repellents, including personal spray on mosquito repellents as well as area repellents, such as yard sprays, and citronella candles. Spectrum Brands has positioned its brands as the value alternative for consumers who want results comparable to those of premium-priced brands.

Electric Shaving and Grooming

Spectrum Brands markets and sells a broad line of electric shaving and grooming products under the *Remington* brand name, including men's rotary and foil shavers, beard and mustache trimmers, body trimmers and nose and ear trimmers, women's shavers and haircut kits. Remington has strong brand name recognition with an 80 year history.

Electric Personal Care Products

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

Portable Lighting

Spectrum Brands offers a broad line of battery-powered, portable lighting products, including flashlights and lanterns for both retail and industrial markets. Spectrum Brands sells its portable lighting products under the *Rayovac* and *VARTA* brand names, under other proprietary brand names and pursuant to licensing arrangements with third parties.

Sales and Distribution

Spectrum Brands sells its products through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors, original equipment manufacturers (each, an OEM), catalogers, warehouse clubs, drug and grocery stores, department stores, television shopping

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channels, pet supply retailers, and independent distributors, as well as through e-commerce websites. Its sales generally are made through the use of individual purchase orders, consistent with industry practice. Retail sales of the consumer products Spectrum Brands markets have been increasingly consolidated into a small number of regional and national mass merchandisers. This trend towards consolidation is occurring on a worldwide basis. As a result of this consolidation, a significant percentage of Spectrum Brands sales are attributable to a very limited group of retailer customers, including, without limitation, Wal-Mart, The Home Depot, Carrefour, Target, Lowes, PetSmart, Canadian Tire, PETCO and Gigante. Spectrum Brands sales to Wal-Mart Stores, Inc. represented approximately 23% of its consolidated net sales for Fiscal 2009. No other customer accounted for more than 10% of Spectrum Brands consolidated net sales in Fiscal 2009.

Spectrum Brands provides promotional support for its products with the aid of various media, including television and print advertising, cooperative advertising with retailers and in-store displays and product demonstrations. Spectrum Brands believes that these promotional activities are important to strengthening its brand name recognition. The level of promotional effort targeted toward sales velocity and brand building is determined by the profitability of the category, the strategic importance of the brand and retailer plans.

Global Batteries & Personal Care

Spectrum Brands manages its Global Batteries & Personal Care sales force by geographic region and product group. Its sales team is divided into three major geographic territories, North America, Latin America and Europe and the rest of the world (Europe/ROW). Within each major geographic territory, it has additional subdivisions designed to meet its customers needs.

Spectrum Brands manages its sales force in North America by distribution channel. It maintains separate sales groups to service (i) its retail sales and distribution channel, (ii) its hearing aid professionals channel and (iii) its industrial distributors and OEM sales and distribution channel. In addition, Spectrum Brands utilizes a network of independent brokers to service participants in selected distribution channels.

Spectrum Brands manages its sales force in Latin America by distribution channel and geographic territory. It sells primarily to large retailers, wholesalers, distributors, food and drug chains and retail outlets. In countries where it does not maintain a sales force, it sells to distributors who market its products through all channels in the market.

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

Small Appliances

In the small appliances category, Russell Hobbs products are sold principally by an internal sales staff located in North America, Latin America, Europe, Australia and New Zealand. Russell Hobbs also uses independent sales representatives, primarily in Central America and the Caribbean. Russell Hobbs distributes most of its small appliance products to retailers, including mass merchandisers, department stores, home improvement stores, warehouse clubs, drug chains, catalog stores and discount and variety stores. In addition to directing its marketing efforts toward retailers, Russell Hobbs sells certain of its products directly to consumers through infomercials and its Internet websites.

Global Pet Supplies

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

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Home and Garden Business

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

Manufacturing, Raw Materials and Suppliers

The principal raw materials used in manufacturing Spectrum Brands' products—zinc powder, electrolytic manganese dioxide powder and steel—are sourced either on a global or regional basis. The prices of these raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. Spectrum Brands has regularly engaged in forward purchase and hedging derivative transactions specifically related to zinc in an attempt to effectively manage the raw material costs related to zinc that it expects to incur over the next 12 to 24 months. Spectrum Brands was also exposed to fluctuating prices of raw materials used in its manufacturing processes in the growing product portion of the Home and Garden Business, specifically, granular urea and diammonium phosphate (DAP). Spectrum Brands discontinued the use of granular urea and DAP during the second quarter of Fiscal 2009 as a result of the shutdown of the growing products portion of the Home and Garden Business.

Substantially all of Spectrum Brands' rechargeable batteries and chargers, small appliances, portable lighting products, hair care and other personal care products and its electric shaving and grooming products are manufactured by a limited number of third party suppliers that are primarily located in the Asia/Pacific region. Spectrum Brands maintains ownership of the tooling and molds used by most of its suppliers. Within its Small Appliances segment, Russell Hobbs maintains supply contracts with terms of one to three years with certain of its third party suppliers, which include standard terms for production, delivery, quality and indemnification for product liability claims. Specific production amounts are ordered by separate purchase orders.

Spectrum Brands continually evaluates its manufacturing facilities' capacity and related utilization. As a result of such analyses, it has closed a number of manufacturing facilities during the past five years. In general, Spectrum Brands believes its existing facilities are adequate for its present and foreseeable needs.

Research and Development

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

Spectrum Brands also works closely with both retailers and suppliers to identify consumer needs and preferences and to generate new product ideas. Spectrum Brands evaluates new ideas and seeks to develop and acquire new products and improve existing products to satisfy marketplace requirements and changing consumer preferences. Spectrum Brands designs the style, features and functionality of its products to meet customer requirements for quality, performance, product mix and pricing.

In Fiscal 2009, 2008 and 2007, Spectrum Brands (excluding Russell Hobbs) invested \$24.4 million, \$25.3 million and \$26.8 million, respectively, in product research and development.

Patents and Trademarks

Spectrum Brands owns or licenses from third parties a significant number of patents and patent applications throughout the world relating to products it sells and manufacturing equipment it uses. Spectrum Brands holds a license that expires in March 2022 for certain alkaline battery designs, technology and manufacturing equipment from Matsushita, to whom it pays a royalty.

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Spectrum Brands also uses and maintains a number of trademarks in its business, including *Dingo*, *JungleTalk*, *Marineland*, *Rayovac*, *Remington*, *Tetra*, *Varta*, *8-in-1*, *Cutter*, *Hot Shot*, *Garden Safe*, *Nature's Miracle*, *Repel*, *Spectracide*, *Spectracide Terminate*, *George Foreman*, *Russell Hobbs*, *Juiceman*, *Breadman*, *Littermaid*, *Orva*, *Farberware* and *Toastmaster*. Spectrum Brands seeks trademark protection in the U.S. and in foreign countries, including by registration where it deems appropriate.

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

As a result of the common origins of the Remington Products business Spectrum Brands acquired in September 2003 and the Remington Arms Company, Inc. (Remington Arms), the *Remington* trademark is owned by Spectrum Brands and by Remington Arms each with respect to its principal products as well as associated products. Accordingly, Spectrum Brands owns the rights to use the *Remington* trademark for electric shavers, shaver accessories, grooming products and personal care products, while Remington Arms owns the rights to use the trademark for firearms, sporting goods and products for industrial use, including industrial hand tools. In addition, the terms of a 1986 agreement between Remington Products and Remington Arms provides for the shared rights to use the *Remington* trademark on products that are not considered principal products of interest for either company. Spectrum Brands owns the *Remington* trademark for nearly all products which it believes can benefit from the use of the brand name in its distribution channels.

Russell Hobbs licenses the *Black & Decker* brand in North America, Latin America (excluding Brazil) and the Caribbean for four core categories of household appliances: beverage products, food preparation products, garment care products and cooking products. Russell Hobbs has licensed the *Black & Decker* brand since 1998 for use in marketing various household small appliances. In December 2007, Russell Hobbs and The Black & Decker Corporation (BDC) extended the trademark license agreement for a third time through December 2012, with an automatic extension through December 2014 if certain milestones are met regarding sales volume and product return. Under the agreement as extended, Russell Hobbs agreed to pay BDC royalties based on a percentage of sales, with minimum annual royalty payments as follows:

Calendar year 2010: \$14,500,000

Calendar year 2011: \$15,000,000

Calendar year 2012: \$15,000,000

The agreement also requires Russell Hobbs to comply with maximum annual return rates for products.

If BDC does not agree to renew the license agreement, Russell Hobbs has 18 months to transition out of the brand name. No minimum royalty payments will be due during such transition period. BDC has agreed not to compete in the four core product categories for a period of five years after the termination of the license agreement. Upon request, BDC may elect to extend the license to use the *Black & Decker* brand to certain additional product categories. BDC has approved several extensions of the license to additional categories and geographies.

Competition

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

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

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

Primary competitive brands in the small appliance category include *Hamilton Beach*, *Proctor Silex*, *Sunbeam*, *Mr. Coffee*, *Oster*, *General Electric*, *Rowenta*, *DeLonghi*, *Kitchen Aid*, *Cuisinart*, *Krups*, *Braun*, *Rival*, *Europro*, *Kenwood*, *Philips*, *Morphy Richards*, *Breville* and *Tefal*. The key competitors of Russell Hobbs in this market in the U.S. and Canada include Jarden Corporation, DeLonghi America, Euro-Pro Operating LLC, Metro Thebe, Inc., d/b/a HWI Breville, NACCO Industries, Inc. (Hamilton Beach) and SEB S.A. In addition, Russell Hobbs competes with retailers who use their own private label brands for household appliances (for example, Wal-Mart).

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

Spectrum Brands' primary competitors in the electric shaving and grooming product category are Norelco, a division of Philips, which sells and markets rotary shavers, and Braun, a division of Procter & Gamble, which sells and markets foil shavers. Spectrum Brands sells both Remington foil and rotary shavers.

Spectrum Brands' major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy.

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

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

Products Spectrum Brands sells in the household insect control product category through the Home and Garden Business face competition from S.C. Johnson, which markets insecticide and repellent products under the *Raid* and *OFF!* brands; Scotts Company, which markets household insect control products under the *Ortho* brand; and Henkel KGaA, which markets insect control products under the *Combat* brand.

Some of Spectrum Brands' major competitors have greater resources and greater overall market share than Spectrum Brands does. They have committed significant resources to protect their market shares or to capture market share from

Spectrum Brands in the past and may continue to do so in the future. In some key product lines, Spectrum Brands competitors may have lower production costs and higher profit margins than Spectrum Brands does, which may enable them to compete more aggressively in advertising and in offering

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retail discounts and other promotional incentives to retailers, distributors, wholesalers and, ultimately, consumers.

Seasonality

On a consolidated basis, Spectrum Brands' financial results are approximately equally weighted between quarters; however, sales of certain product categories tend to be seasonal. Sales in the consumer battery, electric shaving and grooming and electric personal care product categories, particularly in North America, tend to be concentrated in the December holiday season (Spectrum Brands' first fiscal quarter). Sales in the small appliances product category tend to be higher in the second half of the calendar year (Spectrum Brands' fourth and first fiscal quarters), primarily due to increased demand by customers in late summer for back-to-school sales and in the fall for the holiday season. Demand for pet supplies products remains fairly constant throughout the year. Demand for home and garden control products sold through the Home and Garden Business typically peaks during the first six months of the calendar year (Spectrum Brands' second and third fiscal quarters). For a more detailed discussion of the seasonality of Spectrum Brands' product sales, see Management's Discussion and Analysis of Financial Condition and Results of Operations of SB Holdings and Spectrum Brands' Introduction - Seasonal Product Sales appearing elsewhere in this information statement.

Governmental Regulations and Environmental Matters

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

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

Spectrum Brands has been, and in the future may be, subject to proceedings related to its disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which it is held responsible as a result of its relationships with such other parties. In the U.S., these proceedings are under the CERCLA or similar state laws that hold persons who arranged for the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is often shared by all of the viable responsible parties. Spectrum Brands occasionally is identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where Spectrum Brands has been notified of its status as a potentially responsible party, it is either premature to determine whether its potential liability, if any, will be material or it does not believe that its liability, if any, will be material. Spectrum Brands may be named as a potentially responsible party under CERCLA or similar state laws for other sites not currently known to it, and the costs and liabilities associated with these sites may be material.

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It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. Nevertheless, based upon the information currently available, Spectrum Brands believes that its ultimate liability arising from such environmental matters, taking into account established accruals of \$9.6 million for estimated liabilities at July 4, 2010 should not be material to its business or financial condition.

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

Throughout the world, most federal, state, provincial and local authorities require safety regulation certification prior to marketing electrical appliances in those jurisdictions. Within the U.S., *UL* is the most widely recognized certification body for electrical appliances. *UL* is an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards. Spectrum Brands also uses the *ETL SEMKO* division of *Intertek* for certification and testing of compliance with *UL* standards, as well as other national and industry-specific standards.

Certain of Spectrum Brands' products and facilities in each of its business segments are regulated by the *EPA* and the *FDA* or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the *EPA* and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Spectrum Brands' inability to obtain or the cancellation of any registration could have an adverse effect on its business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether its competitors were similarly affected. Spectrum Brands attempts to anticipate regulatory developments and maintain

registrations of, and access to, substitute chemicals and other ingredients. Spectrum Brands may not always be able to avoid or minimize these risks.

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

Certain of Spectrum Brands' products and packaging materials are subject to regulations administered by the FDA. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated products, establishes ingredients and manufacturing procedures for certain products, establishes standards of identity for certain products, determines the safety of products and establishes labeling standards and requirements. Certain of the products sold by Spectrum Brands in the U.S. are also subject to the Fair Packaging and Labeling Act. Spectrum Brands believes that in addition to complying with the Fair Packaging and Labeling Act, Spectrum Brands complies with the applicable rules and regulations of the Federal Trade Commission and other federal and state agencies with respect to the content of advertising and other trade practices. In addition, various states regulate these products by enforcing federal and state standards of identity for selected products, grading products, inspecting production facilities and imposing their own labeling requirements.

As a marketer and distributor of consumer products in the U.S., Spectrum Brands is subject to the Consumer Product Safety Act, which empowers the Consumer Product Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Product Safety Commission could require Spectrum Brands to repurchase or recall one or more of its products.

Employees

Spectrum Brands had approximately 6,150 full-time employees worldwide as of July 4, 2010. Approximately 20% of its total labor force is covered by collective bargaining agreements. One of these agreements, which covers approximately 35% of the labor force under collective bargaining agreements, or approximately 7% of Spectrum Brands' total labor force, is scheduled to expire on September 30, 2010. Spectrum Brands believes that its overall relationship with its employees is good.

Backlog

Spectrum Brands' backlog consists of commitments to order and orders for its products, which typically are subject to change and cancellation until shipment. Customer order patterns vary from year to year, largely because of differences in consumer acceptances of product lines, product availability, marketing strategies, inventory levels of retailers and overall economic conditions. As a result, comparisons of backlog between periods are not necessarily indicative of sales for that period.

Accordingly, Spectrum Brands does not believe that the amount of backlog orders is a significant predictor of Spectrum Brands' business.

Litigation

In December 2009, San Francisco Technology, Inc. filed an action in the Federal District Court for the Northern District of California against Spectrum Brands, as well as a number of unaffiliated defendants, claiming that each of the defendants had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such claimed violations. This matter

is currently stayed pending resolution of a similar case in which Spectrum Brands is not a party. Spectrum Brands is reviewing the claims and intends to vigorously defend this matter but is unable to estimate any possible losses at this time.

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In May 2010, Herengrucht Group, LLC filed an action in the U.S. District Court for the Southern District of California against Spectrum Brands, claiming that Spectrum Brands had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such claimed violations. This action has been voluntarily dismissed by the plaintiffs.

A subsidiary of Spectrum Brands is a defendant in *NACCO Industries, Inc. et al. v. Applica Incorporated et al.*, Case No. C.A. 2541-VCL, which was filed in the Court of Chancery of the State of Delaware in November 2006. The original complaint in this action alleged a claim for, among other things, breach of contract against Applica and a number of tort claims against certain entities affiliated with the Harbinger Parties. The claims against Applica related to the alleged breach of the merger agreement between Applica and NACCO Industries, Inc. (NACCO) and one of its affiliates, which agreement was terminated following Applica's receipt of a superior merger offer from the HCP Funds. On October 22, 2007, the plaintiffs filed an amended complaint asserting claims against Applica for, among other things, breach of contract and breach of the implied covenant of good faith relating to the termination of the NACCO merger agreement and asserting various tort claims against Applica and the Master Fund and Special Situations Fund (collectively, the HCP Funds). The original complaint was filed in conjunction with a motion preliminarily to enjoin the HCP Funds' acquisition of Applica. On December 1, 2006, plaintiffs withdrew their motion for a preliminary injunction. In light of the consummation of Applica's merger with affiliates of the HCP Funds in January 2007 (Applica is currently a subsidiary of Russell Hobbs), Spectrum Brands believes that any claim for specific performance is moot. Applica filed a motion to dismiss the amended complaint in December 2007.

Rather than respond to the motion to dismiss the amended complaint, NACCO filed a motion for leave to file a second amended complaint, which was granted in May 2008. Applica moved to dismiss the second amended complaint, which motion was granted in part and denied in part in December 2009. The trial is currently scheduled for February 2011. Spectrum Brands intends to vigorously defend the action, but may be unable to resolve the disputes successfully or without incurring significant costs and expenses. As a result, Russell Hobbs and Master Fund have entered into an indemnification agreement, dated as of February 9, 2010, by which Harbinger Master Fund has agreed, effective upon the consummation of the SB/RH Merger, to indemnify Russell Hobbs, its subsidiaries and any entity that owns all of the outstanding voting stock of Russell Hobbs against any out-of-pocket losses, costs, expenses, judgments, penalties, fines and other damages in excess of \$3 million incurred with respect to this litigation and any future litigation or legal action against the indemnified parties arising out of or relating to the matters which form the basis of this litigation.

Applica Consumer Products, Inc. (ACP), a subsidiary of Spectrum Brands, is a defendant in three asbestos lawsuits in which the plaintiffs have alleged injury as the result of exposure to asbestos in hair dryers distributed by that subsidiary over 20 years ago. Although ACP never manufactured such products, asbestos was used in certain hair dryers distributed by it prior to 1979. Russell Hobbs, another subsidiary, is a defendant in one asbestos lawsuit in which the plaintiff has alleged injury as the result of exposure to asbestos in toasters and/or toaster ovens. There are numerous defendants named in these lawsuits, many of whom, unlike Russell Hobbs or ACP, actually manufactured asbestos containing products. Spectrum Brands believes that these actions are without merit and intends to vigorously defend the action, but may be unable to resolve the disputes successfully without incurring significant expenses. At this time, Spectrum Brands does not believe it has coverage under its insurance policies for the asbestos lawsuits.

Spectrum Brands is a defendant in various matters of litigation generally arising out of the ordinary course of business.

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The following table lists Spectrum Brands' principal owned or leased manufacturing, packaging and distribution facilities at July 4, 2010:

Facility	Function
<i>Global Batteries & Personal Care</i>	
Fennimore, Wisconsin(1)	Alkaline Battery Manufacturing
Portage, Wisconsin(1)	Zinc Air Button Cell and Lithium Coin Cell Battery, Foil Shaver Component Manufacturing
Dischingen, Germany(1)	Alkaline Battery Manufacturing
Washington, UK(2)	Zinc Air Button Cell Battery Manufacturing & Distribution
Guatemala City, Guatemala(1)	Zinc Carbon Battery Manufacturing
Jaboatao, Brazil(1)	Zinc Carbon Battery Manufacturing
Manizales, Colombia(1)	Zinc Carbon Battery Manufacturing
Dixon, Illinois(2)	Battery & Lighting Device Packaging & Distribution
Visalia, California(2)	Electric Shaver & Personal Care Product Distribution
Ellwangen-Neunheim, Germany(2)	Battery & Lighting Device, Electric Shaver & Personal Care Product Distribution
<i>Global Pet Supplies</i>	
Mentor, Ohio(2)	Aquatics Manufacturing
Noblesville, Indiana(1)	Aquatics Manufacturing
Moorpark, California(2)	Aquatics Manufacturing
Bridgeton, Missouri(2)	Pet Supply Manufacturing (shared with the Home and Garden Business)
Blacksburg, Virginia(1)	Pet Supply Manufacturing, Assembly & Distribution
Melle, Germany(1)	Pet Food & Pet Care Manufacturing
Edwardsville, Illinois(2)	Pet Supply Product Distribution
Melle, Germany(2)	Pet Food & Pet Care Distribution
<i>Home and Garden Business</i>	
Vinita Park, Missouri(2)	Household & Controls and Contract Manufacturing
Bridgeton, Missouri(2)	Household & Controls Manufacturing (shared with Global Pet)
<i>Small Appliances</i>	
Redlands, California(2)	Warehouse
Little Rock, Arkansas(2)	Warehouse and distribution
Wolverhampton, England(1)	Warehouse
Manchester, England(1)	Sales and administrative office and warehouse
Wolverhampton, England(2)	Warehouse
Miramar, Florida(2)	Headquarters, general administration offices

(1) Facility is owned.

(2) Facility is leased.

Spectrum Brands also owns, operates or contracts with third parties to operate distribution centers, sales offices and administrative offices throughout the world in support of its business. Spectrum Brands leases its headquarters and its primary research and development facility located in Madison, Wisconsin.

Spectrum Brands believes that its existing facilities are suitable and adequate for its present purposes and that the productive capacity in such facilities is substantially being utilized or it has plans to utilize it.

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DESCRIPTION OF SB HOLDINGS CAPITAL STOCK AND RELATED MATTERS

Our rights and obligations as a stockholder of SB Holdings will be governed by the DGCL, SB Holdings certificate of incorporation (SB Holdings Certificate) and bylaws (SB Holdings Bylaws) and by the SB Holdings Stockholder Agreement. The following discussion summarizes material provisions of the SB Holdings Certificate, the SB Holdings Bylaws and the SB Holdings Stockholder Agreement. A copy of SB Holdings Stockholder Agreement is included as an exhibit to a Current Report on Form 8-K filed by HGI with the SEC on _____, 2010. Copies of the SB Holdings Certificate and SB Holdings Bylaws are included as exhibits to SB Holdings Registration Statement on Form S-8 (File No. 333-167569) filed with the SEC on June 16, 2010. For information as to how you can review and/or obtain copies of these documents, see Where You Can Find More Information . The rights and obligations of the stockholders of SB Holdings under the SB Holdings Certificate and SB Holdings Bylaws, and the rights of the respective parties to the SB Holdings Stockholder Agreement, are governed by the express terms and conditions of those documents and not by this summary or any other information contained in this document. Each of the SB Holdings Certificate, SB Holdings Bylaws and SB Holdings Stockholder Agreement should be read carefully in their entirety, as well as this information statement.

SB Holdings Certificate of Incorporation and Bylaws

Capital Stock

Under the SB Holdings Certificate, SB Holdings is authorized to issue a total of 300,000,000 shares of stock, of which 200,000,000 shares are common stock and 100,000,000 shares are preferred stock, each with a par value of \$0.01 per share.

Board of Directors; Special Nominating Committee

Under the SB Holdings Certificate and SB Holdings Bylaws, the board of directors, subject to any rights of holders of any series of SB Holdings preferred stock, must initially consist of ten directors, divided into three classes: Class I (initially 4 members, one of whom is the Chief Executive Officer of SB Holdings), Class II (initially 3 members) and Class III (initially 3 members). The term of office of each class is three years and expires in successive years at the time of the annual meeting of stockholders. The directors first appointed to Class I will initially hold office until the 2011 annual meeting of stockholders; the directors first appointed to Class II will initially hold office until the 2012 annual meeting of stockholders; and the directors first appointed to Class III will initially hold office until the 2013 annual meeting of stockholders. At each annual meeting of stockholders, the newly elected directors will have terms expiring at the third succeeding annual meeting.

At least three of the directors are to be Independent Directors (as defined below) nominated by the Special Nominating Committee of the SB Holdings board of directors and the remaining seven directors are to be nominated by the Nominating and Corporate Governance Committee of the SB Holdings board of directors. The Special Nominating Committee is to consist of three Independent Directors. Pursuant to the SB Holdings Certificate, any vacancy on the Special Nominating Committee is to be filled by an Independent Director that is selected by the remaining members (or member) of the Special Nominating Committee. The Nominating and Governance Committee is to consist of (i) a majority of directors designated for nomination by the 40% Stockholder and (ii) at least one Independent Director. An Independent Director is one who qualifies as an independent director of SB Holdings under the NYSE rules (or comparable stock exchange rules, if SB Holdings common stock is listed on a different exchange) and is also independent of the 40% Stockholders.

Conflicts of Interests; Corporate Opportunity Disclaimer

Under the SB Holdings Certificate, the stockholders and directors of SB Holdings have no obligation to present business opportunities to SB Holdings unless such business opportunity was presented to the stockholder or director specifically for SB Holdings benefit in his/her capacity as a stockholder or director of SB Holdings.

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Furthermore, SB Holdings stockholders, their affiliates and the directors elected or appointed to SB Holdings board of directors by SB Holdings stockholders: (i) may have participated, directly or indirectly, and may continue to participate in businesses that are similar to or compete with the business of SB Holdings; (ii) may have interests in, participate with, aid and maintain seats on the board of directors of other such entities; and (iii) may develop opportunities for such entities. These individuals may encounter business opportunities in such capacities that SB Holdings or its stockholders may desire to pursue. These individuals will have no obligation to SB Holdings to present any such business opportunity to SB Holdings before presenting and/or developing such opportunity with anyone else, other than any such opportunities specifically presented to any such stockholder or director for SB Holdings benefit in his or her capacity as a stockholder or director of SB Holdings. In any such case, to the extent a court might hold that the conduct of such activity is a breach of a duty to SB Holdings, SB Holdings has waived any and all claims and causes of action that SB Holdings believes that it may have for such activities.

Pre-emptive Rights

Under the SB Holdings Certificate, each person who, together with its affiliates, holds 5% or more of SB Holdings outstanding voting securities (a 5% Stockholder), and each affiliate of a 5% Stockholder to which a 5% Stockholder assigns its rights (each 5% Stockholder and such affiliate being a Rights Holder), is granted the right to purchase a pro rata share of all or any part of any New Securities that SB Holdings or its subsidiaries may issue. New Securities include: (i) any debt instruments of SB Holdings or its subsidiaries issued to a 5% Stockholder or other affiliates of SB Holdings; (ii) capital stock; (iii) equity securities of SB Holdings subsidiaries; (iv) rights, options or warrants to purchase capital stock, equity securities or debt instruments; and (v) securities of any type that are, or may become convertible into, capital stock, equity securities or debt instruments. New Securities do not include, among others, securities issued (a) pursuant to an equity incentive or stock purchase plan, (b) in connection with a stock split, dividend or distribution, (c) pursuant to a registration statement required under the Securities Act of 1933 or pursuant to a Rule 144A offering or (d) as consideration for an acquisition of another person.

Rights Holders who elect to purchase their pro rata share of New Securities will also have the opportunity to purchase their pro rata portion of New Securities not purchased by other Rights Holders.

New Securities may be issued by SB Holdings and purchased by the Rights Holders without complying with the pre-emptive rights procedures if, promptly after such purchase, each Rights Holder purchasing New Securities offers the non-purchasing Rights Holders the right to purchase their pro rata share of such New Securities on the same terms.

Restrictions on Going-Private Transactions

Under the SB Holdings Certificate, no 40% Stockholder or a Restricted Group may, or permit any of their affiliates to, engage in any transactions that would constitute a Going-Private Transaction, unless such Going-Private Transaction:

is not a tender or exchange offer and is (i) approved by a majority of the disinterested members of the board of directors who determine that the transaction is fair to the stockholders (other than those who are members of the Restricted Group), and (ii) approved by a majority of the outstanding voting securities not beneficially owned by members of the Restricted Group; or

is a tender or exchange offer made by a member of the Restricted Group and is contingent upon (i) the acquisition of a majority of the outstanding voting securities not beneficially owned by members of the Restricted Group, and accompanied by an undertaking that such member of the Restricted Group shall acquire all of the outstanding voting securities still outstanding after the completion of such tender or exchange offer in a merger, if any, at the same price per share paid in such tender or exchange offer and (ii) the disinterested members of the board of directors not recommending that holders of the

outstanding voting securities refrain from tendering their outstanding voting securities.

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These Going-Private Transaction restrictions do not restrict the Harbinger Parties from contributing the SB Holdings Contributed Shares to us pursuant to the Exchange Agreement.

A Going-Private Transaction transaction means either (a) a Rule 13e-3 transaction, as such term is defined in Rule 13e-3 of the Exchange Act as in effect on the date of SB Holdings Certificate was adopted, with respect to the corporation to which such Rule 13e-3 applies or (b) regardless of whether Rule 13e-3 applies to a transaction, any transaction or series of transactions involving (i) a purchase (as such term is defined in Rule 13e-3 of the Exchange Act) of any Equity Security (as such term is defined in SB Holdings Certificate) by a Significant Stockholder (as such term is defined in SB Holdings Certificate) or a member of the Restricted Group, (ii) a tender offer for or request or invitation for tenders of an Equity Security by a Significant Stockholder or a member of the Restricted Group, or (iii) a solicitation subject to Regulation 14A by a Significant Stockholder or a member of the Restricted Group of the Exchange Act of any proxy, consent or authorization of, or a distribution subject to Regulation 14C of the Exchange Act of information statements to, any equity security holder of SB Holdings by a Significant Stockholder or a member of the Restricted Group in connection with (x) a merger, consolidation, reclassification, recapitalization, reorganization or similar corporate transaction of SB Holdings or between SB Holdings (or its subsidiaries) and a Significant Stockholder or a member of the Restricted Group, (y) a sale of substantially all of the assets of SB Holdings to a Significant Stockholder or a member of the Restricted Group (or a group in which one of such persons is a member), or (z) a reverse stock split of any class of Equity Securities involving the purchase of fractional interests, which in the case of such clause (i), (ii) or (iii), has either a reasonable likelihood or a purpose of the Significant Stockholder (together with any other member of the Restricted Group) obtaining beneficial ownership of 85% or more of the Outstanding Voting Securities (as such term is defined in SB Holdings Certificate). Notwithstanding any of the foregoing, any and all purchases of Equity Securities by a Significant Stockholder or any member of the Restricted Group in connection with such Significant Stockholder's or member's exercise of its Purchase Rights (as such term is defined in SB Holdings Certificate) under Article 11 of SB Holdings Certificate shall be deemed not to constitute a Going-Private Transaction.

Reporting Company Requirement

Under the SB Holdings Certificate, SB Holdings must take all actions necessary so that it will not cease to be a reporting company under the Exchange Act unless 85% or more of the outstanding SB Holdings voting securities become beneficially owned by a person and its affiliates.

Related Party Transactions

Subject to certain exceptions set forth in the SB Holdings Certificate, transactions involving aggregate consideration in excess of \$1 million between SB Holdings or any of its subsidiaries (including Spectrum Brands and Russell Hobbs) and a 40% Stockholder (or for the benefit of a 40% Stockholder), are prohibited unless the transaction receives the prior approval of the SB Holdings board of directors with the approval or recommendation of a majority of the members of the Special Nominating Committee.

Tag-Along Rights

The Spectrum Bylaws provide tag-along rights for the benefit of SB Holdings minority stockholders. Specifically, until the earlier of (i) June 16, 2012 and (ii) the date on which persons who beneficially own 5% or more of the outstanding SB Holdings voting securities no longer collectively beneficially own 65% or more of the outstanding SB Holdings voting securities, no stockholder, together with its affiliates (a Selling Stockholder), is permitted to transfer 50% or more of the then-outstanding SB Holdings voting securities unless, prior to the consummation of such transaction, the person acquiring the shares offers each other stockholder the opportunity to transfer all the SB

Holdings voting securities held by such stockholder at the same price and terms no less favorable than those being offered to the Seller Stockholder.

These tag-along rights do not restrict the Harbinger Parties from contributing the SB Holdings Contributed Shares to us pursuant to the Exchange Agreement.

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Amendments to SB Holdings Certificate

SB Holdings generally has the right to amend or repeal any provision contained in the SB Holdings Certificate. However, the approval of a majority of the board of directors with the approval or recommendation of a majority of the members of the Special Nominating Committee is required to repeal or amend the provisions in the SB Holdings Certificate pertaining to (i) the required committees of the board of directors, (ii) pre-emptive rights, (iii) Going-Private Transactions, (iv) conflicts of interests, (v) reporting company requirements, (vi) affiliate transactions and (vii) amendments.

Amendments to the SB Holdings Bylaws

Under the SB Holdings Certificate and the SB Holdings Bylaws, the board of directors of SB Holdings generally is authorized to adopt, amend or repeal the SB Holdings Bylaws. However, the approval of a majority of the board of directors with the approval or recommendation of a majority of the members of the Special Nominating Committee is required to repeal or amend the provisions in the SB Holdings Bylaws pertaining to (i) procedure to call special meetings, (ii) the size of the board of directors and the directors' terms of office, (iii) director nomination procedures, (iv) SB Holdings Bylaws amendments, (v) the required committees of the board and (vi) tag-along rights.

In addition, pursuant to the SB Holdings Certificate, amendments by the SB Holdings stockholders to the following provisions in the SB Holdings Bylaws are permitted only by a majority of the outstanding voting securities and a majority of the outstanding voting securities not held by a 40% Stockholder or any member of its Restricted Group: (i) the size of the board of directors and the directors' terms of office, (ii) classified board requirement, (iii) director nomination procedures and (iv) tag-along rights.

SB Holdings Stockholder Agreement

In connection with the Spectrum Brands Acquisition, we will become a party to the existing SB Holdings Stockholder Agreement. Pursuant to that agreement, we will not, without approval of a majority of the members of the Special Nominating Committee, vote our SB Holdings' voting securities in a manner inconsistent with the terms of the SB Holdings Stockholder Agreement or to amend or repeal certain provisions of the SB Holdings Certificate or SB Holdings Bylaws relating to the size and classification of SB Holdings' board of directors, the director nomination procedure, committees of SB Holdings' board of directors, pre-emptive rights, tag-along rights, SB Holdings' continued status as a reporting company and amendments to SB Holdings Certificate or SB Holdings Bylaws.

The following discussion summarizes the material provisions of the SB Holdings Stockholder Agreement.

Board and Committee Requirements

SB Holdings will maintain (i) a Special Nominating Committee consisting of three independent directors, (ii) a Nominating and Corporate Governance Committee and (iii) an Audit Committee in accordance with the NYSE rules. See Board of Directors; Special Nominating Committee above.

For so long as we (together with our affiliate, including the Harbinger Parties) own 40% or more of the outstanding SB Holdings' voting securities, we will vote our shares of SB Holdings common stock to effect the structure of SB Holdings' board of directors described in the SB Holdings Stockholder Agreement: specifically, the SB Holdings' board of directors will consist of 10 directors, of which at least three directors shall be independent directors nominated by the Special Nominating Committee and one director shall be the Chief Executive Officer of SB Holdings. Furthermore, so long as we (together with our affiliates, including the Harbinger Parties) own 40% or more of the outstanding SB Holdings' voting securities, the Special Nominating Committee of SB Holdings will nominate,

for each class of directors being elected at the annual meeting, the same number of directors as there were members of the Special Nominating Committee in such class prior to the election, and HGI will nominate the remaining directors in such class.

The board of directors of SB Holdings and all the committees thereof will operate to permit SB Holdings to maintain its listing on the NYSE, and if SB Holdings ceases to qualify as a controlled company for

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purposes of the rules of NYSE, HGI has the right to increase the size of SB Holdings' board of directors to add such members as may be required to maintain SB Holdings' listing on the NYSE and nominate such directors for those newly created vacancies through the Nominating and Corporate Governance Committee.

Restriction on Affiliate Transactions

Neither SB Holdings nor any of its subsidiaries will be permitted to pay any monitoring or similar fee to HGI or any of its affiliates, including the Harbinger Parties. The SB Holdings Certificate also contains provisions restricting other related party transactions. See "Related Party Transactions" above.

Transfer Restriction

We will not be permitted to effect any transfer of SB Holdings' equity securities to any person that would result in such person and its affiliates owning 40% or more of SB Holdings' outstanding voting securities, unless (i) such person agrees to be bound by the terms of the SB Holdings Stockholder Agreement, (ii) the transfer is pursuant to a *bona fide* acquisition of SB Holdings approved by the board of directors and a majority of the members of the Special Nominating Committee, (iii) the transfer is otherwise specifically approved by the board of directors and a majority of the Special Nominating Committee, or (iv) the transfer is of 5% or less of SB Holdings' outstanding voting securities.

Going Private Restriction

Before June 16, 2011, we will not (and we will not permit any of our affiliates, including the Harbinger Parties, to) make any public announcement with respect to, or submit a proposal for, or offer in respect of, a Going-Private Transaction of SB Holdings, unless such action is specifically requested in writing by SB Holdings' board of directors with the approval of a majority of the members of the Special Nominating Committee.

Inspection and Information Rights

We will have certain inspection rights so long as we and our affiliates (including the Harbinger Parties) own, in the aggregate, at least 15% of the SB Holdings' outstanding voting securities, which will permit us, at our own expense, to visit and inspect any of the properties of SB Holdings and its subsidiaries, examine their respective books and records and discuss the affairs, finances and accounts with SB Holdings and its subsidiaries' respective officers, employees and public accountants.

We will also have certain information rights for so long as we own at least 10% of the SB Holdings' outstanding voting securities that grant us (i) the ability, at our own expense, to obtain from SB Holdings information concerning its, and its subsidiaries', business and properties, including financial information, necessary to permit us to comply with any applicable securities laws; (ii) the cooperation of SB Holdings' officers, employees, counsel and public accountants in connection with our compliance with securities laws; and (iii) the permission to disclose in our filings any information required to be disclosed under applicable law or the rules of any applicable stock exchange.

Termination of SB Holdings Stockholder Agreement

The provisions of the SB Holdings Stockholder Agreement (other than with respect to information and investigation rights) will terminate on the date we and our affiliates (including the Harbinger Parties) no longer beneficially own 40% of outstanding SB Holdings' voting securities. The SB Holdings Stockholder Agreement terminates when any person or group owns 90% or more of outstanding voting securities. The SB Holdings Stockholder Agreement cannot be amended without the approval of the parties thereto and cannot be waived without the approval of the party against whom the waiver is to be effective; provided that no such amendment or waiver will be effective without the approval

of a majority of the members of the Special Nominating Committee.

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THE SPECTRUM BRANDS ACQUISITION

On September 10, 2010, the Committee unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, the Harbinger Parties, which collectively held approximately 51.6% of our outstanding common stock on that date, executed a written consent to approve the issuance of our common stock pursuant to the Exchange Agreement. The 119,909,830 shares of our common stock to be issued to the Harbinger Parties under the Exchange Agreement will be issued in an unregistered private offering that is exempt from registration under Section 4(2) of the Securities Act and Regulation D thereunder.

The Parties

For a brief description of our company and SB Holdings, please see the section captioned Summary of the Information Statement The Companies , above. For a detailed description of the business of our company and SB Holdings, please see the section captioned Information about HGI and Spectrum Brands , above.

The Harbinger Parties are investment funds affiliated with Harbinger Capital. Harbinger Capital or an affiliate is the investment manager of each of the Harbinger Parties. As of the date of this information statement, the Harbinger Parties collectively held approximately 51.6% of our outstanding common stock, substantially all of which they acquired on July 9, 2009. As of the date of this information statement, the Harbinger Parties collectively held approximately 67.1% of the outstanding SB Holdings common stock.

NYSE Stockholder Approval Requirement

Because our common stock is listed on the NYSE, we are subject to NYSE rules and regulations. Among other things, NYSE rules (specifically, NYSE Listed Company Manual Section 312.03(c)) require stockholder approval prior to the issuance or sale of shares of our common stock in any transaction or series of transactions if (i) the shares of common stock will have upon issuance voting power equal to 20% or more of the voting power outstanding before the issuance of the shares or (ii) the number of shares of common stock to be issued will upon issuance equal 20% or more of the number of shares of common stock outstanding before the issuance of the shares. In addition, NYSE Listed Company Manual Section 312.03(b) requires stockholder approval prior to the issuance or sale of securities in any transaction or series of related transactions to a director, officer or substantial security holder of the company if the number of shares of common stock, or the number of shares of common stock into which the securities may be converted, exceeds one percent of the voting power of the company before such issuance.

The 119,909,830 shares of our common stock to be issued by us to the Harbinger Parties pursuant to the Exchange Agreement will exceed the 20% threshold, described above, and such issuance will be made to a substantial security holder of our common stock and will exceed one percent of our voting power before such issuance. Accordingly, we are required to obtain approval prior to issuance of the shares of our common stock pursuant to the Exchange Agreement.

General Description of the Spectrum Brands Acquisition

On June 16, 2010, SB Holdings completed the SB/RH Merger pursuant to the Agreement and Plan of Merger, dated as of February 9, 2010, as amended, by and among the SB Holdings, Russell Hobbs, Spectrum Brands, Battery Merger Corp., and Grill Merger Corp. (the Merger Agreement). As a result of the SB/RH

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Merger, Russell Hobbs became a wholly owned subsidiary of Spectrum Brands, Spectrum Brands became a wholly owned subsidiary of SB Holdings and the stockholders of Spectrum Brands immediately prior to the consummation of the SB/RH Merger received SB Holdings common stock in exchange for their shares of Spectrum Brands common stock. Immediately prior to the SB/RH Merger, the Harbinger Parties owned 40.6% of the outstanding Spectrum Brands common stock and 100% of the outstanding capital stock of Russell Hobbs and had an outstanding term loan to Russell Hobbs. Upon the completion of the SB/RH Merger, the stockholders of Spectrum Brands (other than the Harbinger Parties) owned approximately 36% of the outstanding SB Holdings common stock and the Harbinger Parties owned approximately 64% of the outstanding SB Holdings common stock. The Spectrum Brands common stock was delisted from the NYSE and shares of SB Holdings common stock were listed on the NYSE under the ticker symbol SPB .

On August 13, 2010, the Committee received a letter submitting a non-binding proposal from the Harbinger Parties to exchange shares of SB Holdings common stock for shares of HGI common stock at an exchange ratio to be determined by using each company's respective volume weighted average price for the 30-day trading period ending as of August 13, 2010. According to the non-binding proposal, SB Holdings common stock that the Harbinger Parties would contribute to HGI would represent a majority of the outstanding shares of SB Holdings common stock.

On September 10, 2010, the Committee unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, the Harbinger Parties, holding a majority of the issued and outstanding shares of our common stock as of that date, approved the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting.

On September 10, 2010, we and the Harbinger Parties entered into the Exchange Agreement. Pursuant to the Exchange Agreement, the Harbinger Parties agreed to contribute the SB Holdings Contributed Shares, or approximately 54.4% of the outstanding SB Holdings common stock, to us in exchange for 119,909,830 newly issued shares of our common stock. This exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average trading prices of our common stock (\$6.33) and SB Holdings common stock (\$27.36) on the NYSE for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties' proposal for the Spectrum Brands Acquisition.

After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own approximately 93.3% of our outstanding common stock and Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock. If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, as permitted by the Exchange Agreement, they would own at the Closing approximately 94.4% of our outstanding common stock.

On September 9, 2010, the last full trading day prior to the date the Exchange Agreement was approved, the closing sales prices of our common stock and SB Holdings common stock were \$5.98 per share and \$26.09 per share, respectively.

We are not asking you for a proxy and you are requested not to send us a proxy. As a result of the action of the Harbinger Parties by written consent, no action by in connection with this information statement is required by you.

The Exchange Agreement is attached as Annex A to this information statement and is incorporated by reference herein in its entirety. We encourage our stockholders to read the Exchange Agreement carefully and

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in its entirety, as the Exchange Agreement is the principal legal document governing the Spectrum Brands Acquisition. We expect to consummate the Spectrum Brands Acquisition on _____, 2010, which date is 20 calendar days after we first mail this information statement to our stockholders, or as soon as practicable thereafter, subject to obtaining all regulatory approvals and satisfaction or waiver of the closing conditions set forth in the Exchange Agreement.

Background of the Spectrum Brands Acquisition

Exchange Agreement

On September 10, 2010, we entered into the Exchange Agreement with the Harbinger Parties. Pursuant to the Exchange Agreement, (i) the Harbinger Parties will contribute the SB Holdings Contributed Shares to us, which represent approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares, and (ii) in exchange for such contribution, we will issue to the Harbinger Parties 119,909,830 newly issued shares of our common stock.

Relationships Among the Harbinger Parties, HGI, SB Holdings and Russell Hobbs

The Harbinger Parties own approximately 51.6% of our outstanding common stock. The Harbinger Parties also own approximately 67.1% of the outstanding SB Holdings common stock and they will contribute approximately 54.4% of the outstanding SB Holdings common stock to us pursuant to the Exchange Agreement. The Harbinger Parties acquired substantially all of their SB Holdings common stock in connection with the SB/RH Merger. See General Description of the Spectrum Brands Acquisition.

After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own approximately 93.3% of our outstanding common stock and Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock. The Harbinger Parties may have interests that differ from, and/or are in addition to, those of our other stockholders. For additional information, see the sections captioned Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition and Principal Stockholders of HGI Before and After the Spectrum Brands Acquisition.

Background of the Spectrum Brands Acquisition; Formation of the Special Committee

In December 2006 we completed a disposition of our 57% ownership interest in Omega Protein Corporation. Since that time we have held cash, cash equivalents and short-term investments in U.S. Government Agency or Treasury securities while we have pursued a good faith search for an acquisition or business combination candidate.

In December 2009 we were approached by the Harbinger Parties with respect to the potential acquisition by us of shares of Russell Hobbs, then owned by the Harbinger Parties (the Potential Russell Hobbs Transaction). In response, our board of directors formed the Committee, which consists of Lap W. Chan, Thomas Hudgins and Robert V. Leffler, Jr., the three independent members of our board of directors. To the fullest extent permitted by law, the Committee was delegated the exclusive power and authority of our board of directors to evaluate and negotiate the Potential Russell Hobbs Transaction.

The Committee engaged Houlihan Lokey to assist it in connection with their review of certain tax and accounting materials related to Russell Hobbs, Perella Weinberg Partners to analyze the fairness of the Potential Russell Hobbs Transaction, and a law firm with significant experience in advising special committees of boards of directors to act as legal advisor to the Committee. We and the Committee also engaged our regular corporate and securities legal advisor, Kaye Scholer LLP, to conduct legal due diligence and advise us with respect to various reporting issues under

applicable securities laws.

The Committee and we conducted significant due diligence with respect to the financial and operational condition of Russell Hobbs, including its material assets, licenses, contracts, potential liabilities and other key matters.

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During December 2009 and January 2010, we and the Harbinger Parties conducted a series of communications, including in person meetings, e-mail correspondence and telephone calls between the Committee and its advisors and the Harbinger Parties and their advisors. On January 21, 2010, the Committee delivered a non-binding indication of interest to the Harbinger Parties with respect to the Potential Russell Hobbs Transaction.

Before the Committee could reach an agreement in principle with the Harbinger Parties with respect to the Potential Russell Hobbs Transaction, negotiations to combine Russell Hobbs and Spectrum that had been undertaken by the Harbinger Parties prior to their negotiations with us were re-commenced and we were advised by the Harbinger Parties that they would no longer be pursuing the Potential Russell Hobbs Transaction with us.

In May 2010, the Harbinger Parties approached us and members of the Committee, as well as our regular legal counsel, to advise us that the Harbinger Parties were contemplating making one or more offers to us that would include the purchase by us of one or more investments currently held or identified by the Harbinger Parties. During May 2010, we took steps to prepare ourselves for potential transactions, including to discuss with Houlihan Lokey and Perella Weinberg the possibility of serving as financial advisor to the Committee with respect to one or more transactions. On June 3, 2010, the Committee met in person with representatives of Wilmer Cutler Pickering Hale and Dorr LLP (WilmerHale) and with another law firm to discuss possible legal representation of the Committee. The Committee subsequently retained WilmerHale based on its qualifications and expertise in providing legal advice to special committees in transactions similar to those we were considering.

During June 2010, the Committee met on several occasions to discuss one of the transactions the Harbinger Parties had informed HGI they might propose. To date, the Committee has not received a formal offer from the Harbinger Parties with respect to this transaction.

On July 9, 2010, after being informed by HGI management that the Harbinger Parties were considering a proposal to contribute their interest in SB Holdings to HGI, the Committee met telephonically to discuss this potential transaction.

On July 16, 2010, the Committee met telephonically with representatives of Houlihan Lokey to discuss the possible engagement of Houlihan Lokey to provide financial advisory services in connection with our review of the potential Spectrum Brands transaction. At the end of the meeting, based on Houlihan Lokey's qualifications and expertise in providing financial and strategic advice to companies similar to ours, the Committee resolved to engage Houlihan Lokey to assist it in its review of certain tax and accounting materials related to such transaction and to render an opinion to the Committee as to the fairness, from a financial point of view, to HGI, of the consideration in any proposed transaction involving SB Holdings. Houlihan Lokey was so engaged as of July 20, 2010.

In July 2010, at our request, Kaye Scholer commenced a legal due diligence review of SB Holdings and Spectrum Brands, including its recently acquired Russell Hobbs division, and their assets, material contracts and other legal documents as Kaye Scholer deemed appropriate.

Over the course of the following week, representatives of WilmerHale held discussions with representatives of Kaye Scholer regarding the status of the transaction, including the proposed timeline for the completion of the Spectrum Brands Acquisition. While the Harbinger Parties had not yet made a proposal, our management had been informed by the Harbinger Parties that they were considering doing so.

On August 13, 2010, the Committee met telephonically with representatives of Houlihan Lokey to discuss the status of the proposed Spectrum Brands Acquisition.

On August 13, 2010, the Committee received a letter submitting a non-binding proposal from the Harbinger Parties to exchange shares of SB Holdings common stock for shares of HGI common stock at an exchange ratio to be

determined by using each company's respective volume weighted average price for the 30-day trading period ending as of August 13, 2010. According to the non-binding proposal, the SB Holdings

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common stock that the Harbinger Parties would contribute to HGI would represent a majority of the outstanding shares of SB Holdings common stock.

On August 15, 2010, Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul Weiss), counsel to the Harbinger Parties, delivered drafts of the Exchange Agreement and HGI Registration Rights Agreement to our counsel.

On August 16, 2010, at a telephonic Committee meeting, representatives of Houlihan Lokey provided an overview of the financial terms of the draft of the Exchange Agreement that had been received from the Harbinger Parties. At the same meeting, representatives of WilmerHale provided an overview of the Exchange Agreement and other draft agreements received earlier that day from the Harbinger Parties.

On August 19, 2010, representatives of Kaye Scholer, WilmerHale, Paul Weiss and the Harbinger Parties held discussions regarding the Exchange Agreement and the HGI Registration Rights Agreement. WilmerHale and Kaye Scholer discussed their request on behalf of HGI to include in the Exchange Agreement an indemnity provision in the Exchange Agreement in favor of HGI, more extensive representations and warranties from the Harbinger Parties, and various other items. The parties also discussed issues that were raised as a result of the Harbinger Parties proposal to contribute less than their entire stake in SB Holdings common stock.

On August 22, 2010, representatives of Kaye Scholer discussed the drafts of the Exchange Agreement and the HGI Registration Rights Agreement with representatives of WilmerHale. Later that day, Kaye Scholer delivered revised drafts of the Exchange Agreement and the HGI Registration Rights Agreement to Paul Weiss.

On August 23, 2010, the Committee met telephonically with representatives of Houlihan Lokey and WilmerHale to discuss the status of the proposed Spectrum Brands Acquisition.

On August 25, 2010, HGI received from the Harbinger Parties a non-binding indication of interest relating to another potential transaction. Discussions on this transaction have occurred, but to date the Committee has not received a formal offer from the Harbinger Parties with respect to this transaction.

On August 26, 2010, the Committee met in New York at the offices of WilmerHale with representatives of Houlihan Lokey, WilmerHale and Kaye Scholer to discuss the status of Houlihan Lokey's review in respect of the proposed Spectrum Brands Acquisition. At the same meeting, Kaye Scholer gave a presentation concerning its legal due diligence and representatives of WilmerHale gave a detailed presentation as to the draft agreements and discussions with Paul Weiss regarding the draft agreements.

On September 2, 2010, Paul Weiss delivered drafts of the joinders to the SB Holdings Stockholder Agreement and the SB Holdings Registration Rights Agreement. Later that day, Kaye Scholer delivered revised drafts of such agreements containing HGI's and the Committee's comments to Paul Weiss.

On September 3, 2010, representatives of each of Kaye Scholer and WilmerHale discussed the drafts of the Exchange Agreement and the HGI Registration Rights Agreement with representatives of Paul Weiss, which drafts were distributed by Paul Weiss on August 31, 2010. Among other things, certain terms of the Exchange Agreement were negotiated on behalf of HGI and the Harbinger Parties and certain terms were agreed to in principle, including the inclusion of an indemnification obligation of the Harbinger Parties in favor of HGI and the provision of more extensive representations and warranties by the Harbinger Parties. The attorneys also discussed issues relating to the number of shares the Harbinger Parties intended to contribute.

On September 5, 2010, after discussing the draft Exchange Agreement with WilmerHale, Kaye Scholer delivered a revised draft of the Exchange Agreement containing HGI's and the Committee's comments to Paul Weiss.

On September 7, 2010, Paul Weiss delivered a revised draft of the Exchange Agreement to Kaye Scholer and WilmerHale.

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On September 8, 2010, representatives of each of WilmerHale and Kaye Scholer discussed the draft Exchange Agreement. Also on that day, WilmerHale delivered to the Committee a set of documents and materials in preparation for the meeting of the Committee held on September 10, 2010.

On September 9, 2010, representatives of each of Paul Weiss, WilmerHale, Kaye Scholer and the Harbinger Parties discussed the draft Exchange Agreement.

On September 10, 2010, the Committee met in New York, New York with representatives of Houlihan Lokey and WilmerHale. At the meeting, the Committee reviewed the process undertaken by the Committee and WilmerHale, the negotiations with the Harbinger Parties and the terms of the draft Exchange Agreement. Houlihan Lokey rendered an oral opinion to the Committee (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated September 10, 2010), as to whether, as of September 10, 2010, the Exchange Ratio provided for in the Spectrum Brands Acquisition pursuant to the Exchange Agreement was fair to HGI from a financial point of view, based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion.

Thereafter, the Committee unanimously resolved that the Exchange Agreement and the Spectrum Brands Acquisition were advisable to, and in the best interests of, HGI and HGI's stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended to the full board of directors of HGI that it approve the Exchange Agreement and recommended to HGI's stockholders the approval of the issuance of HGI common stock pursuant to the Exchange Agreement.

Consideration of the Spectrum Brands Acquisition

The Committee reported to our board of directors its considerations of the Exchange Agreement as described above. Subsequently, the Committee unanimously made the following conclusions:

determined that the Exchange Agreement and the Spectrum Brands Acquisition was advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties);

approved the Exchange Agreement and the transactions contemplated thereby; and

recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement.

Our board of directors, based in part on the unanimous approval and recommendation of the Committee, unanimously:

determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties);

approved the Exchange Agreement and the transactions contemplated thereby; and

recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement.

Following the Committee and board meetings, on September 10, 2010, we entered into the Exchange Agreement with the Harbinger Parties and related documents. On September 10, 2010, the Harbinger Parties, which collectively held approximately 51.6% of our outstanding common stock on that date, executed a written consent to approve the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting.

The parties issued a joint press release announcing the execution of the Exchange Agreement on September 13, 2010.

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Approval of the Committee and HGI's Board of Directors; Reasons for the Spectrum Brands Acquisition

The Committee

Effective July 9, 2010, pursuant to Section 141(c)(2) of the DGCL and our Bylaws, our board of directors, to the fullest extent permitted by law, delegated to the Committee the exclusive power and authority of our board of directors, among other things, to: (1) establish, approve, modify, monitor and direct the process and procedures related to the review and evaluation of the Spectrum Brands Acquisition, including the authority to determine not to proceed with any such process, procedures, review or evaluation, (2) respond to any communications, inquiries or proposals regarding the Spectrum Brands Acquisition, (3) review, evaluate, investigate, pursue and negotiate the terms and conditions of the Spectrum Brands Acquisition, (4) determine on behalf of our board of directors and our company whether the Spectrum Brands Acquisition is advisable to, and in the best interests of, our company and our stockholders (or any subset of the stockholders of our company that the Committee determines to be appropriate), (5) reject or approve the Spectrum Brands Acquisition, or recommend such rejection or approval to our board of directors, (6) effect or recommend to our board of directors the consummation of the Spectrum Brands Acquisition, (7) review, analyze, evaluate and monitor all proceedings and activities of our company related to the Spectrum Brands Acquisition, (8) take such actions as the Committee may deem to be necessary or appropriate in connection with anti-takeover provisions in connection with the Spectrum Brands Acquisition, (9) investigate SB Holdings, the Spectrum Brands Acquisition and matters related thereto as it deems appropriate, and (10) take such other actions as the Committee may deem to be necessary or appropriate for the Committee to discharge its duties. None of the members of the Committee is employed by or otherwise affiliated with us, the Harbinger Parties, SB Holdings or any of their respective affiliates. The Committee was authorized to review the possible transaction and any alternative transaction and evaluate and, if applicable, negotiate and approve and recommend to our board of directors and our stockholders in connection with the possible transaction or any alternative, and to continue to exist until the Committee decided to discontinue its existence. No limitations were placed on the Committee's authority.

The Committee, with the advice and assistance of its independent legal and financial advisors, evaluated and negotiated the Spectrum Brands Acquisition, including the terms and conditions of the Exchange Agreement and the related agreements, with the Harbinger Parties. Following the negotiations, the Committee unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement.

In the course of reaching its determination and making the recommendation described above, the Committee considered a number of factors and a review of a substantial amount of information, including at seven committee meetings, and substantial additional discussions in between such meetings. The principal factors and benefits that the Committee believes support its conclusion are set forth below:

Investment Opportunity. Based upon information with respect to the financial condition, results of operations and businesses of each of Russell Hobbs and Spectrum Brands (both prior to and following the SB/RH Merger) on both a historical and prospective basis, and the potential for improvement from the expected synergies to be generated following the SB/RH Merger, the Committee viewed the acquisition of the SB Holdings Contributed Shares as a valuable opportunity to acquire a significant, controlling stake in a company with substantial growth potential and an attractive stock price relative to historical values, without the requirement of paying any control premium for such controlling stake.

Strategic Plans of HGI. The Committee believes that the Spectrum Brands Acquisition is consistent with the principal strategic focus of HGI of becoming a diversified holding company identifying, evaluating and entering into multiple business combinations and acquisitions of businesses or assets. The Committee believes that HGI's affiliation with Harbinger Capital continues to give HGI access to new acquisition and business combination opportunities,

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including other businesses which are controlled by, affiliated with or otherwise known to Harbinger Capital, and that such new acquisition and business combination opportunities (and financing opportunities) would not be impeded and likely will be enhanced by the consummation of the Spectrum Brands Acquisition. The Committee considered in this regard that the acquisition of a controlling interest of Spectrum Brands was a compelling initial acquisition for HGI under its strategic plan, taking into account, among other things, SB Holdings' position as a highly diversified consumer products company.

Opinion of the Committee's Financial Advisor. The Committee considered Houlihan Lokey's opinion, dated September 10, 2010, as to the fairness, from a financial point of view as of that date, to HGI, of the Exchange Ratio in the Exchange Agreement, and related financial analysis, as more fully described below under the caption "The Spectrum Brands Acquisition - Opinion of the Committee's Financial Advisor."

Form of Consideration. The Committee considered that the consideration to be paid by HGI involved only newly issued shares of common stock of HGI and not any cash payments, and accordingly HGI would not have to use, and would be able to maintain, its substantial cash reserve for operating expenses and additional acquisitions.

Familiarity with Russell Hobbs. The Committee considered that it had previously reviewed and analyzed a significant amount of information in connection with a possible acquisition by HGI of Russell Hobbs that the Harbinger Parties had presented to the Committee for its consideration prior to the eventual SB/RH Merger.

Listing on the NYSE. The Committee considered that the consummation of the Spectrum Brands Acquisition would materially reduce the prospects of HGI's de-listing by the NYSE, an event that would likely negatively impact the per share price of HGI common stock and the liquidity of the market for HGI common stock for stockholders unaffiliated with the Harbinger Parties.

Ability to Consummate the Spectrum Brands Acquisition. The Committee considered that the Spectrum Brands Acquisition could be completed in a timely and orderly manner, in light of the scope of conditions to completion of the transaction.

Timing of the Spectrum Brands Acquisition. The Committee considered the timing of the Harbinger Parties' offer to enter into the Exchange Agreement, and the relative risk that if HGI did not accept the Harbinger Parties' offer with respect to the Spectrum Brands Acquisition, HGI may not have a comparably attractive opportunity in the future.

Agreement Terms. The Committee considered the following provisions of the Exchange Agreement and the related transaction agreements:

the comfort afforded by representations and warranties made by the Harbinger Parties, both in respect of the shares of SB Holdings common stock to be contributed to HGI and also as to the reports of SB Holdings and Spectrum Brands filed with the SEC and the capital structure of SB Holdings;

the closing condition in favor of HGI that the aggregate number of contributed shares of SB Holdings common stock shall constitute at least 52% of the outstanding shares of SB Holdings common stock calculated on a fully-diluted basis, which would deliver a controlling block, retain

HGI's exempt status under the Investment Company Act and permit consolidated financial reporting;

the rights in favor of HGI following the Spectrum Brands Acquisition under the terms of the SB Holdings Stockholder Agreement (which provides, among other things, that subject to certain conditions, HGI will be able to control the nomination of a majority of the board of directors of SB Holdings) and SB Holdings Registration Rights Agreement (which provides that HGI will have registration rights as to its shares of SB Holdings

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common stock) to which HGI will become a party upon the consummation of the Spectrum Brands Acquisition;

the indemnification provided by each of the Harbinger Parties for its potential breaches of the Exchange Agreement, as further described in The Exchange Agreement Indemnification ; and

a 90-day lock-up letter to be executed by the Harbinger Parties pursuant to the Exchange Agreement, which is intended to mitigate downward pressure in the near term on the price of Spectrum Brands and HGI common stock that could otherwise negatively affect HGI stockholders unaffiliated with the Harbinger Parties.

The Committee also considered a variety of risks and other potentially negative factors concerning the Exchange Agreement and the Spectrum Brands Acquisition. These factors included:

Harbinger Parties' Ownership.

The fact that, at the date of the signing of the Exchange Agreement, the Harbinger Parties owned approximately 51.6% of HGI's outstanding common stock and, following the Spectrum Brands Acquisition, the Harbinger Parties were expected to own 93.3% of HGI common stock (assuming that, prior to Closing, the Harbinger Parties do not purchase any additional shares of HGI common stock or elect to contribute additional shares of SB Holdings common stock to us).

The fact that the Harbinger Parties' ownership of HGI common stock could negatively impact the interest of third parties in making alternative proposals that would be more favorable for HGI's stockholders (other than the Harbinger Parties) than the Spectrum Brands Acquisition.

The fact that, upon the consummation of the Spectrum Brands Acquisition and subject to the provisions of HGI's organizational documents, the Harbinger Parties will be able to effect a short-form merger and assume control of 100% of the outstanding shares of HGI stock.

The fact that the increased ownership of HGI by the Harbinger Parties may negatively impact the price of the HGI common stock and the liquidity of the market for HGI common stock for stockholders unaffiliated with the Harbinger Parties, and the issuance of our common stock to the Harbinger Parties will cause a significant reduction in the relative percentage interest of the voting power of our current stockholders.

Fees; Expenses. The fact that the Spectrum Brands Acquisition will result in fees and expenses to HGI whether or not the Spectrum Brands Acquisition is completed. In addition, under the Exchange Agreement, HGI is required to reimburse fees and expenses (other than legal fees) incurred by SB Holdings or any of its subsidiaries in connection with the Exchange Agreement or the Spectrum Brands Acquisition (whether or not the Spectrum Brands Acquisition is completed) to the extent required to be paid under the SB Holdings Stockholder Agreement.

Not all of the Harbinger Parties' Shares of SB Holdings Common Stock Are Being Contributed. The fact that, while the Harbinger Parties will contribute a number of shares of SB Holdings common stock representing at least 52% of the shares of SB Holdings stock outstanding on a fully-diluted basis, the Harbinger Parties may retain the balance of the shares of SB Holdings common stock they own. To the extent the Harbinger Parties retain SB Holdings common stock, HGI and its stockholders will not benefit from any increase in value from the success of Spectrum Brands. The Harbinger

Parties have informed HGI they may hold the shares of SB Holdings common stock they are not contributing to HGI in a separate fund and the interests of the beneficial owners of this fund may be different from, or in conflict with, those of HGI and its stockholders.

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Potential for Future Acquisitions of SB Holdings Common Stock by the Harbinger Parties. The fact that, according to the Harbinger Parties' public filings with the SEC, the Harbinger Parties have previously acquired shares of SB Holdings common stock in the public market, and it is possible that Harbinger may make similar purchases in the future which would be for the benefit of Harbinger (in their capacity as stockholders of SB Holdings) and not HGI.

Conditions to the Spectrum Brands Acquisition. The fact that, while HGI expects the Spectrum Brands Acquisition to be consummated, there can be no assurance that all conditions to the parties' obligations to consummate the Spectrum Brands Acquisition, including that there be no material adverse change in HGI or Spectrum Brands, will be satisfied such that the transaction will be consummated.

Other. The possibility that the Spectrum Brands Acquisition might not be completed in a timely manner or at all, as well as certain other risks relating to the Spectrum Brands Acquisition described in the section captioned "Risk Factors."

The Committee believes that sufficient safeguards were and are present to ensure the procedural fairness of the Spectrum Brands Acquisition and to permit the Committee to represent effectively the interests of HGI stockholders, other than the Harbinger Parties. These procedural safeguards include the following:

Arms Length Negotiations. The Committee engaged in arms length negotiations, with the assistance of independent legal and financial advisors, with representatives of the Harbinger Parties regarding the consideration and the other terms of the Spectrum Brands Acquisition and the Exchange Agreement, which the Committee believes resulted in the terms of the Exchange Agreement being more beneficial to HGI and its stockholders than those originally proposed by the Harbinger Parties.

Committee Authority. The Committee had the exclusive authority to negotiate the terms of the Exchange Agreement on behalf of HGI, had no obligation to recommend the approval of the Exchange Agreement and had the power to reject the proposed Exchange Agreement on behalf of HGI.

Advisors. The Committee received the advice and assistance of WilmerHale, as legal advisor, and Houlihan Lokey, as financial advisor, each of which advisors the Committee determined had no relationships that would compromise their independence.

Interests of the Committee. The Committee is comprised of three independent HGI directors who are not affiliated with the Harbinger Parties or any of their affiliates and are not employees of HGI or any of its affiliates. Other than the receipt of HGI board and committee fees and reimbursement of expenses, which are not contingent upon the consummation of the Spectrum Brands Acquisition or the Committee's recommendation of the Spectrum Brands Acquisition, and their indemnification and liability insurance rights under HGI's organizational documents, members of the Committee do not have an interest in the Spectrum Brands Acquisition different from that of HGI stockholders generally, other than the Harbinger Parties. The committee fees totaled \$121,500.

Amendment or Termination of the Exchange Agreement. Under the terms of the Exchange Agreement, the Committee may amend or terminate the Exchange Agreement, upon the occurrence of certain circumstances as more fully described under "The Exchange Agreement - Amendment,"

Assignment and Waiver.

This discussion of the information and factors considered by the Committee in reaching its conclusions and recommendation includes a substantial portion of the material factors considered by the Committee, but is not intended to be exhaustive. In view of the wide variety of factors the Committee considered in evaluating the Exchange Agreement and the Spectrum Brands Acquisition and the complexity of these matters, the Committee did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weight

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to such factors. In addition, different members of the Committee may have given different weight to different factors.

Board of Directors

Our board of directors met on September 10, 2010 to consider the Exchange Agreement and the transactions contemplated thereby, including the Spectrum Brands Acquisition. Based in part on the Committee's unanimous approval and recommendation and the other factors described below, the board, among other things, unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and all of our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. See *Background of the Spectrum Brands Acquisition* and *Consideration of the Spectrum Brands Acquisition*.

In determining that the Exchange Agreement and the share issuance to the Harbinger Parties are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), our board of directors considered:

the unanimous approval and recommendation of the Committee; and

the factors considered by the Committee as described in *The Spectrum Brands Acquisition* and *Approval of the Committee and the HGI Board of Directors; Reasons for the Spectrum Brands Acquisition*. The Committee, including the positive factors and potential benefits of the Exchange Agreement and the Spectrum Brands Acquisition, the risks and potentially negative factors relating to the Exchange Agreement and the Spectrum Brands Acquisition and the factors relating to procedural safeguards.

The foregoing discussion of the information and factors considered by our board of directors includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered by our board of directors in evaluating the Exchange Agreement and the transactions contemplated thereby, including the Spectrum Brands Acquisition, and the complexity of these matters, the directors did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weight to such factors. In addition, different members of the board may have given different weight to different factors.

Certain of our directors who are affiliated with Harbinger may have interests in the Spectrum Brands Acquisition that may be different from, or in addition to, your interest as our stockholder, including the interests of Mr. Falcone, our Chairman of the Board, Chief Executive Officer and President. See *The Spectrum Brands Acquisition* and *Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition*.

Opinion of the Committee's Financial Advisor

On September 10, 2010, Houlihan Lokey rendered an oral opinion to the Committee (which was confirmed in writing by delivery of Houlihan Lokey's written opinion dated September 10, 2010), to the effect that, as of September 10, 2010, based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the Exchange Ratio provided for in the Spectrum Brands Acquisition pursuant to the Exchange Agreement was fair to HGI from a financial point of view.

Houlihan Lokey's opinion was directed to the Committee and only addressed the fairness from a financial point of view to HGI of the Exchange Ratio and does not address any other aspect or implication of the Spectrum Brands Acquisition. The summary of Houlihan Lokey's opinion in this information statement is qualified in its

entirety by reference to the full text of its written opinion, which is included as Annex C to this information statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan

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Lokey in preparing its opinion. We encourage our stockholders to carefully read the full text of Houlihan Lokey's written opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this information statement are intended to be, and do not constitute, advice or a recommendation to the Committee or any stockholder as to how to act or vote with respect to the Spectrum Brands Acquisition or related matters.

In arriving at its opinion, Houlihan Lokey, among other things,

reviewed a draft dated September 9, 2010 of the Exchange Agreement;

reviewed the letter, dated August 13, 2010, from the Harbinger Parties to the Committee;

reviewed certain publicly available business and financial information relating to SB Holdings and HGI that Houlihan Lokey deemed to be relevant;

reviewed certain information relating to the historical, current and future operations, financial condition and prospects of HGI made available to Houlihan Lokey by us;

reviewed certain information relating to the historical, current and future operations, financial condition and prospects of SB Holdings made available to Houlihan Lokey by SB Holdings and HGI, including financial projections prepared by the management of SB Holdings relating to SB Holdings, as adjusted at the direction of the Committee and HGI's management (the "SB Holdings Forecasts");

reviewed a document prepared by Ernst & Young entitled "Survivor Analysis," relating to the maximum available net operating loss carryforward usage under the limitations of Section 382 of the Code, which was provided to Houlihan Lokey by HGI's management;

spoke with certain members of the management of SB Holdings and certain of its representatives and advisors regarding the business, operations, financial condition and prospects of SB Holdings, the Spectrum Brands Acquisition and related matters;

spoke with certain members of HGI's management and certain of HGI's representatives and advisors regarding the businesses, operations and financial condition and prospects of HGI and SB Holdings, the Spectrum Brands Acquisition and related matters;

compared the financial and operating performance of SB Holdings with that of other public companies that Houlihan Lokey deemed to be relevant;

considered the publicly available financial terms of certain transactions that Houlihan Lokey deemed to be relevant; and

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available, to them, discussed with or reviewed by them, or publicly available, and did not assume any responsibility with respect to this data, material and other information. In addition, the Committee directed Houlihan Lokey to use the SB Holdings Forecasts for purposes of its analysis in connection with its opinion. With the Committee's consent, Houlihan Lokey assumed that the SB Holdings

Forecasts have been reasonably prepared in good faith and reflect the best currently available estimates and judgments of HGI's management as to the future financial results and condition of SB Holdings, and Houlihan Lokey expresses no opinion with respect to these SB Holdings Forecasts or any other budgets, projections or estimates, or the assumptions on which they are based. Houlihan Lokey relied upon and assumed, without independent verification, that there had been no change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of HGI or SB Holdings since the respective dates of the most recent financial statements and other information, financial or otherwise, provided to Houlihan Lokey that would have been material to its analyses or the opinion, and that

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there is no information or any facts that would make any of the information reviewed by Houlihan Lokey incomplete or misleading.

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the Exchange Agreement and all other related documents and instruments that are referred to in the Exchange Agreement were true and correct, (b) each party to the Exchange Agreement and any related documents and instruments would fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the Spectrum Brands Acquisition would be satisfied without waiver thereof, and (d) the Spectrum Brands Acquisition would be consummated in a timely manner in accordance with the terms described in the Exchange Agreement and any other related documents and instruments, without any amendments or modifications thereto. Houlihan Lokey also assumed, with the Committee's consent, that the Spectrum Brands Acquisition would be treated as a tax-free transaction. Houlihan Lokey also relied upon and assumed, without independent verification, that (i) the Spectrum Brands Acquisition would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the Spectrum Brands Acquisition would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would result in the disposition of any assets of HGI or SB Holdings, or otherwise have an effect on HGI or SB Holdings or any expected benefits of the Spectrum Brands Acquisition that would be material to Houlihan Lokey's analyses or its opinion. Houlihan Lokey also assumed, at the direction of HGI, that any adjustments to the Exchange Ratio pursuant to the Exchange Agreement will not in any way be material to Houlihan Lokey's analyses or its opinion. In addition, Houlihan Lokey relied upon and assumed, without independent verification, that the final forms of any draft documents identified above would not differ in any material respect from the drafts of said documents reviewed by Houlihan Lokey or in any respect material to their opinion.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of HGI, SB Holdings or any other party, nor was it provided with any such appraisal. Houlihan Lokey did not undertake any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which HGI or SB Holdings is or may be a party or is or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which HGI or SB Holdings is or may be a party or is or may be subject.

Houlihan Lokey was not requested to, and did not, (a) negotiate the terms of the Spectrum Brands Acquisition, or (b) advise the Committee, HGI's board of directors or any other party with respect to alternatives to the Spectrum Brands Acquisition. Houlihan Lokey's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of September 10, 2010. Houlihan Lokey has not, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring or coming to Houlihan Lokey's attention after the date of the opinion. Houlihan Lokey is not expressing any opinion as to what the value of HGI common stock or SB Holdings common stock actually will be when issued or contributed, as the case may be, pursuant to the Spectrum Brands Acquisition or the price or range of prices at which HGI common stock or the SB Holdings common stock may be purchased or sold at any time.

Houlihan Lokey's opinion was furnished for the use and benefit of the Committee (solely in that capacity) in connection with its consideration of the Spectrum Brands Acquisition and may not be used for any other purpose without Houlihan Lokey's prior written consent. Houlihan Lokey's opinion should not be construed as creating any fiduciary duty on Houlihan Lokey's part to any party. The opinion was not intended to be, and does not constitute, a recommendation to the Committee, HGI's board of directors, any security holder or any other person as to how to act or vote with respect to any matter relating to the Spectrum Brands Acquisition.

Houlihan Lokey was not requested to opine as to, and its opinion did not express an opinion as to or otherwise address, among other things: (i) the underlying business decision of the Committee, HGI's board of

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directors, HGI, its stockholders or any other party to proceed with or effect the Spectrum Brands Acquisition, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form, structure or any other portion or aspect of, the Spectrum Brands Acquisition or otherwise (other than the Exchange Ratio to the extent expressly specified herein), (iii) the fairness of any portion or aspect of the Spectrum Brands Acquisition to the holders of any class of securities, creditors or other constituencies of HGI, or to any other party, except if and only to the extent expressly set forth in the last sentence of the opinion, (iv) the relative merits of the Spectrum Brands Acquisition as compared to any alternative business strategies that might exist for HGI or any other party or the effect of any other transaction in which HGI or any other party might engage, (v) the fairness of any portion or aspect of the Spectrum Brands Acquisition to any one class or group of HGI's or any other party's security holders vis-à-vis any other class or group of HGI's or such other party's security holders (including, without limitation, the allocation of any consideration amongst or within such classes or groups of security holders), (vi) the solvency, creditworthiness or fair value of HGI, SB Holdings or any other participant in the Spectrum Brands Acquisition, or any of their respective assets or whether or not HGI, any of the Harbinger Parties, any of their respective security holders or any other party is receiving or paying reasonably equivalent value in the Spectrum Brands Acquisition, under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (vii) the fairness, financial or otherwise, of the amount, nature or any other aspect of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the Spectrum Brands Acquisition, any class of such persons or any other party, relative to the Exchange Ratio or otherwise. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. It was assumed that such opinions, counsel or interpretations were or would be obtained from the appropriate professional sources. The issuance of Houlihan Lokey's opinion was approved by a committee authorized to approve opinions of this nature.

In preparing its opinion for the Committee, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey's analyses is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors or focusing on information presented in tabular format, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of the opinion. Houlihan Lokey's analyses involved judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of HGI, such as the impact of competition on the business of HGI and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of HGI or the industry or in the markets generally. No company, transaction or business used in Houlihan Lokey's analyses for comparative purposes is identical to HGI or the proposed Spectrum Brands Acquisition and an evaluation of the results of those analyses is not entirely mathematical. Houlihan Lokey believes that mathematical derivations (such as determining average and median) of financial data are not by themselves meaningful and should be considered together with qualities, judgments and informed assumptions. The estimates contained in HGI's and SB Holdings' analyses and the

implied reference range values indicated by Houlihan Lokey's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition,

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any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of HGI. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Houlihan Lokey's opinion was provided to the Committee in connection with its consideration of the proposed Spectrum Brands Acquisition and was only one of many factors considered by the Committee in evaluating the proposed Spectrum Brands Acquisition. Neither Houlihan Lokey's opinion nor its analyses were determinative of the Exchange Ratio or of the views of the Committee or HGI's management with respect to the Spectrum Brands Acquisition or the Exchange Ratio. The type and amount of consideration payable in the Spectrum Brands Acquisition were determined through negotiation between HGI and SB Holdings, and the decision to enter into the Spectrum Brands Acquisition was solely that of the Committee.

The following is a summary of the material analyses reviewed by Houlihan Lokey with the Committee in connection with Houlihan Lokey's opinion rendered on September 10, 2010. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey's analyses.

For purposes of its analyses, Houlihan Lokey reviewed a number of financial metrics, including:

Enterprise Value calculated as the value of the relevant company's outstanding equity securities (taking into account its outstanding warrants and other convertible securities) based on the relevant company's closing stock price, or equity value, plus net debt (calculated as outstanding indebtedness, preferred stock and capital lease obligations less the amount of cash on its balance sheet), as of a specified date; and

Earnings before interest, taxes, depreciation, and amortization adjusted for certain non-recurring items, or adjusted EBITDA.

Unless the context indicates otherwise, enterprise values and equity values derived from the selected companies analysis described below were calculated using the closing price of HGI common stock and the common stock of the selected companies listed below as of September 8, 2010, and transaction values for the target companies derived from the selected transactions analysis described below were calculated as of the announcement date of the relevant transaction based on the estimated purchase prices paid in the selected transactions. Accordingly, this information may not reflect current or future market conditions. Estimates of adjusted EBITDA for SB Holdings were based on the SB Holdings Forecasts. Estimates of adjusted EBITDA for the selected companies listed below were based on certain publicly available research analyst estimates for those companies.

At HGI's direction, Houlihan Lokey assumed for purposes of its analyses and opinion that (i) the number of shares of SB Holdings common stock to be transferred by the Harbinger Parties to HGI pursuant to the Spectrum Brands Acquisition equals 54.4% of the outstanding SB Holdings common stock on a fully diluted basis and (ii) the number of shares of HGI common stock to be issued to the Harbinger Parties pursuant to the Exchange Agreement equals 86.1% of the outstanding HGI common stock on a fully diluted basis following consummation of the Spectrum Brands Acquisition.

HGI Balance Sheet Analysis. Houlihan Lokey conducted a balance sheet-based analysis of HGI in order to develop a range of implied per share equity values for HGI. This analysis reflected various assumptions regarding the estimated percent of HGI's assets' book value that would be recoverable in a liquidation/sale scenario, and estimated professional fees that would be incurred by us in a liquidation scenario. Additionally, this analysis considered advisory fees owed by HGI to a strategic advisor, potential contingent liabilities of HGI, and estimated net operating loss carry forward benefits realizable by HGI, in each case as estimated by

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HGI's management. The analysis indicated an implied per share equity value reference range of \$6.53 to \$7.20 for HGI common stock (the HGI Reference Range).

Selected Companies Analysis. Houlihan Lokey calculated multiples of enterprise value based on certain financial data for SB Holdings and the following comparable companies:

Central Garden & Pet Company

Church & Dwight Company

The Clorox Company

De'Longhi S.p.A.

Energizer Holdings, Inc.

Helen of Troy Limited

Jarden Corporation

SEB S.A.

The Scotts Miracle-Gro Company

The calculated multiples included:

Enterprise value as a multiple of adjusted EBITDA for the most recently completed twelve months for which financial information has been made public, or LTM Adjusted EBITDA;

Enterprise value as a multiple of adjusted EBITDA for the next fiscal year for which financial information has not been made public, or NFY Adjusted EBITDA; and

Enterprise value as a multiple of adjusted EBITDA for the fiscal year following NFY, or NFY+1 Adjusted EBITDA.

Houlihan Lokey applied the following selected multiple ranges derived from the selected companies to adjusted EBITDA for SB Holdings for the year ended July 4, 2010 and estimated adjusted EBITDA for SB Holdings for the years ended September 30, 2010 and 2011, as applicable:

Multiple Description	Selected Multiple Range	
	Low	High
Enterprise Value as a multiple of:		
LTM Adjusted EBITDA	7.0x	7.5x
NFY Adjusted EBITDA	7.0x	7.5x
NFY+1 Adjusted EBITDA	6.5x	7.0x

The selected companies analysis indicated the following implied per share equity value reference ranges for shares of SB Holdings common stock:

Multiple Description	Implied SB Holdings Per Share Equity Value Reference Range	
	Low	High
Enterprise Value as a multiple of:		
LTM Adjusted EBITDA	\$ 28.25	\$ 32.60
NFY Adjusted EBITDA	\$ 25.00	\$ 29.11
NFY+1 Adjusted EBITDA	\$ 24.81	\$ 29.22

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Based on the calculations reflected in the table above and the HGI Reference Range, Houlihan Lokey then calculated the following implied ranges of exchange ratios of HGI common stock to SB Holdings common stock:

Multiple Description	Implied Exchange Ratio	
	Low ⁽¹⁾	High ⁽¹⁾
Enterprise Value as a multiple of:		
LTM Adjusted EBITDA	3.93x	4.99x
NFY Adjusted EBITDA	3.47x	4.46x
NFY+1 Adjusted EBITDA	3.45x	4.47x

⁽¹⁾ For purposes of calculating the ranges of exchange ratios, with respect to each multiple, (a) the low end of the range was calculated using the lowest implied SB Holdings common stock per share value divided by the highest implied per share value in the HGI Reference Range, and (b) the high end of the range was calculated using the highest implied SB Holdings common stock per share value divided by the lowest implied per share value in the HGI Reference Range.

Houlihan Lokey noted that the Exchange Ratio provided for in the Spectrum Brands Acquisition was within each of the three ranges set forth in the table above.

Selected Transactions Analysis. Houlihan Lokey calculated multiples of enterprise value based on the estimated purchase prices paid in the following selected publicly announced transactions that have closed as of September 8, 2010:

Announced	Aquiror	Target
2/9/2010	Spectrum Brands, Inc. (nka: Spectrum Brands Holdings, Inc.)	Russell Hobbs, Inc.
12/16/2009	Jarden Corporation	MAPA Spontex, Inc.
12/11/2009	The Procter & Gamble Company	Sara Lee Corporation, Ambi Pur Business
11/2/2009	The Stanley Works	Black & Decker Corp.
6/1/2009	The Procter & Gamble Company	The Art of Shaving, LLC
5/25/2009	Koninklijke Philips Electronics NV	Saeco International Group S.p.A.
5/11/2009	Energizer Holdings, Inc.	S.C. Johnson & Son, Inc. (Edge and Skintimate Shave Preparation Business)
10/8/2008	Morita Holdings Corporation	Miyata Industry Co., Ltd.
6/11/2008	Gorenje gospodinjski aparati, d.d.	ATAG Europe B.V.
4/1/2008	Russ Berrie & Co., Inc.	LaJobi, Inc.
3/17/2008	Husqvarna AB	Jenn Feng Industrial Co., Ltd. (Lawn, Garden and Power Equipment Divisions)

The calculated multiples included enterprise value as a multiple of the most recent twelve month period prior to the announcement of the transaction, or LTM Adjusted EBITDA.

Houlihan Lokey applied the following selected multiple range derived from the selected transactions to adjusted EBITDA for SB Holdings for the year ended July 4, 2010:

Multiple Description	Selected Multiple Range	
	Low	High
Enterprise Value as a multiple of: LTM Adjusted EBITDA	8.5x	9.0x

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The selected transactions analysis indicated the following implied per share equity value reference range for shares of SB Holdings common stock:

Multiple Description	Implied SB Holdings Per Share Equity Value Reference Range	
	Low	High
Enterprise Value as a multiple of:		
LTM Adjusted EBITDA	\$ 41.19	\$ 45.53

Based on the calculations reflected in the table above and the HGI Reference Range, Houlihan Lokey then calculated the following implied range of exchange ratios of HGI common stock to SB Holdings common stock:

Multiple Description	Implied Exchange Ratio	
	Low ⁽¹⁾	High ⁽¹⁾
Enterprise Value as a multiple of:		
LTM Adjusted EBITDA	5.72x	6.97x

⁽¹⁾ For purposes of calculating the range of exchange ratios (a) the low end of the range was calculated using the lowest implied SB Holdings common stock per share value divided by the highest implied per share value in the HGI Reference Range and (b) the high end of the range was calculated using the highest implied SB Holdings common stock per share value divided by the lowest implied per share value in the HGI Reference Range.

Houlihan Lokey noted that the Exchange Ratio provided for in the Spectrum Brands Acquisition was below the range set forth in the table above.

Discounted Cash Flow Analysis. Houlihan Lokey also calculated the net present value of SB Holdings unlevered, after-tax cash flows based on the SB Holdings Forecasts. In performing this analysis, Houlihan Lokey used discount rates ranging from 8.0% to 10.0% taking into account SB Holdings estimated weighted average cost of capital, and terminal value multiples ranging from 7.0x to 8.0x. The discounted cash flow analysis indicated an implied per share equity value reference range for shares of SB Holdings common stock of \$32.90 to \$44.86. Based on the foregoing and the HGI Reference Range, Houlihan Lokey then calculated the following implied range of exchange ratios of HGI common stock to SB Holdings common stock:

Low ⁽¹⁾	Implied Exchange Ratio	High ⁽¹⁾
4.57x		6.87x

⁽¹⁾ For purposes of calculating the range of exchange ratios (a) the low end of the range was calculated using the lowest implied SB Holdings common stock per share value divided by the highest implied per share value in the HGI Reference Range and (b) the high end of the range was calculated using the highest implied SB Holdings common stock per share value divided by the lowest implied per share value in the HGI Reference Range.

Houlihan Lokey noted that the Exchange Ratio provided for in the Spectrum Brands Acquisition was below the range set forth in the table above.

Houlihan Lokey was engaged by the Committee to provide an opinion to the committee as to whether, as of September 10, 2010, the Exchange Ratio provided for in the Spectrum Brands Acquisition pursuant to the Exchange Agreement was fair to HGI from a financial point of view. The special committee engaged Houlihan Lokey based on Houlihan Lokey's experience and reputation. Houlihan Lokey is regularly engaged to render financial opinions in connection with mergers, acquisitions, divestitures, leveraged buyouts, recapitalizations, and for other purposes. Pursuant to Houlihan Lokey's engagement letter, HGI will pay Houlihan Lokey a customary fee for its services, a portion of which became payable upon the execution of Houlihan Lokey's engagement letter and another portion of which became payable upon the delivery of Houlihan Lokey's opinion, regardless of the conclusion reached therein. No portion of Houlihan Lokey's fee is contingent upon

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the successful completion of the Spectrum Brands Acquisition. Houlihan Lokey has also assisted the Committee and HGI with their review of certain tax and accounting materials related to the Spectrum Brands Acquisition and will receive a fee for such services. HGI has also agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain liabilities and expenses, including certain liabilities under the federal securities laws arising out of or relating to Houlihan Lokey's engagement.

In the ordinary course of business, certain of Houlihan Lokey's affiliates, as well as investment funds in which they may have financial interests, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, HGI or SB Holdings or any other party that may be involved in the Spectrum Brands Acquisition and their respective affiliates or any currency or commodity that may be involved in the Spectrum Brands Acquisition. ORIX Finance Corp., an affiliate of Houlihan Lokey, is a holder of a portion of SB Holdings' U.S. \$750 million term loan due June 16, 2016.

Houlihan Lokey and certain of its affiliates have in the past provided and are currently providing investment banking, financial advisory and other financial services to HGI, SB Holdings, the Harbinger Parties, and Harbinger Capital, an affiliate of HGI, SB Holdings and the Harbinger Parties, and/or certain of their respective affiliates and/or portfolio companies, for which Houlihan Lokey and these affiliates have received, and may receive, compensation, including, among other things, (a) having been engaged by the Committee to assist the committee and HGI in connection with their prior review of certain tax and accounting materials in connection with the potential acquisition of Russell Hobbs, which is currently a wholly-owned subsidiary of SB Holdings, (b) having acted as financial advisor to Master Fund and Special Situations Fund in connection with a restructuring transaction involving Finlay Enterprises, Inc., which transaction closed in 2008, (c) having acted as financial advisor to Master Fund and Special Situations Fund in connection with the liquidation of Friedman's, Inc., which liquidation was completed in 2008, and (d) having rendered restructuring, valuation and other financial advice to Salton (currently known as Russell Hobbs) and Applica prior to, in connection with, and after the acquisition of Salton by Harbinger Capital, and the merger of Applica and Salton, which transactions were consummated in 2007. Houlihan Lokey and certain of its affiliates may provide investment banking, financial advisory and other financial services to HGI, the Harbinger Parties, Harbinger Capital, SB Holdings, other participants in the Spectrum Brands Acquisition and/or certain of HGI's and their respective affiliates and/or portfolio companies in the future, for which Houlihan Lokey and such affiliates may receive compensation. In addition, Houlihan Lokey and certain of its affiliates and certain of HGI's and their respective employees may have committed to invest in private equity or other investment funds managed or advised by Harbinger Capital, other participants in the Spectrum Brands Acquisition or certain of their respective affiliates, and in portfolio companies of the Harbinger Parties and affiliates thereof, and may have co-invested with the Harbinger Parties, other participants in the Spectrum Brands Acquisition or certain of their respective affiliates, and may do so in the future. Furthermore, in connection with bankruptcies, restructurings, and similar matters, Houlihan Lokey and certain of its affiliates may have in the past acted, may currently be acting and may in the future act as financial advisor to debtors, creditors, equity holders, trustees and other interested parties (including, without limitation, formal and informal committees or groups of creditors) that may have included or represented and may include or represent, directly or indirectly, or may be or have been adverse to, HGI, the Harbinger Parties, Harbinger Capital, SB Holdings, other participants in the Spectrum Brands Acquisition or certain of their respective affiliates, for which advice and services Houlihan Lokey and such affiliates have received and may receive compensation.

HGI Stockholder Vote Required

Approval of the issuance of our common stock pursuant to the Exchange Agreement requires the affirmative votes of the holders of a majority of our outstanding common stock entitled to vote thereon (including the shares held by the Harbinger Parties). On September 10, 2010, the Harbinger Parties approved the issuance of our common stock pursuant to the Exchange Agreement by written consent without a meeting.

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Interests of Certain HGI Stockholders, Directors and Officers in the Spectrum Brands Acquisition

In reviewing this information statement and considering that the Harbinger Parties have approved by written consent the issuance of our common stock pursuant to the Exchange Agreement, our stockholders should be aware that the Harbinger Parties and certain of our directors and officers who are affiliated with Harbinger have interests in the Spectrum Brands Acquisition that may differ from, or be in addition to, the interests of our other stockholders. These interests create a potential conflict of interest. Our board of directors and the Committee were aware of these potential conflicts of interest during their deliberations on the merits of the Spectrum Brands Acquisition and in making its decision to approve the Exchange Agreement and the transactions contemplated thereby.

Security Ownership of Our Common Stock and Interests of Our Management in the Spectrum Brands Acquisition

Except as set forth herein, none of our directors or officers own shares of our common stock or have been granted equity-based incentive awards. Robert V. Leffler, Jr., a member of our board of directors, holds 8,000 vested options issued under our 1996 Long-Term Incentive Plan (our 1996 LTIP) that are exercisable for shares of our common stock. In addition, Francis T. McCarron, our Executive Vice President and Chief Financial Officer, holds options issued under our 1996 LTIP to purchase 125,000 shares of our common stock. These options vest in three substantially equal annual installments, subject to Mr. McCarron's continued employment with us on each annual vesting date, and have an exercise price equal to the fair market value of a share of common stock on the date of grant. The options outstanding under our 1996 LTIP will not be adjusted or otherwise changed as a result of the Spectrum Brands Acquisition. None of our directors or officers will be granted any shares of our common stock or equity-based incentive awards in connection with the Spectrum Brands Acquisition.

Mr. Falcone, our Chairman of the Board, President and Chief Executive Officer, is the managing member of Harbinger Holdings, LLC which is the managing member of Harbinger Capital, and is the portfolio manager of each of the Harbinger Parties. As a result, as of September 10, 2010, Mr. Falcone may be deemed to be an indirect beneficial owner of our common stock held by the Harbinger Parties, constituting approximately 51.6% of our outstanding common stock on that date, and has shared voting and dispositive power over such shares. Mr. Falcone has disclaimed beneficial ownership of these shares, except with respect to his pecuniary interest therein. As a result of the Spectrum Brands Acquisition, Mr. Falcone may be deemed to be an indirect beneficial owner of the additional shares of our common stock issued to the Harbinger Parties under the Exchange Agreement. Mr. Falcone and the Harbinger Parties have interests that may differ from and/or are in addition to those of our other stockholders due to the Harbinger Parties' 51.6% ownership of our company and 67.1% ownership of SB Holdings. As a result of the Spectrum Brands Acquisition, Harbinger's ownership of SB Holdings will be reduced to 12.7% of the outstanding SB Holdings common stock, and they will increase their ownership of our company from approximately 51.6% to approximately 93.3%. For a more detailed discussion of the Harbinger Parties' interests in the Spectrum Brands Acquisition, see the section captioned "The Harbinger Parties" below.

Additionally, Lawrence M. Clark, Jr., a Managing Director and Director of Investments of Harbinger, Peter A. Jenson, a Managing Director and the Chief Operating Officer of Harbinger, and Keith M. Hladek, a director of our subsidiary, Zap.Com, and the Chief Financial Officer of Harbinger, each of whom is a member of our board of directors, may have an indirect interest in the Spectrum Brands Acquisition as a result of their positions with Harbinger.

Except to the extent Mr. Falcone may be deemed to be an indirect beneficial owner of the shares of our common stock owned by the Harbinger Parties and to be issued to the Harbinger Parties pursuant to the Exchange Agreement and Messrs. Clark's, Jenson's and Hladek's indirect interests in such shares, if any, as described herein, our directors and officers do not have any material interests in the Spectrum Brands Acquisition.

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Treatment of Options and Other Awards

One director and one officer of our company hold options under our 1996 LTIP. Our board of directors reviewed whether the Spectrum Brands Acquisition would require any adjustments or other changes to awards made under the 1996 LTIP pursuant to the accompanying stock award agreements as a result of the Spectrum Brands Acquisition, and concluded that the Spectrum Brands Acquisition will not require adjustments or other changes to such awards.

Mr. McCarron's Employment Agreement

Mr. McCarron is the only executive officer of HGI who has an employment agreement with us. Our board of directors reviewed the terms of Mr. McCarron's employment agreement and concluded that the Spectrum Brands Acquisition does not affect Mr. McCarron's rights under his employment agreement.

Management of HGI and SB Holdings Following the Spectrum Brands Acquisition

The persons serving as HGI's or SB Holdings' executive officers and directors will continue to serve in their respective positions with HGI or SB Holdings after the Spectrum Brands Acquisition.

The Harbinger Parties

The Harbinger Parties currently own approximately 51.6% of our outstanding common stock and approximately 67.1% of the outstanding SB Holdings common stock. As a result of their common stock ownership in the two companies subject to the exchange, the Harbinger Parties have interests that may differ from, and/or are in addition to, those of our other stockholders. After giving effect to the Spectrum Brands Acquisition, Harbinger's ownership of SB Holdings will be reduced to 12.7% of the outstanding SB Holdings common stock, and the Harbinger Parties will increase their ownership of our company from approximately 51.6% to approximately 93.3%.

In connection with the Exchange Agreement, we entered into the HGI Registration Rights Agreement with the Harbinger Parties which will become effective upon the consummation of the Spectrum Brands Acquisition. Pursuant to the HGI Registration Rights Agreement we will, among other things and subject to the terms and conditions set forth in the agreement, provide the Harbinger Parties with certain demand and piggyback registration rights for the shares of our common stock held by them, including those issued to them pursuant to the Exchange Agreement. See [Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition - HGI Registration Rights Agreement](#).

In addition, in connection with the Spectrum Brands Acquisition, we will become a party to the existing SB Holdings Stockholder Agreement and the SB Holdings Registration Rights Agreement. Pursuant to the SB Holdings Stockholder Agreement, the parties agree that, among other things and subject to the terms and conditions set forth therein, (i) SB Holdings will maintain appropriate committees of its board of directors in accordance with the NYSE rules, (ii) for so long as we and our affiliates (including the Harbinger Parties) own 40% or more of the outstanding SB Holdings' voting securities, we will vote our shares of SB Holdings common stock to effect the structure of SB Holdings' board of directors described in the SB Holdings Stockholder Agreement and to ensure that SB Holdings Chief Executive Officer is elected to its board of directors, (iii) subject to certain exceptions, we will not effect any transfer of SB Holdings' equity securities to any person that would result in such person and its affiliates owning 40% or more of SB Holdings' outstanding voting securities, and (iv) before June 16, 2011, we will not (and we will not permit any of our affiliates to) make any public announcement with respect to, or submit a proposal for, or offer in respect of, or participate in, a going-private transaction of SB Holdings unless such action is specifically requested in writing by the board of directors of SB Holdings with the approval of a majority of the members of the Special Nominating Committee of SB Holdings. Pursuant to the SB Holdings Registration Rights Agreement, we will, among

other things and subject to the terms and conditions set forth therein, have certain demand and so-called piggy back registration rights with respect our shares of SB Holdings common stock. See Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition SB Holdings Stockholder Agreement, and SB Holdings Registration Rights Agreement .

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Plans for HGI and SB Holdings After the Spectrum Brands Acquisition

HGI Following the consummation of the Spectrum Brands Acquisition, we will own approximately 54.4% of the outstanding SB Holdings common stock and will continue with our principal strategy of identifying and evaluating other business combinations or acquisitions, and we expect to become a diversified holding company with interests in a variety of industries and market sectors. We anticipate that our affiliation with Harbinger will continue to give us access to other acquisition or business combination opportunities, which may include businesses which are controlled by, affiliated with or otherwise known to Harbinger. We may review acquisition and business combination proposals, including those known to Harbinger, those presented by third parties and those sought out by us. At any time, we may be engaged in ongoing discussions with respect to possible acquisitions or business combinations of widely varying sizes and in disparate industries. There can be no assurance that any of these discussions will result in a definitive agreement and if they do, what the terms or timing of any agreement would be.

As of the date of this information statement, except as disclosed herein, we have not entered into any definitive agreement with respect to any other potential acquisition or business combination.

SB Holdings Following the consummation of the Spectrum Brands Acquisition, (i) we will own approximately 54.4% of the outstanding SB Holdings common stock, (ii) SB Holdings will become our majority-owned subsidiary and its results will be consolidated with our results in our financial statements, (iii) the persons serving as SB Holdings executive officers and directors will continue to serve in their same respective positions with SB Holdings, (iv) Harbinger will continue to own directly approximately 12.7% of the outstanding SB Holdings common stock and (v) the remaining 32.9% of the outstanding SB Holdings common stock will continue to be owned by the stockholders of SB Holdings who are not affiliated with Harbinger. The SB Holdings common stock will continue to be traded on the NYSE under the symbol `SPB`.

Ownership of HGI and SB Holdings After the Spectrum Brands Acquisition

Following the Spectrum Brands Acquisition, (i) we will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% on a fully diluted basis, and (ii) the Harbinger Parties will own approximately 93.3% of our outstanding common stock and Harbinger will own directly approximately 12.7% of the outstanding SB Holdings common stock.

If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the closing of the Spectrum Brands Acquisition they will own, in the aggregate, approximately 94.4% of our outstanding common stock.

Effects on HGI if the Spectrum Brands Acquisition is Not Consummated

If the Spectrum Brands Acquisition is not consummated for any reason, the Harbinger Parties will not receive any shares of our common stock pursuant to the Exchange Agreement and we will not receive the SB Holdings Contributed Shares. Instead, SB Holdings will remain a majority controlled independent public company and its common stock will continue to be listed on the NYSE.

On August 3, 2010, we received notification from the NYSE that we are not in compliance with the NYSE's listing requirements because we currently have no primary operations and substantially all of our assets are held in cash, cash equivalents and U.S. government securities. As permitted by the NYSE procedures, on August 3, 2010 we submitted our plan of compliance (the `Plan`) to the NYSE to formalize our initiatives and objectives in achieving a return to

compliance no later than May 12, 2011, the last date of the period granted by the NYSE to cure our non-compliance. Our Plan has been accepted by the NYSE, and we will be subject to ongoing monitoring to ensure our sustained progress with respect to Plan goals. Our common stock will continue to be listed and traded on the NYSE, subject to our compliance with our Plan and other NYSE continued listing standards. In the Plan we indicated, among other things, that we are committed to identifying appropriate acquisition opportunities and completing one or more business acquisitions in the near term. We advised the NYSE of specific steps we had taken, including current and future acquisition activities, and we advised the NYSE of our preliminary discussions concerning an acquisition of a majority

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interest in SB Holdings. If we are not in compliance with the continued listing standards by May 12, 2011, or if we do not make progress toward achieving compliance consistent with our Plan during this period, the NYSE will initiate delisting proceedings.

No Changes to the Rights of Our Stockholders

Upon the consummation of the Spectrum Brands Acquisition, there will not be any changes to your rights as a stockholder of our company.

No Dissenters Rights of Appraisal

Our stockholders are not entitled to dissenters' rights or to demand appraisal of, or to receive payment for, their shares of our common stock under the DGCL in connection with the Spectrum Brands Acquisition.

Regulatory Approvals Required for the Spectrum Brands Acquisition

Consummation of the Spectrum Brands Acquisition is subject to prior receipt of those approvals and consents required to be obtained from applicable governmental and regulatory authorities, including under the HSR Act. We and the Harbinger Parties have agreed to cooperate and use all reasonable best efforts to obtain, or cause our and their applicable affiliates to obtain, all permits, consents, approvals and authorizations from any governmental or regulatory authority necessary to consummate the Spectrum Brands Acquisition as promptly as practicable.

We and the Harbinger Parties [have filed notifications of the Spectrum Brands Acquisition under the provisions of the HSR Act with the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission on [], 2010. The applicable waiting period under the HSR Act expired at 11:59 p.m. (Eastern Time) on [], 2010.]

Except for the HSR Act, we and the Harbinger Parties are not aware of any other governmental approvals that are required for the Spectrum Brands Acquisition to become effective other than filings with the NYSE regarding the listing on the NYSE of our shares of common stock to be issued to the Harbinger Parties under the Exchange Agreement and filing of this information statement with the SEC. We and the Harbinger Parties intend to seek any other approvals required to consummate the Spectrum Brands Acquisition. There can be no assurance, however, that any such approvals will be obtained.

Accounting Treatment

The Harbinger Parties (or Parent) hold the controlling financial interests in both HGI and SB Holdings. As a result, the Spectrum Brands Acquisition will be considered a transaction between entities under common control under ASC Topic 805 *Business Combinations* , and should be accounted for similar to the pooling of interest method. In accordance with the guidance in ASC Topic 805, the assets and liabilities transferred between entities under common control should be recorded by the receiving entity based on their carrying amounts (or at the historical cost basis of the Parent, if these amounts differ). Although HGI is the issuer of shares in the Spectrum Brands Acquisition, during the historical periods presented SB Holdings was an operating business and HGI was not. Therefore, SB Holdings will be reflected as the predecessor and receiving entity in HGI's financial statements to provide a more meaningful presentation of the transaction to HGI's stockholders. SB Holdings, as the predecessor and under common ownership of the Parent, would record HGI assets and liabilities at the Parents' basis as of the date that common control was first established (June 16, 2010). SB Holdings was formed and acquired 100% of both Russell Hobbs and Spectrum Brands in exchange for issuing a 65% controlling financial interest to the Harbinger Parties and a 35% non-controlling financial interest to other stockholders (other than the Harbinger Parties) in the SB/RH Merger. As Spectrum Brands

was the accounting acquirer in the SB/RH Merger, the financial statements of Spectrum Brands will be included as the predecessor entity for periods preceding the SB/RH Merger.

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To effect the Spectrum Brands Acquisition, HGI will issue our common stock to the Parent in exchange for the controlling financial interest in SB Holdings. After this issuance of shares, the Parent is expected to own more than 90% of our outstanding common stock.

Material United States Federal Income Tax Consequences

This discussion is based on the Code and on Treasury regulations, administrative rulings and court decisions in effect as of the date of this information statement, all of which may change at any time, possibly with retroactive effect. This discussion summarizes the material United States federal income tax consequences of the share exchange that are generally applicable to our stockholders solely as a result of our stockholders' ownership of our common stock. Neither estate and gift nor foreign, state or local tax considerations are addressed. Furthermore, this discussion does not address all United States federal income tax issues that may be important to our stockholders. This discussion does not address the tax consequences of other transactions effectuated prior to or after the Spectrum Brands Acquisition, whether or not such transactions are in connection with the Spectrum Brands Acquisition. In addition, this summary does not address all tax considerations that may be applicable to your particular circumstances or to you if you are subject to special tax rules.

We have not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

Assuming that the Harbinger Parties will own at least 80% of our common stock, the Spectrum Brands Acquisition should qualify for tax-free treatment under Section 351 of the Code. As a result, our tax basis in the SB Holdings common stock contributed to us should be equal to the tax basis that the Harbinger Parties had in such SB Holdings common stock immediately prior to the Spectrum Brands Acquisition.

For our stockholders other than the Harbinger Parties, the Spectrum Brands Acquisition will not have any federal income tax consequences and their tax basis and holding period for our common stock will not be affected.

Fees and Expenses

We expect we will incur an aggregate of approximately \$[] million in expenses in connection with the Spectrum Brands Acquisition, including financial, legal, accounting and tax advisory fees and printing and mailing expenses associated with this information statement. Whether or not the Spectrum Brands Acquisition is consummated, all costs and expenses incurred in connection with the Exchange Agreement and the transactions contemplated thereby will be paid by the party incurring such expense, except as otherwise specifically provided in the Exchange Agreement. The Exchange Agreement provides, among other things, that HGI will reimburse fees and expenses (other than legal fees) incurred by SB Holdings or any of its subsidiaries in connection with the Exchange Agreement or the Spectrum Brands Acquisition (whether or not the Spectrum Brands Acquisition is completed) to the extent required to be paid under the SB Holdings Stockholder Agreement.

Closing Date of the Spectrum Brands Acquisition

We expect to consummate the Spectrum Brands Acquisition on _____, 2010, which date is 20 calendar days after we first mail this information statement to our stockholders, or as soon as practicable thereafter, subject to obtaining all regulatory approvals and satisfaction or waiver of the closing conditions set forth in the Exchange Agreement.

Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition

For a discussion summarizing the material provisions of the HGI Registration Rights Agreement, the SB Holdings Stockholder Agreement and the SB Holdings Registration Rights Agreement, see the sections captioned Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition HGI

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Registration Rights Agreement , SB Holdings Stockholder Agreement , and SB Holdings Registration Rights Agreement , beginning on page 77.

Federal Securities Laws Consequences

The shares of our common stock to be issued to the Harbinger Parties pursuant to the Exchange Agreement and the SB Holdings Contributed Shares to be contributed to us will not be registered under the Securities Act. These shares will be restricted securities under the Securities Act. We may not be able to sell the SB Holdings Contributed Shares and the Harbinger Parties may not sell their shares of our common stock acquired under the Exchange Agreement, except pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those shares, (ii) Rule 144 under the Securities Act, which requires a specified holding period and limits the manner and volume of sales, or (iii) any other applicable exemption under the Securities Act.

In connection with the Exchange Agreement, we and the Harbinger Parties will enter into the HGI Registration Rights Agreement pursuant to which, after the consummation of the Spectrum Brands Acquisition, the Harbinger Parties will have certain demand and so-called piggy back registration rights with respect their shares of our common stock. See Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition HGI Registration Rights Agreement beginning on page 77.

Upon the consummation of the Spectrum Brands Acquisition, we will become a party to the SB Holdings Registration Rights Agreement. Pursuant to the SB Holdings Registration Rights Agreement, we will have certain demand and so-called piggy back registration rights with respect the SB Holdings Contributed Shares. See Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition SB Holdings Registration Rights Agreement beginning on page 81.

This information statement does not cover any resale of shares of our common stock to be received by the Harbinger Parties or the SB Holdings Contributed Shares to be contributed to us by the Harbinger Parties upon consummation of the Spectrum Brands Acquisition, and no person is authorized to make any use of this document in connection with any resale.

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THE EXCHANGE AGREEMENT

The following discussion summarizes the material provisions of the Exchange Agreement, a copy of which is attached as Annex A to this information statement and is incorporated by reference into this document. The rights and obligations of the parties to the Exchange Agreement are governed by the express terms and conditions of the Exchange Agreement and not by this summary or any other information contained in this information statement. We urge you to read the Exchange Agreement carefully in its entirety, as well as this information statement.

General

On September 10, 2010, we and the Harbinger Parties entered into the Exchange Agreement pursuant to which the Harbinger Parties will contribute to us the SB Holdings Contributed Shares, representing approximately 54.4% of the outstanding SB Holdings common stock as of that date, in consideration of our issuance to the Harbinger Parties of an aggregate of 119,909,830 newly issued shares of our common stock. At September 10, 2010, we had 19,286,290 shares of our common stock issued and outstanding. After giving effect to the Spectrum Brands Acquisition, the Harbinger Parties will own 93.3% of our outstanding common stock and Harbinger will directly own approximately 12.7% of the outstanding SB Holdings common stock.

As part of the delegation by our board of directors to the Committee of the power and authority of our board to evaluate and negotiate the Spectrum Brands Acquisition and the Exchange Agreement, any decisions by us with respect to amendment or termination of the Exchange Agreement will be made by the Committee.

The Closing

The consummation of the Spectrum Brands Acquisition (the Closing) will occur at a closing on a date (the Closing Date) to be specified by the parties to the Exchange Agreement not later than the second business day after the satisfaction or (to the extent permitted by applicable law) waiver of the closing conditions set forth in the Exchange Agreement, other than those conditions to be satisfied at the consummation of the Spectrum Brands Acquisition, which must be satisfied or (to the extent permitted by applicable law) waived at such time.

Number of Shares of Our Common Stock to be Issued to the Harbinger Parties Pursuant to the Exchange Agreement

At the Closing, the Harbinger Parties will contribute to us the SB Holdings Contributed Shares and in exchange for such contribution we will issue to the Harbinger Parties 119,909,830 newly issued shares of our common stock. The exchange ratio of 4.32 to 1.00 was based on the volume weighted average price of our common stock (\$6.33) and SB Holdings common stock (\$27.36) on the NYSE for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties proposal for the Spectrum Brands Acquisition.

The Exchange Agreement permits the Harbinger Parties to contribute additional shares of SB Holdings common stock to us at the Closing at the same exchange ratio of 4.32 to 1.00. If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the Closing we would issue an aggregate of 147,989,830 shares of our common stock to them. Unless we state otherwise, the information in this information statement assumes that the Harbinger Parties do not elect to contribute any additional SB Holdings common stock to us.

Approval of the Exchange Agreement

On September 10, 2010, the Committee unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders

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(other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and the Spectrum Brands Acquisition and our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, our company and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement. On September 10, 2010, the Harbinger Parties, which collectively held approximately 51.6% of our outstanding common stock on that date, executed a written consent to approve the issuance of our common stock pursuant to the Exchange Agreement. See The Spectrum Brands Acquisition Background of the Spectrum Brands Acquisition Consideration of the Spectrum Brands Acquisition.

Exchange of Shares of Our Common Stock for SB Holdings Common Stock

On the Closing Date, the Harbinger Parties will cease to have any rights with respect to the SB Holdings Contributed Shares, except for the right to receive the shares of our common stock pursuant to the Exchange Agreement. We will be entitled to receive the net proceeds after taxes of any dividends or other distributions and pre-emptive rights, rights offerings or other similar rights, on the SB Holdings Contributed Shares arising after the date we entered into the Exchange Agreement.

Representations and Warranties

The Exchange Agreement contains customary public company representations and warranties made by us to the Harbinger Parties and each of the Harbinger Parties to us. Our representations and warranties are qualified by, among other things, the information included in reports, registration statements, certifications and information and proxy statements required to be filed or furnished by us with the SEC since December 31, 2009. The assertions embodied in the representations and warranties were made solely for purposes of the Exchange Agreement and may be subject to important qualifications and limitations agreed to by the parties to the Exchange Agreement in connection with negotiating its terms. In addition, certain representations and warranties were made as of a specified date, may be subject to a contractual standard of materiality different from what might be viewed as material to our stockholders, may have been used for the purpose of allocating risk between us and each of the Harbinger Parties rather than establishing matters of fact, may be qualified by the breach of such representations and warranties not having and not reasonably likely to have a material adverse effect on such party's ability to consummate the Spectrum Brands Acquisition and may be qualified by reference to the information included in each party's disclosure schedules accompanying the Exchange Agreement. For the foregoing reasons, you should not rely on the representations and warranties as statements of factual information.

Pursuant to the Exchange Agreement, we and each of the Harbinger Parties each made representations and warranties relating to, among other things:

- the power and authority to execute, deliver, and perform its obligations under the Exchange Agreement;
- required approvals, filings, third-party and governmental consents and absence of conflicts relating to, the execution, delivery and performance of the obligations under, the Exchange Agreement;
- compliance with applicable law;
- the accuracy of information supplied by each party specifically for inclusion in this information statement and, with respect to the information supplied in respect of SB Holdings, to the knowledge of

each of the Harbinger Parties;

standard accredited investor and acquisition for own account representations;

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the brokers and advisors fees payable in connection with the Spectrum Brands Acquisition; and
entity level organization, including formation and qualification.

Each of the Harbinger Parties also made certain other representations and warranties to us relating to, among other things, the following:

ownership of the SB Holdings Contributed Shares to be contributed by such Harbinger Party in the Spectrum Brands Acquisition;

to such Harbinger Party's knowledge:

the capitalization of, and registration rights granted by, SB Holdings as of the date of the Exchange Agreement;

the documents filed by SB Holdings since March 29, 2010 with the SEC (the SB Holdings SEC Reports) and the accuracy of information contained in those documents;

the absence of any unresolved SEC comments with respect to the SB Holdings SEC Reports;

the financial statements of SB Holdings, Russell Hobbs and Spectrum Brands contained in or incorporated by reference into the SB Holdings SEC Reports (other than the *pro forma* financial information contained therein) were prepared in accordance with US GAAP, and fairly present in all material respects, the financial position and consolidated results of operations and cash flows, as the case may be, of SB Holdings and its subsidiaries, and complied to form in all material respects required by the SEC;

the pro forma financial information of SB Holdings contained in SB Holdings SEC Reports was prepared on a reasonable basis and complied to form in all material respects required by the SEC;

except as disclosed in the SB Holdings SEC Reports, the absence of any event that would have a material adverse effect on SB Holdings since December 31, 2009;

as of the date of the Exchange Agreement, the absence of any SB Holdings debt securities having the right to vote on any matters on which SB Holdings stockholders may vote; and

the absence of related party transactions among the Harbinger Parties or any of their respective affiliates and SB Holdings or any of its subsidiaries.

We also made certain other representations and warranties to the Harbinger Parties relating to, among other things, the following:

capitalization of, and registration rights granted by, our company as of the date of the Exchange Agreement;

corporate and stockholder vote requirements to approve the Exchange Agreement;

receipt of an opinion from the Committee's financial advisor;

documents filed by us with the SEC since December 31, 2009, and the accuracy of information contained in those documents;

unresolved SEC comments, financial statements and debt securities having the right to vote;

the absence of any event that would have a material adverse effect on our company since December 31, 2009;

listing on the NYSE of our common stock to be issued in the Exchange Agreement; and

our company not being classified as an investment company as defined under the 1940 Act.

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Conduct of Business Pending the Spectrum Brands Acquisition

Under the Exchange Agreement, we have agreed to, among other things, the following:

from the date of the Exchange Agreement until the earlier of the consummation of the Spectrum Brands Acquisition and the termination of the Exchange Agreement and subject to applicable law and certain exceptions set forth in the Exchange Agreement and its schedules, to conduct our business, and to cause our subsidiaries to conduct their business, in the ordinary course consistent with past practice and not to, and to cause our subsidiaries not to, take any action or fail to take any action, that if taken or failed to be taken during the period from the date of the Exchange Agreement until the earlier of the consummation of the Spectrum Brands Acquisition and the termination of the Exchange Agreement pursuant to its terms, would (or which would be reasonably expected to) delay or impede the consummation of the Spectrum Brands Acquisition;

promptly after the execution of the Exchange Agreement, to prepare this information statement informing our stockholders of the approval of the (i) Exchange Agreement, the transaction documents and the Spectrum Brands Acquisition by our board of directors and (ii) issuance of our common stock to the Harbinger Parties pursuant to the Exchange Agreement by the Harbinger Parties; and

to use our reasonable efforts to (i) cause this information statement to comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, (ii) cause this information statement to be cleared by the SEC as promptly as practicable after its filing with the SEC, (iii) cause this information statement to be mailed (or otherwise electronically provided) to our stockholders as soon as permitted under the Exchange Act and (iv) take all actions required under any applicable federal or state securities or blue sky laws in connection with the issuance of the shares of our common stock to the Harbinger Parties pursuant to the Exchange Agreement and to pay all filing fees incident thereto and to keep the Harbinger Parties informed with respect to these and other actions related to the filing of this information statement.

Under the Exchange Agreement, each of the Harbinger Parties have agreed, from the date of the Exchange Agreement until the earlier of the consummation of the Spectrum Brands Acquisition and the termination of the Exchange Agreement and, subject to applicable law and certain exceptions set forth therein, not to vote any shares of, execute and deliver any written consent in lieu of any vote, or enter into any agreement to vote or execute and deliver a consent with respect to, SB Holdings common stock or other voting security of SB Holdings held by the Harbinger Parties, in favor of any proposal to do any of the following:

amend or otherwise change any organizational document of SB Holdings that would, directly or indirectly:

make any change in the authorized or issued capital stock or other equity interests of SB Holdings;

redeem, transfer, encumber, pledge, sell or otherwise dispose of any of SB Holdings capital stock or other equity interests or securities convertible into, or exercisable or exchangeable for, any of its capital stock or other equity interests or authorize any such action other than shares of SB Holdings common stock issued pursuant to existing long-term incentive plans;

split, combine or reclassify any of the capital stock or other equity interests of SB Holdings;

take any action that would, directly or indirectly, result in the sale (by merger, consolidation, sale of stock or assets, joint venture, license out, or other business combination) of all or substantially all of the assets of SB Holdings;

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take any action that would, directly or indirectly, result in the merger or consolidation of SB Holdings or its subsidiaries with any person;

approve or adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, bankruptcy, merger or other reorganization of SB Holdings;

enter into or adopt, any new long-term incentive plan of SB Holdings providing for the issuance of newly issued securities of SB Holdings or amend or modify an existing long-term incentive plan in any manner that would increase the number of securities to be issued thereunder or amend or modify any such plan in a material manner resulting in an increase of capital stock or rights to acquire capital stock thereunder; or

enter into or modify in any material respect any agreement with respect to the voting of the capital stock of SB Holdings.

In addition, under the Exchange Agreement, each of the Harbinger Parties agrees, from the date of the Exchange Agreement until the earlier of the consummation of the Spectrum Brands Acquisition or termination of the Exchange Agreement, not to amend (or consent to any proposed amendment of) the SB Holdings Registration Rights Agreement or the SB Holdings Stockholder Agreement in any manner that adversely affects in any respect the rights of such Harbinger Party thereunder.

Efforts to Consummate the Spectrum Brands Acquisition and Other Covenants

Antitrust and Other Consents

Each of our company and each of the Harbinger Parties has agreed to use its respective reasonable best efforts to (collectively, the Government Approvals):

make an appropriate filing pursuant to the HSR Act and all other necessary filings, notices and registrations with other governmental authorities under laws relating to the Spectrum Brands Acquisition;

respond at the earliest practical date to any requests for additional information by the Federal Trade Commission, the U.S. Department of Justice or any other governmental authorities and reasonably cooperate with the other parties in connection with any investigation of any governmental authority relating to any competition law; and

promptly take all actions and do all things necessary, proper or advisable to consummate the Spectrum Brands Acquisition, including obtaining all necessary actions, waivers, consents, licenses, permits and approvals from governmental authorities and third parties.

However, neither party is required to (i) commence or threaten to commence litigation, (ii) agree to hold separate, divest, license or cause a third party to purchase, any of the assets or businesses of such party or its affiliates or subsidiaries, or (iii) otherwise agree to any restrictions on the businesses of such party or its affiliates or subsidiaries in connection with avoiding or eliminating any restrictions to the consummation of the Spectrum Brands Acquisition under the HSR Act or any other United States federal or state or foreign statutes, rules, regulations, orders, administrative or judicial doctrines or other laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (collectively, the Competition Laws).

Listing of Stock on the NYSE

We have agreed to use our reasonable best efforts to cause the shares of our common stock to be issued to the Harbinger Parties under the Exchange Agreement to be approved for listing on the NYSE prior to the Closing. The listing on the NYSE of the shares of our common stock to be issued to the Harbinger Parties under the Exchange Agreement is also a condition under the Exchange Agreement to the obligation of the Harbinger Parties to consummate the Spectrum Brands Acquisition.

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Public Announcements

Our company and each of the Harbinger Parties has agreed not to, and to cause its affiliates and representatives not to, subject to applicable law and certain exceptions set forth in the Exchange Agreement, issue or cause the publication of any press release or other public statement or any written communications to investors, employees or vendors with respect to the Exchange Agreement or the Spectrum Brands Acquisition without the prior written consent of the other parties to the Exchange Agreement.

Other Covenants

We have also agreed, subject to applicable law and certain exceptions set forth in the Exchange Agreement, to the following:

keep the Harbinger Parties reasonably informed with respect to the defense or settlement of any stockholder action against us and our directors relating to the Spectrum Brands Acquisition; and

give the Harbinger Parties the opportunity to consult with us regarding the defense or settlement of any such stockholder action and, generally, not to settle any such action without the Harbinger Parties' prior written consent (such consent not to be unreasonably withheld or delayed).

Each of the Harbinger Parties has also agreed to fully cooperate with us in the preparation of this information statement and such Harbinger Party shall, upon request, furnish to us with all information concerning it and its affiliates as we may deem reasonably necessary or advisable in connection with the preparation of this information statement.

Conditions Precedent to the Spectrum Brands Acquisition

Conditions to Our and the Harbinger Parties' Obligations to Consummate the Spectrum Brands Acquisition

Our obligations and the obligations of the Harbinger Parties to consummate the Spectrum Brands Acquisition is subject to the satisfaction or, where permissible, waiver of the following conditions:

approval of the issuance of our shares of common stock to the Harbinger Parties under the Exchange Agreement by the holders of a majority of our outstanding shares of common stock;

all filings, consents, approvals and authorizations of any governmental authority required to consummate the Spectrum Brands Acquisition, including the expiration or termination of all waiting periods applicable to the transaction under the HSR Act and other applicable laws, have been made or obtained, except those whose failure would not be reasonably likely, individually or in the aggregate, to have a material adverse effect on us (determined after giving effect to the Spectrum Brands Acquisition) or a material adverse effect on the ability of either party to consummate the Spectrum Brands Acquisition;

no law or other legal restraint or prohibition is in effect that prohibits, makes illegal, or enjoins the consummation of the Spectrum Brands Acquisition;

the waiting periods (and any extensions thereof) under any applicable Competition Laws shall have been terminated or shall have expired, other than any such waiting periods the failure of which to terminate or expire does not have or reasonably be likely to have, individually or in the aggregate, a

material adverse effect on our company and/or on the ability of any of the Harbinger Parties to consummate the Spectrum Brands Acquisition; and

at least 20 calendar days shall have elapsed from the mailing of this information statement in accordance with Rule 14c-2(b) under the Exchange Act.

Fully-Diluted Basis means, at any date, all shares of SB Holdings common stock outstanding, plus (to the extent not included as outstanding) (i) all other capital stock of SB Holdings, or rights or options to acquire shares of SB Holdings common stock or other shares of SB Holdings capital stock, including any restricted stock units, that have been granted under long-term incentive plans or other plans or agreements,

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(ii) such other outstanding securities of SB Holdings otherwise issuable in respect of securities convertible into or exercisable or exchangeable for such capital stock of SB Holdings, including options, warrants and other rights to purchase shares of capital stock of SB Holdings, including options, warrants and other rights to purchase shares of capital stock of SB Holdings, (iii) any voting debt of SB Holdings, or (iv) any obligations pursuant to merger, stock purchase, asset purchase or other acquisition agreements pursuant which SB Holdings is required to issue, or the counter-party thereto is entitled to receive, subscribe for or purchase, any shares of capital stock of SB Holdings or securities convertible into, or exercisable or exchangeable for any shares of capital stock of SB Holdings.

Conditions to Our Obligations to Consummate the Spectrum Brands Acquisition

Our obligations to consummate the Spectrum Brands Acquisition are subject to the satisfaction, or where permissible, waiver of the following conditions:

the representations and warranties made by each Harbinger Party in the Exchange Agreement being true and correct as of the Closing Date as if made at and as of such time (other than representations and warranties that by their terms address matters only as of another specified time, which must be true only as of such time);

the performance in all material respects by each Harbinger Party of its obligations under the Exchange Agreement required to be performed by it prior to the Closing Date (this condition and the immediately preceding condition, shall collectively be referred to as the Harbinger Parties Closing Conditions);

since the date of the Exchange Agreement, there not having occurred any event, change, effect or circumstance that has had, or would be reasonably likely to have, a material adverse effect on SB Holdings;

each of the Harbinger Parties shall have delivered to us a lock-up letter executed by such Harbinger Party substantially in the form attached to the Exchange Agreement with respect to the SB Holdings common stock held by such Harbinger Party (other than the SB Holdings Contributed Shares);

delivery of a certificate by the Harbinger Parties with respect to the tax treatment of the Spectrum Brands Acquisition applicable to the Harbinger Parties; and

the aggregate number of SB Holdings Contributed Shares shall represent at least 52.0% of SB Holdings outstanding common stock as of the Closing calculated on a Fully-Diluted Basis.

Conditions to the Obligations of the Harbinger Parties to Consummate the Spectrum Brands Acquisition

The obligation of the Harbinger Parties to consummate the Spectrum Brands Acquisition is subject to the satisfaction or, where permissible, waiver of the following conditions:

the representations and warranties made by us in the Exchange Agreement being true and correct as of the Closing Date as if made at and as of such time (other than representations and warranties that by their terms address matters only as of another specified time, which must be true only as of such time);

the performance in all material respects by us of our obligations under the Exchange Agreement required to be performed by us prior to the Closing Date (this condition and the immediately preceding condition, shall collectively be referred to as the HGI Closing Conditions);

since the date of the Exchange Agreement, there not having occurred any event, change, effect or circumstance that has had, or would be reasonably likely to have, a material adverse effect on our company;

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approval for the listing on the NYSE of our shares of common stock to be issued under the Exchange Agreement; and

the HGI Registration Rights Agreement and the joinder (executed by us concurrently with our execution of the Exchange Agreement) to the SB Holdings Stockholder Agreement, as joined by us, remaining in full force and effect.

Survival of Representations, Warranties, Covenants and Obligations

The representations, warranties, covenants and obligations to be performed on or prior to the Closing (the Pre-Closing Covenants) contained in the Exchange Agreement shall survive the Closing solely for purposes of the indemnification provisions of the Exchange Agreement and:

shall terminate and no longer survive at the close of business on the first anniversary of the Closing Date (the Basic Survival Period);

provided, however, that (x)(i) the Harbinger Parties representations and warranties pertaining to ownership of SB Holdings Contributed Shares, organization, authorization, no conflicts, required filings or consents, brokers and advisors fees and expenses, and (ii) our representations and warranties pertaining to organization, power, authorization, capitalization, authority, requisite corporate approval, voting requirements, investment company status and brokers and advisors fees and expenses (collectively, the Fundamental Representations) shall survive the Closing indefinitely and (y) the Harbinger Parties representations and warranties pertaining to capitalization of SB Holdings shall survive for a period of 18 months following the Closing Date. The period of time a representation, warranty or Pre-Closing Covenant survives the Closing pursuant to the preceding sentence shall be the Survival Period with respect to such representation, warranty or Pre-Closing Covenant;

subject to certain procedures set forth in the Exchange Agreement, so long as a party gives written notice of an indemnification claim notice, including a description of the claim and the amount of claimed Damages (as defined below) for such claim on or before the expiration of the applicable Survival Period, such Indemnified Party (as defined below) shall be entitled to pursue its rights to indemnification under the Exchange Agreement, as applicable; and

the covenants and agreements contained in the Exchange Agreement that require by their terms performance or compliance on and after the Closing shall continue in force thereafter in accordance with their terms or if no term is specified, indefinitely.

Indemnification

Indemnification by the Harbinger Parties

Subject to the limitations and terms discussed in this section and set forth in the indemnification section of the Exchange Agreement, on and after the Closing Date, each of the Harbinger Parties shall severally (and not jointly or jointly and severally) indemnify and defend us and our officers, directors, employees, affiliates (other than the Harbinger Parties) and agents (collectively, the HGI Indemnitees) at any time after the Closing, from and against, and shall reimburse such persons for, with respect to any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, diminution of value (except to the extent arising from special or unique circumstances relating to the indemnified party that were not reasonably foreseeable as of the date of the Exchange Agreement),

costs and expenses, including taxes, interest, penalties and reasonable attorneys' fees and expenses (collectively, the Damages) asserted against, relating to, imposed upon or incurred, without duplication, by us or any of the HGI Indemnitees arising from or in connection with, subject to the applicable Survival Period, a breach of any representation of such Harbinger Party or any agreement or covenant made by such Harbinger Party contained in the Exchange Agreement (unless the breach resulted from an action of a HGI Indemnitee) (the Harbinger Representation Indemnification).

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Indemnification by HGI

Subject to the limitations and terms discussed herein and set forth in the indemnification section of the Exchange Agreement, on and after the Closing Date, we shall indemnify, defend and hold harmless the Harbinger Parties and each of their respective officers, directors, members, trustees, stockholders, partners, employees, affiliates (other than our company) and agents (collectively, the Harbinger Indemnitees) at any time after the Closing, from and against, and shall reimburse such persons for, with respect to any and all Damages asserted against, relating to, imposed upon or incurred, without duplication, by the Harbinger Indemnitees or any of them arising from or in connection with, subject to the applicable Survival Period, a breach of any representation, agreement or covenant made by us contained in the Exchange Agreement (unless the breach resulted from an action of a Harbinger Indemnitee).

Limitation on Damages; Calculation of Damages; Treatment and Payment of Indemnification Payments

The obligation of each Harbinger Party to indemnify the HGI Indemnitees for breaches of representation or warranty is limited to an aggregate amount equal to such Harbinger Party's respective cap (each, a Cap). The Cap with respect to Master Fund is \$58,326,710, with respect to Special Situations Fund is \$11,769,082 and with respect to Global Fund is \$5,768,759. No Harbinger Party is liable for any Damages for breaches of representations or warranties by such Harbinger Party except to the extent they exceed, in the aggregate, an amount equal to its respective basket (the Basket), in which event such Harbinger Party is liable only for such Damages which exceed its Basket. The Basket with respect to Master Fund is \$2,916,335, with respect to Special Situations Fund is \$588,454 and with respect to Global Fund is \$288,438. However, neither the Cap nor the Basket shall apply to the HGI Indemnitees' right to indemnification arising from or in connection with any claims arising out of a breach of a Fundamental Representation or a breach of any agreement or covenant to be performed by any Harbinger Party, except that in no event will the aggregate liability of any Harbinger Party exceed \$583,267,097 with respect to Master Fund, \$117,690,817 with respect to Special Situations Fund or \$57,687,592 with respect to Global Fund. None of the limitations in the Exchange Agreement limits or restricts any of the HGI Indemnitees' rights to maintain or recover any amounts in connection with any action or claim based upon fraud by any Harbinger Party.

The amount of any Damages for which indemnification is provided under the obligations discussed herein shall be reduced to take account of certain tax benefits actually realized by the HGI Indemnitees and with respect to certain insurance payments.

Any obligation of a Harbinger Party to indemnify the HGI Indemnitees shall be payable in shares of our common stock or, at the sole option of such Harbinger Party, cash. For purposes of making any such indemnification payments, each share of our common stock shall be valued at the volume weighted average price (computed using Bloomberg) of a share of our common stock for the 30-trading day period ending on the date preceding the date on which such payment is made.

Termination of the Exchange Agreement

The Exchange Agreement may be terminated at any time prior to the Closing, provided that our decision to terminate the Exchange Agreement is subject to approval of the Committee:

by the mutual written consent of our company (acting upon unanimous recommendation of the Committee) and the Harbinger Parties, if the board of directors (or similar governing body) of each so determines;

by either our company or the Harbinger Parties if:

the Closing has not occurred on or before January 31, 2011 (subject to an extension to March 31, 2011 if the SEC has not finished its review of this information statement on or before December 31, 2010), unless a breach of the Exchange Agreement by the party seeking to exercise such termination right caused the transaction not to be consummated on or before such date;

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a governmental authority of competent jurisdiction shall have issued an award, injunction, judgment, decree, order, ruling, subpoena, assessment, writ or verdict or other decision issued, promulgated or entered by or with any governmental authority of competent jurisdiction (collectively, the Order), or taken any other action (including the failure to have taken an action), in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Spectrum Brands Acquisition, which Order or other action is final and nonappealable (except that this right to terminate the Exchange Agreement will not be available to any party which failed to comply with its obligations to use its best efforts to obtain the Government Approvals); and

by our company (acting upon the recommendation of the Committee) (i) upon the occurrence of any event, change, effect or circumstance that has had, or would be reasonably likely to have, a material adverse effect on SB Holdings or (ii) if the Harbinger Parties breach any of their covenants or agreements or any of their representations and warranties set forth in the Exchange Agreement which breach would result in the failure to satisfy the Harbinger Parties Closing Conditions and which breach is not cured within 15 days following written notice thereof (or such longer period during which the applicable Harbinger Party or Parties use their respective reasonable best efforts to cure); and

by the Harbinger Parties (i) upon the occurrence of any event, change, effect or circumstance that has had, or would be reasonably likely to have, a material adverse effect on our company or (ii) if we breach any of our covenants or agreements or any of our representations and warranties set forth in the Exchange Agreement which breach would result in the failure to satisfy the HGI Closing Conditions and which breach is not cured within 15 days following written notice thereof (or such longer period during which we use our respective reasonable best efforts to cure).

If the Exchange Agreement is terminated, there will generally be no liability on the part of either our company or the Harbinger Parties, except that no party is relieved from any liability for any willful and material breach of any representation, warranty, or covenant of such party contained in the Exchange Agreement.

Expenses and Fees

Each party will be responsible for all of the fees and expenses it incurs in connection with the Exchange Agreement. Except for the fees and expenses of outside legal counsel to SB Holdings which the Harbinger Parties agree to be responsible for (pro rata based on their respective percentages of the SB Holdings Contributed Shares), we agree to pay or promptly reimburse SB Holdings for all fees and expenses incurred by SB Holdings or any of its subsidiaries in connection with the Exchange Agreement and/or the Spectrum Brands Acquisition that the Harbinger Parties would otherwise be obligated to pay under the SB Holdings Stockholder Agreement including, for the avoidance of doubt, all out-of-pocket fees and expenses of accountants used to prepare the financial statements of Russell Hobbs and its subsidiaries to be included herein. We estimate that our Spectrum Brands Acquisition-related fees and expenses, consisting primarily of accounting and financial advisory fees and expenses, and financial printing and other related charges, will be approximately \$[___] million.

Amendment, Assignment and Waiver

Subject to applicable law, the provisions of the Exchange Agreement, any inaccuracies in the representations and warranties of any of the parties or compliance with any of the agreements or conditions may be waived or the time for performance of any obligations may be extended only if in writing and signed by the party against whom the waiver is to be effective, except that the parties cannot waive the stockholder approval requirements in the Exchange

Agreement.

Neither the Exchange Agreement nor any of the rights, interests or obligations under the Exchange Agreement may be assigned, in whole or in part, by operation of law or otherwise by us or the Harbinger Parties without the prior written consent of the other parties.

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We (following recommendation of the Committee) and the Harbinger Parties may amend any provision of the Exchange Agreement by mutual written agreement of each party.

Specific Performance

If any party fails to perform any covenant or agreement made by it in the Exchange Agreement, the other party will be entitled, subject to the terms of the Exchange Agreement and in addition to any remedy at law or in equity, to injunctions to prevent breaches and to enforce specifically the performance of the terms of the Exchange Agreement.

Governing Law

The Exchange Agreement is governed by the laws of the State of Delaware.

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**ANCILLARY AGREEMENTS ENTERED INTO IN CONNECTION WITH
THE SPECTRUM BRANDS ACQUISITION**

The following section contains a summary of the (i) Registration Rights Agreement entered into by and among us and the Harbinger Parties, a copy of which is attached as Annex B to the Exchange Agreement, (ii) Stockholder Agreement by and among the Harbinger Parties and SB Holdings to which we will become a party upon the consummation of the Spectrum Brands Acquisition, a copy of which was filed as Exhibit [] to our Current Report on Form 8-K filed with the SEC on , 2010, and (iii) Registration Rights Agreement entered into by and among SB Holdings, the Harbinger Parties and the Avenue Parties, to which we will become a party upon the consummation of the Spectrum Brands Acquisition, a copy of which was filed as Exhibit [] to our Current Report on Form 8-K filed with the SEC on , 2010. The rights and obligations of the parties to these agreements are governed by the express terms and conditions of such agreements and not by this summary. This summary may not contain all of the information about the agreements that is of importance to you and is qualified in its entirety by reference to the complete text of the applicable agreement. We encourage you to read these agreements carefully and in their entirety for a more complete understanding of each agreement.

HGI Registration Rights Agreement

In connection with the Spectrum Brands Acquisition, we and the Harbinger Parties entered into the Registration Rights Agreement, dated as of September 10, 2010 (the HGI Registration Rights Agreement), pursuant to which, after the consummation of the Spectrum Brands Acquisition, the Harbinger Parties will have certain demand and so-called piggy back registration rights with respect to their shares of our common stock.

Registration Rights

Under the HGI Registration Rights Agreement, after the consummation of the Spectrum Brands Acquisition, any of the Harbinger Parties may demand that we register all or a portion of such Harbinger Party's shares of our common stock for sale under the Securities Act, so long as the anticipated aggregate offering price of the securities to be offered is (i) at least \$30 million if registration is to be effected pursuant to a registration statement on Form S-1 or a similar long-form registration or (ii) at least \$5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar short-form registration.

Upon such demand registration request, we are obligated to file the relevant registration statement as promptly as reasonably practicable after the written request of the initiating holders and to use our reasonable best efforts to cause such shelf registration statement to be declared effective within 60 days (in the case of a long-form registration) or 45 days (in the case of a short-form registration) of the date on which we receive the relevant request, and to cause such shelf registration to remain effective thereafter. If so requested by Harbinger Parties holding a majority of the our common stock to be included in the relevant registration statement, we will use our reasonable best efforts to cause the offering to be made in the form of a firm commitment underwritten public offering. No Harbinger Party is entitled to more than one short form registration in any six-month period or more than three long form registrations in general; provided, however, that two or more registration statements filed in response to one demand for long-form registration shall be counted as one long-form registration.

If we become eligible to use a shelf registration statement on Form S-3 in connection with a secondary public offering of our equity securities (other than as a result of our becoming a well known seasoned issuer, as discussed below), any Harbinger Party may demand that we register its shares of our common stock on Form S-3 on a delayed or continuous basis pursuant to Rule 415 promulgated under the Securities Act, so long as the anticipated aggregate market value of

such shares is at least \$25 million. Following the effectiveness of a shelf registration statement, upon request of any Harbinger Party, we are obligated to use our reasonable best efforts to cause shares registered under the shelf registration to be offered in a firm commitment underwritten public offering, so long as the anticipated aggregate offering amount to the public is at least \$10 million.

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If we become a well known seasoned issuer, we are obligated, as soon as reasonably practicable, to register all of the shares of our common stock entitled to registration under the HGI Registration Rights Agreement on a single automatic shelf registration statement, to use our reasonable best efforts to cause such automatic shelf registration statement to become effective within ten business days of becoming a well-known seasoned issuer, and to cause such automatic shelf registration statement to remain effective until there are no longer any registrable securities.

If our board of directors determines that a demand registration or shelf registration under the HGI Registration Rights Agreement (or the continuation of any such registration thereunder) would materially interfere with any material financing, acquisition, corporate reorganization, merger or other material transaction or would require premature disclosure of a matter that the board of directors has determined would not be in our best interests to be disclosed at such time, we may delay filing the registration statement until such intervening circumstance no longer exists, or if the registration statement has already been filed, we may withdraw the registration statement and postpone or terminate its effectiveness. Our board of directors may not, however, withdraw a registration statement demanded under the HGI Registration Rights Agreement more than once in any 12-month period or postpone an offering for a period of greater than 90 days in any 12-month period.

If any of the Harbinger Parties demands registration (or shelf registration) under the HGI Registration Rights Agreement, the other Harbinger Parties are entitled to notice thereof and to have all or a portion of their shares of our common stock included in the registration and offering.

The HGI Registration Rights Agreement also provides that, if we decide to register shares of our common stock for our own account or the account of a stockholder other than the Harbinger Parties (subject to certain exceptions set forth in the HGI Registration Rights Agreement), the Harbinger Parties may require us to include all or a portion of their shares of our common stock in the registration, and to the extent the registration is in connection with an underwritten public offering, to have such shares of our common stock included in the offering.

The Harbinger Parties' right to demand or include their shares of our common stock in a registration is subject to the right of the underwriters to limit the number of shares included in the offering in the event such underwriter determines that registration of all or a portion of the securities which the holders have requested to be included in the offering would materially adversely affect the success of such offering.

We have agreed that, during the period beginning on the effective date of a demand registration statement and ending on the date that is 120 days (or 90 days in the case of a shelf registration) after the date of the final prospectus relating to the offering, we will not sell, offer for sale or otherwise transfer shares of our common stock or any securities convertible into such shares of common stock, except for transfers pursuant to the demand registration. In addition, we have agreed to use our reasonable best efforts to cause our officers, directors and holders of greater than 1% of our common stock (or any securities convertible into such shares of common stock) to enter into similar lock-up agreements that contain restrictions that are no less restrictive than the restrictions applicable to us.

The rights of a given Harbinger Party to demand registration for shares of our common stock held by such party shall, with respect to such shares, terminate (i) upon the sale of the relevant shares of our common stock pursuant to an effective registration statement or Rule 144 of the Securities Act, (ii) once the entire amount of shares of our common stock held by the Harbinger Parties, in the opinion of counsel, be sold in a single sale without any limitation as to volume under Rule 144, (iii) once the Harbinger Parties own less than 1% of our outstanding common stock on a fully-diluted basis, (iv) if our common stock is proposed to be sold by a person not entitled to registration rights under the HGI Registration Rights Agreement, or (v) once such shares are no longer outstanding.

Expenses

We will bear all registration expenses specified in the HGI Registration Rights Agreement, including expenses incurred by us in connection with the performance of our obligations under the HGI Registration

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Rights Agreement, as well as the reasonable fees and expenses of a single law firm selected as counsel by the Harbinger Parties holding a majority of the securities being registered in such registration. The Harbinger Parties will bear any underwriting discounts or commissions attributable to the sale of the applicable shares.

Indemnification

The HGI Registration Rights Agreement contains customary provisions allocating rights and responsibilities among us and the Harbinger Parties and obligating us and the Harbinger Parties to indemnify each other against certain liabilities arising from any registration of securities thereunder. The obligations of the parties under the HGI Registration Rights Agreement terminate upon termination of the Exchange Agreement.

Termination

The HGI Registration Rights Agreement will terminate automatically, without action by any party thereto, if the Exchange Agreement is terminated pursuant to its terms. Furthermore, the HGI Registration Rights Agreement will automatically terminate with respect to any Harbinger Party once such person no longer owns any shares of our common stock.

SB Holdings Stockholder Agreement

In connection with the Spectrum Brands Acquisition, we will become a party to the existing SB Holdings Stockholder Agreement. The following discussion summarizes the material provisions of the SB Holdings Stockholder Agreement:

Board and Committee Requirements

With respect to the SB Holdings board of directors and its committees:

SB Holdings will maintain (i) a Special Nominating Committee consisting of three Independent Directors, (ii) a Nominating and Corporate Governance Committee and (iii) an Audit Committee in accordance with the NYSE rules. See Board of Directors; Special Nominating Committee, above;

for so long as we and our affiliates (including the Harbinger Parties) own 40% or more of the outstanding SB Holdings voting securities, we will vote our shares of SB Holdings common stock to effect the structure of SB Holdings board of directors described in the SB Holdings Stockholder Agreement: specifically, SB Holdings board of directors will consist of ten directors, of which at least three directors shall be independent directors nominated by the Special Nominating Committee and one director shall be the Chief Executive Officer of SB Holdings. Furthermore, so long as we and our affiliates (including the Harbinger Parties) own 40% or more of the outstanding SB Holdings voting securities, the Special Nominating Committee, will nominate, for each class of directors being elected at the annual meeting, the same number of directors as there were members of the Special Nominating Committee in such class prior to the election, and we will nominate the remaining directors in such class; and

the board of directors of SB Holdings and all the committees thereof will operate to permit SB Holdings to maintain its listing on the NYSE, and if SB Holdings ceases to qualify as a controlled company for purposes of the rules of NYSE, we will have the right to increase the size of the board of directors to add such members as may be required to maintain SB Holdings listing on the NYSE and nominate such directors for those newly created vacancies through the Nominating and Corporate Governance

Committee.

Restriction on Affiliate Transactions

Neither SB Holdings nor any of its subsidiaries will be permitted pay any monitoring or similar fee to HGI or any of its affiliates, including the Harbinger Parties. The SB Holdings Certificate also contains

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provisions restricting other related party transactions. See Description of SB Holdings Capital Stock and Related Matters SB Holdings Certificate of Incorporation and Bylaws Related Party Transactions.

Transfer Restriction

We will not be permitted to effect any transfer of SB Holdings equity securities to any person that would result in such person and its affiliates owning 40% or more of SB Holdings outstanding voting securities, unless (i) such person agrees to be bound by the terms of the SB Holdings Stockholder Agreement, (ii) the transfer is pursuant to a *bona fide* acquisition of SB Holdings approved by the board of directors and a majority of the members of the Special Nominating Committee, (iii) the transfer is otherwise specifically approved by the board of directors and a majority of the Special Nominating Committee, or (iv) the transfer is of 5% or less of SB Holdings outstanding voting securities;

Going Private Restriction

Before June 16, 2011, we will not (and we will not permit any of our affiliates, including the Harbinger Parties, to) make any public announcement with respect to, or submit a proposal for, or offer in respect of, a Going-Private Transaction of SB Holdings, unless such action is specifically requested in writing by the board of directors with the approval of a majority of the members of the Special Nominating Committee.

Inspection and Information Rights

We will have certain inspection rights so long as we and our affiliates, including the Harbinger Parties, own, in the aggregate, at least 15% of the outstanding SB Holdings voting securities, which will permit us, at our own expense, to visit and inspect any of the properties of SB Holdings and its subsidiaries, examine their respective books and records and discuss the affairs, finances and accounts with SB Holdings and its subsidiaries respective officers, employees and public accountants.

We will also have certain information rights for so long as we own at least 10% of the outstanding SB Holdings voting securities that grant us (i) the ability, at our own expense, to obtain from SB Holdings information concerning its, and its subsidiaries, business and properties, including financial information, necessary to permit us to comply with any applicable securities laws, (ii) the cooperation of SB Holdings officers, employees, counsel and public accountants in connection with our compliance with securities laws, and (iii) the permission to disclose in our filings any information required to be disclosed under applicable law or the rules of any applicable stock exchange.

Certain Voting Provisions

With respect to any meeting of the stockholders of SB Holdings called for the purpose of electing directors, we have agreed to attend such meeting in person or by proxy for purposes of establishing a quorum and to vote our SB Holdings common stock in favor of the election as directors of SB Holdings any persons who have been nominated for election by the Nominating and Corporate Governance Committee and any persons who have been nominated for election by the Special Nominating Committee in accordance with the procedures set forth in the SB Holdings Stockholder Agreement.

We will not, without the approval or recommendation of a majority of the members of the Special Nominating Committee, vote (i) in a manner inconsistent with the provisions of the SB Holdings Stockholder Agreement or in a manner that would frustrate or prevent implementation of the provisions of the SB Holdings Stockholder Agreement, or (ii) for an amendment or repeal of the SB Holdings Certificate and SB Holdings Bylaws relating to the size and classification of the board of directors, the director nomination procedure, committees of the board of directors of SB Holdings, pre-emptive rights, tag-along rights, SB Holdings continued status as a reporting company and amendments

to the SB Holdings Certificate or SB Holdings Bylaws.

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Termination of SB Holdings Stockholder Agreement

The provisions of the SB Holdings Stockholder Agreement (other than with respect to information and investigation rights) will terminate on the date on which we and our affiliates (including the Harbinger Parties) no longer beneficially own 40% of outstanding SB Holdings voting securities. The SB Holdings Stockholder Agreement terminates when any person or group owns 90% or more of the outstanding SB Holdings voting securities. The SB Holdings Stockholder Agreement cannot be amended without the approval of the parties thereto and cannot be waived without the approval of the party against whom the waiver is to be effective; provided that no such amendment or waiver will be effective without approval of a majority of the members of the Special Nominating Committee of SB Holdings.

SB Holdings Registration Rights Agreement

In connection with the Spectrum Brands Acquisition, we also will become a party to the SB Holdings Registration Rights Agreement. Pursuant to the SB Holdings Registration Rights Agreement, we, the Harbinger Parties and the Avenue Parties, will, among other things and subject to the terms and conditions set forth therein, have certain demand and so-called piggy back registration rights with respect our and their shares of SB Holdings common stock.

Under the SB Holdings Registration Rights Agreement, we, the Harbinger Parties and the Avenue Parties may demand that SB Holdings register all or a portion of our or their SB Holdings common stock for sale under the Securities Act, so long as the anticipated aggregate offering amount of the securities to be offered to the public (based on the average of the daily closing price of the securities for the 30 immediately preceding trading days) is (i) at least \$30 million if registration is to be effected pursuant to a registration statement on Form S-1 or a similar long-form registration or (ii) at least \$5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar short-form registration.

Upon such demand registration request, SB Holdings is obligated to file the relevant registration statement as promptly as reasonably practicable after the written request of the initiating holders and to use its reasonable best efforts to cause such shelf registration statement to be declared effective within 60 days (in the case of a long-form registration) or 45 days (in the case of a short-form registration) of the date on which it receives the relevant request, and to cause such shelf registration to remain effective thereafter. If so requested by us, the Harbinger Parties and/or the Avenue Parties holding a majority of the SB Holdings common stock to be included in the relevant registration statement, SB Holdings will use its reasonable best efforts to cause the offering to be made in the form of a firm commitment underwritten public offering. None of us, the Harbinger Parties or the Avenue Parties is entitled to more than one short form registration in any six-month period or more than three long form registrations in general; provided, however, that two or more registration statements filed in response to one demand for long-form registration shall be counted as one long-form registration.

If SB Holdings becomes eligible to use a shelf registration statement on Form S-3 in connection with a secondary public offering of its equity securities (other than as a result of SB Holdings becoming a well known seasoned issuer, as discussed below), we or any Harbinger Party or Avenue Party may demand that SB Holdings register our or their shares of SB Holdings common stock on Form S-3 on a delayed or continuous basis pursuant to Rule 415 promulgated under the Securities Act, so long as the anticipated aggregate market value of such shares is at least \$25 million. Following the effectiveness of a shelf registration statement, upon request of HGI or any Harbinger Party or Avenue Party, SB Holdings is obligated to use its reasonable best efforts to cause shares registered under the shelf registration to be offered in a firm commitment underwritten public offering, so long as the anticipated aggregate offering amount to the public is at least \$10 million.

If SB Holdings becomes a well known seasoned issuer, it is obligated, as soon as reasonably practicable, to register all of the SB Holdings common stock entitled to registration under the SB Holdings Registration Rights Agreement on a single automatic shelf registration statement, to use its reasonable best efforts to cause such automatic shelf registration statement to become effective within ten business days of becoming a well-known seasoned issuer, and to cause such automatic shelf registration statement to remain effective until there are no longer any registrable securities.

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If SB Holdings board of directors determines that a demand registration or shelf registration under the SB Holdings Registration Rights Agreement (or the continuation of any such registration thereunder) would materially interfere with any material financing, acquisition, corporate reorganization, merger or other material transaction or would require premature disclosure of a matter that the board of directors has determined would not be in the best interests of SB Holdings to be disclosed at such time, SB Holdings may delay filing the registration statement until such intervening circumstance no longer exists, or if the registration statement has already been filed, it may withdraw the registration statement and postpone or terminate its effectiveness. SB Holdings board of directors may not, however, withdraw a registration statement demanded under the SB Holdings Registration Rights Agreement more than once in any 12-month period or postpone an offering for a period of greater than 90 days in any 12-month period.

If we or any Harbinger Party or Avenue Party demands registration (or shelf registration) under the SB Holdings Registration Rights Agreement, we, the Harbinger Parties or the Avenue Parties, as applicable, are entitled to notice thereof and to have all or a portion of our or their shares of SB Holdings common stock included in the registration and offering. In addition, if SB Holdings decides to register shares of its common stock for its own account or the account of a stockholder other than us, the Harbinger Parties or the Avenue Parties (subject to certain exceptions set forth in the SB Holdings Registration Rights Agreement), we, the Harbinger Parties and Avenue Parties may require SB Holdings to include all or a portion of our or their shares of SB Holdings common stock in the registration, and to the extent the registration is in connection with an underwritten public offering, to have such SB Holdings common stock included in the offering.

Our, the Harbinger Parties and the Avenue Parties right to demand or include our or their shares of SB Holdings common stock in a registration is subject to the right of the underwriters to limit the number of shares included in the offering in the event such underwriter determines that registration of all or a portion of the securities which the holders have requested to be included in the offering would materially adversely affect the success of such offering.

SB Holdings has agreed that, during the period beginning on the effective date of a demand registration statement and ending on the date that is 120 days (or 90 days in the case of a shelf registration) after the date of the final prospectus relating to the offering, it will not sell, offer for sale or otherwise transfer shares of its common stock or any securities convertible into such shares of common stock, except for transfers pursuant to the demand registration. In addition, SB Holdings has agreed to use its reasonable best efforts to cause its officers, directors and holders of greater than 1% of its common stock (or any securities convertible into such shares of common stock) to enter into similar lock-up agreements that contain restrictions that are no less restrictive than the restrictions applicable to SB Holdings.

The rights of our company or any Harbinger Party or Avenue Party to demand registration for the SB Holdings common stock held by such party shall, with respect to our or their SB Holdings common stock, terminate (i) upon the sale of the relevant SB Holdings common stock pursuant to an effective registration statement or Rule 144 of the Securities Act, (ii) once the entire amount of SB Holdings common stock held by the relevant holder may, in the opinion of counsel, be sold in a single sale without any limitation as to volume under Rule 144, (iii) once we or such Avenue Party owns less than 1% of the outstanding SB Holdings common stock on a fully-diluted basis, (iv) if the SB Holdings common stock is proposed to be sold by a person not entitled to registration rights under the SB Holdings Registration Rights Agreement, or (v) once such SB Holdings common stock is no longer outstanding.

The SB Holdings Registration Rights Agreement contains customary provisions allocating rights and responsibilities among the parties thereto and obligating SB Holdings, the other parties to the SB Holdings Registration Rights Agreement and HGI, when it becomes a party to the SB Holdings Registration Rights Agreement, to indemnify each other against certain liabilities arising from any registration of securities thereunder.

**Balance Sheet
Data (as of year
end):**

Total assets	147,315	163,062	152,883	164,032	165,444	163,731	304,756
Total equity	140,453	157,942	145,797	158,847	162,133	159,302	231,621

Other Data:

Working capital(6)	139,626	148,462	\$ 141,947	\$ 153,908	\$ 154,275	\$ 150,490	\$ 155,503
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- (1) During the six months ended June 30, 2010, loss from continuing operations reflects a benefit from income taxes of \$0.8 million which represents the restoration of deferred tax assets previously written off in connection with the change in control of our company in 2009, as discussed further in note (2) below, and a related reversal of accrued interest and penalties on uncertain tax positions. These deferred tax assets relate to net operating loss carryforwards which are realizable to the extent we settle our uncertain tax positions for which we have previously recorded \$0.8 million of reserves and related accrued interest and penalties.
- (2) The change in control of our company in year ended December 31, 2009 resulted in a change of ownership of our company under sections 382 and 383 of the Code. As a result, we wrote off approximately \$7.4 million of net operating loss carryforward tax benefits and alternative minimum tax credits. Additionally, as a result of

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cumulative losses in recent years, we increased our valuation allowance for our deferred tax assets by \$2.8 million.

- (3) During 2006, we sold our approximate 57% ownership interest in Omega Protein Corporation in two separate transactions for combined proceeds of \$75.5 million. In conjunction with the sale, we recognized transaction related losses of \$10.3 million (\$7.2 million net of tax adjustments). Such amounts are included under loss from discontinued operations for the year ended December 31, 2006.
- (4) During 2005, we sold our approximate 77% ownership interest in Safety Components International, Inc. for proceeds of \$51.2 million. Accordingly, we recognized a loss on sale of \$12.2 million (\$9.9 million net of tax effects). Such amounts are included under loss from discontinued operations for the year ended December 31, 2005.
- (5) Loss from discontinued operations includes transaction related losses as discussed in notes (3) and (4) and the operating results for Omega Protein Corporation for the periods ending December 31, 2006 and Safety Components International, Inc. for the period ending December 31, 2005.
- (6) Working capital is defined as current assets less current liabilities.

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**SELECTED HISTORICAL CONSOLIDATED AND
COMBINED FINANCIAL DATA OF SB HOLDINGS AND SPECTRUM BRANDS**

The following table sets forth selected historical consolidated financial information of SB Holdings and Spectrum Brands for the periods presented. The selected financial information, as of September 30, 2005, 2006, 2007, 2008 and 2009 and for each of the five fiscal years then ended has been derived from Spectrum Brands' audited consolidated financial statements. The selected historical consolidated statement of operations and balance sheet data, as of July 4, 2010, and for the nine months ended June 28, 2009 and July 4, 2010, has been derived from SB Holdings' unaudited condensed consolidated financial statements which include, in the opinion of SB Holdings' management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of SB Holdings and Spectrum Brands for the periods and dates presented. The information presented below as of and for the nine months ended July 4, 2010 also includes that of Russell Hobbs since the SB/RH Merger on June 16, 2010.

On November 5, 2008, Spectrum Brands' board of directors committed to the shutdown of the growing products portion of Spectrum Brands' Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing products portion of the Home and Garden Business during fiscal 2009. During the second quarter of fiscal 2009, Spectrum Brands completed the shutdown of the growing products portion of the Home and Garden Business and, accordingly, began reporting the results of operations of the growing products portion of the Home and Garden Business as discontinued operations. As of October 1, 2005, Spectrum Brands began reporting the results of operations of the Nu-Gro Pro and Tech division of the Home and Garden Business as discontinued operations. Spectrum Brands also began reporting the results of operations of the Canadian division of the Home and Garden Business as discontinued operations as of October 1, 2006, which was sold on November 1, 2007. Therefore, the presentation of all historical continuing operations has been changed to exclude the growing products portion of the Home and Garden Business, the Nu-Gro Pro and Tech and the Canadian divisions of the Home and Garden Business but to include the remaining control products portion of the Home and Garden Business.

The financial information indicated may not be indicative of future performance. This financial information and other data should be read in conjunction with the respective audited and unaudited consolidated financial statements of SB Holdings and Spectrum Brands, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations of SB Holdings and Spectrum Brands. This information should also be read in conjunction with the unaudited pro forma condensed combined financial statements. References to Successor Company in Spectrum Brands' selected financial information set forth below refer to Spectrum Brands after it emerged from Chapter 11 of the Bankruptcy Code, and references to the Predecessor Company in Spectrum Brands' selected financial information set forth below refer to Spectrum Brands prior to that time.

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	Predecessor Company				11 Month Period Aug 30, 2009	Successor Company	Predecessor Company	Successor Company
	Fiscal Year Ended September 30,					Month Ended Sept 30, 2009	9 Month Period June 28, 2009	9 Month Period July 4, 2010
	2005	2006	2007	2008				(10)
(In millions, except per share data)								
Statement of Operations Data:								
Net sales	\$ 2,077.5	\$ 2,228.5	\$ 2,332.7	\$ 2,426.6	\$ 2,010.6	\$ 219.9	\$ 1,641.1	\$ 1,778.0
Gross profit	821.9	871.2	876.7	920.1	751.8	64.4	605.0	646.9
Operating income (loss)(1)	202.6	(289.1)	(251.8)	(684.6)	156.8	0.1	142.1	124.2
Income (loss) from continuing operations before income taxes	69.2	(460.9)	(507.2)	(914.8)	1,123.4	(20.0)	(93.8)	(118.0)
Income (loss) from discontinued operations, net of tax(2)	2.3	(2.5)	(33.7)	(26.2)	(86.8)	0.4	(84.0)	(2.7)
Net income (loss)(3)	46.8	(434.0)	(596.7)	(931.5)	1,013.9	(70.8)	(209.6)	(165.8)
Restructuring and related charges - cost of goods sold(4)	\$ 10.5	\$ 21.1	\$ 31.3	\$ 16.5	\$ 13.2	\$ 0.2	\$ 13.2	\$ 5.5
Restructuring and related charges - operating expenses(4)	15.8	33.6	66.7	22.8	30.9	1.6	27.2	11.1
Other income (expense), net(5)	0.7	4.1	0.3	(1.2)	(3.3)	0.8	(3.5)	(8.4)
Interest expense(11)	134.1	175.9	255.8	229.0	172.9	17.0	148.6	230.1
Reorganization items (expense), net(6)					1,142.8	(4.0)	(83.8)	(3.6)
Per Share Data:								
Income (loss) from continuing operations per common share:								
Basic	\$ 1.02	\$ (8.72)	\$ (11.06)	\$ (17.78)	\$ 21.45	\$ (2.37)	\$ (2.44)	\$ (5.20)
Diluted	0.98	(8.72)	(11.06)	(17.78)	21.45	(2.37)	(2.44)	(5.20)
Net income (loss) per common share:								
Basic	\$ 1.07	\$ (8.77)	\$ (11.72)	\$ (18.29)	\$ 19.76	\$ (2.36)	\$ (4.07)	\$ (5.29)
Diluted	1.03	(8.77)	(11.72)	(18.29)	19.76	(2.36)	(4.07)	(5.29)
Average common shares outstanding:								
Basic	43.7	49.5	50.9	50.9	51.3	30.0	51.4	31.3
Diluted(7)	45.6	49.5	50.9	50.9	51.3	30.0	51.4	31.3

**Cash Flow and
Related Data**Net cash provided
(used) by operating
activities

\$	216.6	\$	44.5	\$	(32.6)	\$	(10.2)	\$	1.6	\$	75.0	\$	(43.4)	\$	(53.5)
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Capital expenditures(8)

	60.5		55.6		23.2		18.9		8.1		2.7		5.6		17.4
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Depreciation and
amortization (excluding

amortization of debt

issuance costs)(8)

	68.5		82.6		77.4		85.0		58.5		8.6		47.5		83.5
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**Statement of Financial
Position Data****(at period end):**

Cash and cash

equivalents	\$	29.9	\$	28.4	\$	69.9	\$	104.8		\$	97.8		\$	115.9
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Total assets

	4,022.1		3,549.3		3,211.4		2,247.5				3,020.7			3,767.3
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Total long-term debt,

net of

current maturities		2,268.0		2,234.5		2,416.9		2,474.8			1,530.0			1,734.7
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Total debt

		2,307.3		2,277.2		2,460.4		2,523.4			1,583.5			1,781.0
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Other Data:

Working capital(9)

		490.6		397.2		370.2		371.5			323.7			566.3
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- (1) During the fiscal years ended September 30, 2006, 2007, 2008 and 2009, pursuant to the FASB Codification Topic 350: *Intangibles-Goodwill and Other*, formerly SFAS No. 142, *Goodwill and Other Intangible Assets*, Spectrum Brands conducted its annual impairment testing of goodwill and indefinite-lived

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intangible assets. As a result of these analyses Spectrum Brands recorded non-cash pretax impairment charges of approximately \$433 million, \$362 million, \$861 million and \$34 million in the fiscal years ended September 30, 2006, 2007 and 2008 and the eleven month period ended August 30, 2009, respectively. See Note 3, Significant Accounting Policies and Practices – Intangible Assets, of Notes to Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for further details on these impairment charges.

- (2) Loss from discontinued operations, net of tax, during the fiscal year ended September 30, 2007 includes a non-cash pretax impairment charge of approximately \$45 million to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, relating to the Canadian Division of the Home and Garden Business in order to reflect the estimated fair value of this business. Loss from discontinued operations, net of tax, during the fiscal year ended September 30, 2008, includes a non-cash pretax impairment charge of approximately \$8 million to reduce the carrying value of intangible assets relating to the growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. See Note 6, Assets Held for Sale, and Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for information relating to these impairment charges.
- (3) Income tax benefit of \$29.4 million for the fiscal year ended September 30, 2006, includes a non-cash charge of approximately \$29.3 million which increased the valuation allowance against certain net deferred tax assets. Income tax expense of \$55.8 million for the fiscal year ended September 30, 2007, includes a non-cash charge of approximately \$180.1 million which increased the valuation allowance against certain net deferred tax assets. Income tax benefit of \$9.5 million for the fiscal year ended September 30, 2008, includes a non-cash charge of approximately \$222.0 million which increased the valuation allowance against certain net deferred tax assets. The eleven month period ended August 30, 2009 income tax expense includes a non-cash adjustment of approximately \$52 million which reduced the valuation allowance against certain deferred tax assets. The eleven month Predecessor Company period includes a non-cash charge of \$104 million related to the tax effects of the fresh start adjustments. In addition, Predecessor Company includes the tax effect on the gain on the cancellation of debt from the extinguishment of the senior subordinated notes as well as the modification of the senior term credit facility resulting in approximately \$124.0 million reduction in the U.S. net deferred tax asset exclusive of indefinite lived intangibles. Due to Spectrum Brands' full valuation allowance position as of August 30, 2009 on the U.S. net deferred tax asset exclusive of indefinite lived intangibles, the tax effect of the gain on the cancellation of debt and the modification of the old senior term credit facility is offset by a corresponding adjustment to the valuation allowance of \$124.0 million. The tax effect of the fresh-start reporting adjustments, the gain on the cancellation of debt and the modification of the old senior term credit facility, net of corresponding adjustments to the valuation allowance, are netted against reorganization items discussed further in Note 6 below. Included in the one month period for the Successor Company is a non-cash tax charge of \$58.0 million related to the residual U.S. and foreign taxes on approximately \$166.0 million of actual and deemed distributions of foreign earnings.
- (4) See Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for a further discussion.
- (5) Fiscal year ended September 30, 2006, includes a \$7.9 million net gain on the sale of the Bridgeport, CT manufacturing facility, acquired as part of the Remington Products Company, L.L.C. (Remington Products) acquisition and subsequently closed in its fiscal year ended September 30, 2004, and the Madison, WI packaging facility, which was closed in its fiscal year ended September 30, 2003.
- (6) Reorganization items income (expense) directly relates to Spectrum Brands' voluntary reorganization under Chapter 11 of the Bankruptcy Code that commenced in February 2009 and concluded in August 2009. In addition

to administrative costs related to the reorganization it reflects during the eleven months ended August 30, 2009, a \$1,087.6 million gain from fresh-start reporting adjustments and a \$146.6 million gain on cancellation of debt. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for further details of these reorganization items.

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- (7) Each of the fiscal years ended September 30, 2006, 2007 and 2008, the eleven month period ended August 30, 2009, and the one month period ended September 30, 2009, do not assume the exercise of common stock equivalents as the impact would be anti-dilutive.
- (8) Amounts reflect the results of continuing operations only.
- (9) Working capital is defined as current assets less current liabilities.
- (10) The nine month period ended July 4, 2010, includes the results of Russell Hobbs operations since June 16, 2010. Russell Hobbs contributed \$35.8 million in Net Sales and recorded operating income of \$0.6 million for the period from June 16, 2010 through July 4, 2010, which includes \$1.5 million of acquisition and integration related charges. In addition, the nine month period ended July 4, 2010 includes \$22.5 million of Acquisition and integration related charges associated with the SB/RH Merger.
- (11) The nine month period ended July 4, 2010 includes a non-cash charge of \$82.1 million related to the write off of unamortized debt issuance costs and the write off of unamortized discounts and premiums related to the extinguishment of debt that was refinanced in conjunction with the SB/RH Merger.

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**SELECTED UNAUDITED PRO FORMA
CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION**

The table below presents summary financial data from the unaudited pro forma condensed combined consolidated statements of operations for the fiscal year ended December 31, 2009 and the six months ended June 30, 2010 and the unaudited pro forma condensed combined consolidated balance sheet as of June 30, 2010 included in this information statement. The unaudited pro forma condensed combined consolidated statements of operations are presented as if the Spectrum Brands Acquisition had occurred on January 1, 2009. The unaudited pro forma condensed combined consolidated balance sheet presents the combined financial position of HGI and SB Holdings as of June 30, 2010 assuming that the Spectrum Brands Acquisition took place on that date.

The selected unaudited pro forma condensed combined consolidated financial data is based on estimates and assumptions, which are preliminary. This data is presented for informational purposes only and is not intended to represent or be indicative of our consolidated results of operations or financial position that would have been reported had the combination been completed as of the indicated dates, and should not be taken as representative of our future results of operations or financial position. This information should be read in conjunction with the unaudited pro forma condensed combined consolidated financial statements and related notes and the historical financial statements and related notes of HGI, SB Holdings and Russell Hobbs included in elsewhere in this information statement. The selected unaudited pro forma condensed combined financial information is presented for comparative purposes only and does not necessarily indicate what the future operating results or financial position of HGI will be following consummation of the Spectrum Brands Acquisition. The selected unaudited pro forma condensed combined financial information does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the SB/RH Merger or any future business combination related restructuring or integration expenses.

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(In thousands, except per share data)	As of and for the Six Months Ended June 30, 2010 (Unaudited)	For the Fiscal Year Ended December 31, 2009
Income Statement		
Net sales	\$ 1,556,729	\$ 3,009,911
Cost of goods sold and restructuring and related charges	975,452	1,967,724
Gross profit	581,277	1,042,187
Total operating expenses	423,737	866,142
Interest expense	89,418	178,796
Other expense, net	14,780	5,237
Income from continuing operations before reorganization items and income taxes	53,342	(7,988)
Reorganization income, net		
Income tax expense	29,324	91,826
(Loss) income from continuing operations	24,018	(99,814)
Less: Net income attributable to noncontrolling interest	13,764	(43,729)
(Loss) income from continuing operations attributable to controlling interest:	\$ 10,254	\$ (56,085)
(Loss) income from continuing operations attributable to controlling interest per share:		
Basic	\$ 0.07	\$ (0.40)
Diluted	\$ 0.07	\$ (0.40)
Number of shares:		
Basic	139,195	139,190
Diluted	139,195	139,190
Balance Sheet		
Total assets	\$ 3,914,664	
Total liabilities	\$ 2,707,513	
Total stockholders' equity	\$ 720,709	
Net book value per share outstanding	\$ 5.18	

Table of Contents**COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE INFORMATION**

The following table presents (a) historical income (loss) per share data and net book value per share data for each of HGI and SB Holdings and (b) the unaudited income (loss) per share and net book value per share data for the combined company on a pro forma basis. The pro forma per share data gives effect to the combination on the terms described in Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Information presented elsewhere in this information statement. The selected unaudited pro forma financial data is presented for informational purposes only and is not intended to represent or necessarily be indicative of the financial position had the combination been completed on June 30, 2010 or operating results that would have been achieved by us had the combination been completed as of the beginning of the periods presented, and should not be construed as representative of future financial position or operating results. The pro forma combined per common share data presented below have been obtained or derived from unaudited pro forma condensed combined consolidated financial statements included elsewhere in this information statement.

Our income (loss) per share for the six months ended June 30, 2010 and our net book value per share as of June 30, 2010 have been obtained or derived from our unaudited consolidated financial statements. Our income (loss) per share for the year ended December 31, 2009 has been obtained from our consolidated financial statements. SB Holdings income (loss) per share for the nine months ended July 4, 2010 and SB Holdings net book value per share as of July 4, 2010 have been obtained or derived from SB Holdings unaudited consolidated financial statements. SB Holdings income (loss) per share for the year ended September 30, 2009 has been obtained from SB Holdings consolidated financial statements. This information is only a summary and should be read in conjunction with the selected historical financial data of HGI and SB Holdings, the unaudited pro forma condensed combined consolidated financial statements and the related notes, the separate historical financial statements related notes that are included elsewhere in this information statement.

HGI

	As of or for the Six Months Ended June 30, 2010	Year Ended December 31, 2009
Historical per common share data		
Income (loss) per share	\$ (0.30)	\$ (0.69)
Net book value per share(1)	\$ 7.28	

SB Holdings and Spectrum Brands

	As of or for the Nine Months Ended July 4, 2010	One Month Ended September 30, 2009	Eleven Months Ended August 30, 2009
Historical per common share data			
	\$ (5.20)	\$ (2.37)	21.45

Income (loss) per share from continuing operations

Net book value per share(1) \$ 20.91

Pro Forma Combined

	As of or for the Six Months Ended June 30, 2010	Year Ended December 31, 2009
Pro forma per common share data		
Income (loss) per share	\$ 0.07	\$ (0.40)
Net book value per share(2)	\$ 5.18	

- (1) The historical net book value per share of HGI and SB Holdings is computed by dividing stockholders' equity at June 30, 2010 and July 4, 2010, respectively, by the number of shares of common stock outstanding at that date.
- (2) The pro forma net book value per share of the combined company's common stock is computed by dividing the total stockholders' equity by the pro forma number of shares of common stock outstanding at June 30, 2010, assuming the combination had been completed on that date.

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RISK FACTORS

In addition to the other information included in or attached to this information statement, including the matters addressed in the Cautionary Statement Regarding Forward-Looking Statements, you should carefully consider the following risks as part of your review of this information statement. In addition, you should read and consider the risks associated with the businesses of HGI and Spectrum Brands. You should also read and consider the other information included in and attached to this information statement. Please see also Where You Can Find More Information. Any of the following factors could materially and adversely affect our or Spectrum Brands business, financial condition and results of operations and the risks described below are not the only risks that we and Spectrum Brands may face. Additional risks and uncertainties not presently known to us or Spectrum Brands or that are not currently believed to be important also may adversely affect us and Spectrum Brands following the Spectrum Brands Acquisition.

Risks Related to HGI

We may not be successful in identifying any additional suitable acquisition opportunities and future acquisitions could involve various unknown risks that might adversely affect our financial condition and the value of our common stock.

There is no assurance that we will be successful in identifying or consummating any additional suitable acquisitions and, if we do complete another acquisition or business combination, there is no assurance that it will be successful in enhancing our business or our financial condition. We face significant competition for acquisition opportunities, which may inhibit our ability to complete suitable transactions or increase the cost we must pay. The Spectrum Brands Acquisition and other acquisitions could divert a substantial amount of our management time and may be difficult for us to integrate. We may issue additional shares of common stock or other securities in connection with one or more acquisitions which may dilute the interest of our existing stockholders.

Depending upon the size and number of any acquisitions or business combinations, we may also borrow money to fund acquisitions or business combinations or to fund operations of our business. In that event, we would be subject to the risks normally associated with indebtedness, including the inability to service the debt or the dedication of a significant amount of cash flow to service the debt, limits on our ability to secure future financing and the imposition of various covenants, including restrictions on our operations.

Any future acquisitions may result in a significant change in the composition of our assets and liabilities and, if unsuccessful, could reduce the value of our common stock. We expect to become a diversified holding company with interests in a variety of industries and market sectors. Our financial condition, results of operations and the value of our common stock will be subject to the specific risks applicable to any company in which we invest.

Volatility in global credit markets may impact our ability to obtain financing to fund acquisitions.

Our ability to consummate an acquisition may be largely dependent on our ability to obtain debt or equity financing. The current global economic and financial market conditions, including severe disruptions in the credit markets and the potential for a significant and prolonged global economic recession, may impact our ability to raise equity capital or to obtain sufficient credit to finance an acquisition until the conditions become more favorable.

In addition to the Spectrum Brands Acquisition, we may make other significant investments in publicly traded companies. Changes in the market prices of the securities we own, particularly during times of volatility in security

prices, can have a material impact on an investor's perception of the aggregate value of our company portfolio and equity and could adversely affect the trading price of our common stock.

In addition to the Spectrum Brands Acquisition, we may make other significant investments in publicly traded companies. We will either consolidate our investments and subsidiaries or report such investments under the equity method of accounting. Changes in the market prices of the publicly traded securities of these

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entities could have a material impact on an investor's perception of the aggregate value of our company portfolio and equity and could adversely affect the trading price of our common stock. Global securities markets have been highly volatile, and continued volatility may have an adverse effect on the trading price of our common stock.

Our ability to dispose of equity interests we acquire may be limited by restrictive stockholder agreements and by the federal securities laws.

When we acquire less than 100% of a company, our investment may be illiquid and we may be subject to restrictive terms of agreements with other equityholders. Our investment in SB Holdings will be subject to a stockholder agreement that may adversely affect our flexibility in managing our investment in SB Holdings. The SB Holdings Contributed Shares will not be registered under the Securities Act and are, and any other securities we acquire may be, restricted securities under the Securities Act and our ability to sell such securities could be limited to sales pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those securities, (ii) Rule 144 under the Securities Act, which requires a specified holding period and limits the manner and volume of sales, or (iii) another applicable exemption under the Securities Act.

The Harbinger Parties hold a majority of our outstanding common stock and have interests which may conflict with interests of other stockholders. As a result of this ownership, we are a controlled company within the meaning of the NYSE rules and are exempt from certain corporate governance requirements.

The Harbinger Parties beneficially own shares of our outstanding common stock that collectively constitute more than 50% of our total voting power and, because of this, exercise a controlling influence over our business and affairs and have the power to determine all matters submitted to a vote of our stockholders, including the election of directors, the removal of directors, and approval of significant corporate transactions such as amendments to our amended and restated certificate of incorporation, mergers and the sale of all or substantially all of our assets. This concentration of voting power could have the effect of deterring or preventing a change in control of our company that might otherwise be beneficial to our stockholders. Moreover, a majority of the members of our board of directors were nominated by and are affiliated with or employed by the Harbinger Parties or their affiliates. The Harbinger Parties could cause corporate actions to be taken even if the interests of these entities conflict with or are not aligned with the interests or plans of our other stockholders.

Because of our ownership structure, described above, we are deemed a controlled company under the rules of the NYSE. As a result, we qualify for, and rely upon, the controlled company exception to the board of directors and committee composition requirements under the rules of the NYSE. Pursuant to this exception, we are exempt from rules that would otherwise require that our board of directors be comprised of a majority of independent directors (as defined under the rules of the NYSE), and that any compensation committee and corporate governance and nominating committee be comprised solely of independent directors, so long as the Harbinger Parties continue to own more than 50% of our combined voting power.

We are dependent on certain key personnel.

We are dependent upon the skills, experience and efforts of Philip A. Falcone, Peter A. Jenson and Francis T. McCarron, our Chairman of the Board, President and Chief Executive Officer, our Chief Operating Officer and our Executive Vice President and Chief Financial Officer, respectively. Mr. Falcone is the Chief Executive Officer and Chief Investment Officer of Harbinger and has significant influence over the acquisition opportunities HGI reviews. Mr. Falcone may be deemed to be an indirect beneficial owner of the shares of our common stock owned by the Harbinger Parties. Accordingly, Mr. Falcone may exert significant influence over all matters requiring approval by our stockholders, including the election or removal of directors and stockholder approval of acquisitions or other business combination transactions. Mr. Jenson is the Chief Operating Officer of Harbinger and of HGI. Mr. McCarron

currently is our only full-time executive officer and he will be responsible for integrating our operations with SB Holdings and any other businesses we acquire.

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The loss of Mr. Falcone, Mr. Jenson or Mr. McCarron or other key personnel could have a material adverse effect on our business or operating results.

Future acquisitions and dispositions may not require a stockholder vote and may be material to us.

Any future acquisitions could be material in size and scope, and our stockholders and potential investors may have virtually no substantive information about any new business upon which to base a decision whether to invest in our common stock. In any event, depending upon the size and structure of any acquisitions, stockholders may not have the opportunity to vote on the transaction, and may not have access to any information about any new business until the transaction is completed and we file a report with the SEC disclosing the nature of such transaction and/or business. Even if a stockholder vote is required for any of our future acquisitions, under our amended and restated certificate of incorporation and our bylaws, the Harbinger Parties, as long as they continue to own a majority of our outstanding common stock, may approve such transaction by written consent without our other stockholders having an opportunity to vote on such transaction.

Any potential business combination, acquisition or merger with a foreign company or a company with significant foreign operations, such as SB Holdings, may subject us to additional risks.

If we enter into a business combination with a foreign company, acquire a foreign business or a company with significant foreign operations, such as SB Holdings, we will be subject to risks inherent in business operations outside of the United States. These risks include, for example, currency fluctuations, regulatory problems, punitive tariffs, unstable local tax policies, trade embargoes, risks related to shipment of raw materials and finished goods across national borders, restrictions on the movement of funds across national borders and cultural and language differences. For risks that SB Holdings currently faces and we may face after the Spectrum Brands Acquisition, see Risks Related to Spectrum Brands Risks Related to Spectrum Brands Business , below.

We will need to increase the size of our organization, and may experience difficulties in managing growth.

We do not have significant operating assets at this time and have only 8 employees as of August 30, 2010. If we complete the Spectrum Brands Acquisition and/or proceed with other business combinations or acquisitions, we expect to require additional personnel and enhanced information technology systems. Future growth will impose significant added responsibilities on members of our management, including the need to identify, recruit, maintain and integrate additional employees and implement enhanced informational technology systems. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively.

As a holding company our only material assets will be our equity interests in our operating subsidiaries, and our principal source of revenue and cash flow will be distributions from our subsidiaries.

As a holding company our only material assets will be our equity interests in our operating subsidiaries, and our principal source of revenue and cash flow will be distributions from our subsidiaries. Thus our ability to finance acquisitions and pay dividends to our stockholders in the future will be dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to us. Our subsidiaries will be separate legal entities, and although they may be wholly-owned or controlled by us, they will have no obligation to make any funds available to us, whether in the form of loans, dividends or otherwise. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that are contained in our subsidiaries financing agreements, availability of sufficient funds in such subsidiaries and applicable state laws. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other

payments to us could be limited in any way, this could materially limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business.

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We may suffer adverse consequences if we are deemed an investment company under the Investment Company Act and we may be required to incur significant costs to avoid investment company status and our activities may be restricted.

Since the December 2006 sale of our interest in the common stock of Omega Protein Corporation, we have held substantially all of our assets in cash, cash equivalents and investments in U.S. Government Agency and Treasury securities, and have held no investment securities. In addition, we have not held, and do not hold, ourselves out as an investment company. We have been conducting a good faith search for a merger or acquisition candidate, and have repeatedly and publicly disclosed our intention to acquire a business. However, as of the date of this report, due to a variety of factors, we have been unable to consummate such a transaction. We believe that we are not an investment company under the Investment Company Act. The Investment Company Act contains substantive legal requirements that regulate the manner in which investment companies are permitted to conduct their business activities. If the SEC or a court were to disagree with us, we could be required to register as an investment company. This would negatively affect our ability to consummate an acquisition of an operating company, subjecting us to disclosure and accounting guidance geared toward investment, rather than operating, companies; limiting our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and requiring us to undertake significant costs and expenses to meet the disclosure and regulatory requirements to which we would be subject as a registered investment company.

In order not to be regulated as an investment company under the Investment Company Act, unless we can qualify for an exemption, we must ensure that we are engaged primarily in a business other than investing, reinvesting, owning, holding or trading in securities (as defined in the Investment Company Act) and that we do not own or acquire investment securities having a value exceeding 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Rule 3a-1 of the Investment Company Act provides an exemption from registration as an investment company if a company meets both an asset and an income test and is not otherwise primarily engaged in an investment company business by, among other things, holding itself out to the public as such or by taking controlling interests in companies with a view to realizing profits through subsequent sales of these interests. A company satisfies the asset test of Rule 3a-1 if it has no more than 45% of the value of its total assets (adjusted to exclude U.S. Government securities and cash) in the form of securities other than interests in majority-owned subsidiaries and companies which it primarily and actively controls. A company satisfies the income test of Rule 3a-1 if it has derived no more than 45% of its net income for its last four fiscal quarters combined from securities other than interests in majority owned subsidiaries and primarily controlled companies.

We may be subject to an additional tax as a personal holding company on future undistributed personal holding company income if we generate passive income in excess of operating expenses.

Section 541 of the Code, subjects a corporation which is a personal holding company, as defined in the Code, to a 15% tax on undistributed personal holding company income in addition to the corporation's normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a reduction for Federal income taxes. Personal holding company income is comprised primarily of passive investment income plus, under certain circumstances, personal service income. A corporation generally is considered to be a personal holding company (PHC) if (1) 60% or more of its adjusted ordinary gross income is personal holding company income and (2) more than 50% in value of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals, as calculated under the applicable tax rule at any time during the last half of the taxable year.

Subsequent to the change in control of our company in the third quarter of 2009 in connection with the acquisition of approximately 51.6% of our company by the Harbinger Parties, we did not incur a PHC tax in the fourth quarter of 2009 or the 2009 fiscal year as we had a net operating loss for the year ended December 31, 2009. We also had a net

operating loss for the six-month period ended June 30, 2010. If it is determined that five or fewer individuals hold more than 50% in value of our outstanding common stock during the second half of 2010 or future tax years, it is possible that we could have at least 60% of adjusted ordinary gross income consist of PHC income as discussed above. Thus, there can be no assurance that we

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will not be subject to this tax in the future, which, in turn, may materially and adversely impact our financial position, results of operations and cash flows. In addition, if we are subject to this tax during future periods, statutory tax rate increases could significantly increase tax expense and adversely affect operating results and cash flows. Specifically, the current 15% tax rate on undistributed PHC income is scheduled to expire as of December 31, 2010, after which the rate will revert back to the highest individual ordinary income rate of 39.6%.

Agreements and transactions involving former subsidiaries may give rise to future claims that could materially adversely impact our capital resources.

Throughout our history, we have entered into numerous transactions relating to the sale, disposal or spin-off of partially and wholly owned subsidiaries. We may have continuing obligations pursuant to certain of these transactions, including obligations to indemnify other parties to agreements, and may be subject to risks resulting from these transactions. For example, in 2005, we were notified by Weatherford International Inc. of a claim for reimbursement in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by one of our non-operating subsidiaries. The claim was made under an indemnification provision given by us to Weatherford in a 1995 asset purchase agreement. There can be no assurance that we will not incur costs and expenses in excess of our reserves in connection with any continuing obligation.

From time to time we may be subject to litigation for which we may be unable to accurately assess our level of exposure and which, if adversely determined, may have a material adverse effect on our consolidated financial condition or results of operations.

We and our subsidiaries may become parties to legal proceedings that are considered to be either ordinary, routine litigation incidental to our or their business or not material to our consolidated financial position or liquidity. There can be no assurance that we will prevail in any litigation in which we or our subsidiaries may become involved, or that our or their insurance coverage will be adequate to cover any potential losses. To the extent that we or our subsidiaries sustain losses from any pending litigation which are not reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be adversely affected.

Our organizational documents contain provisions which may discourage the takeover of our company, may make removal of our management more difficult and may depress our stock price.

Our organizational documents contain provisions that may have an anti-takeover effect and inhibit a change in our management. They could also have the effect of discouraging others from making tender offers for our common stock. As a result, these provisions could prevent our stockholders from receiving a premium for their shares of common stock above the prevailing market prices. These provisions include:

the authority of our board of directors to issue, without stockholder approval, up to 1,000,000 shares of our preferred stock with such terms as our board of directors may determine;

special meetings of our stockholders may be called only by the Chairman of our board of directors or by our Secretary upon delivery of a written request executed by three directors (or, if there are fewer than three directors in office at that time, by all incumbent directors);

a staggered board of directors as a result of which only one of the three classes of directors is elected each year;

advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings,

the absence of cumulative voting rights; and

subject to any special rights of the holders of any class or series of our stock to elect directors, removal of incumbent directors only for cause.

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In addition, our amended and restated certificate of incorporation contains provisions that restrict mergers and other business combinations with an Interested Stockholder (as defined) or that may otherwise have the effect of preventing or delaying a change of control of our company. The term Interested Stockholder excludes Harbinger Holdings LLC and any affiliates, including any entity controlled or managed, directly or indirectly, by Philip A. Falcone.

Limitations on liability and indemnification matters.

As permitted by the DGCL, we have included in our amended and restated certificate of incorporation a provision to eliminate the personal liability of our directors for monetary damages for breach or alleged breach of their fiduciary duties as directors, subject to certain exceptions. Our bylaws also provide that we are required to indemnify our directors under certain circumstances, including those circumstances in which indemnification would otherwise be discretionary, and we will be required to advance expenses to our directors as incurred in connection with proceedings against them for which they may be indemnified. In addition, we, by action of our board of directors, may provide indemnification and advance expenses to our officers, employees and agents (other than directors), to directors, officers, employees or agents of a subsidiary of our company, and to each person serving as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, at our request, with the same scope and effect as the indemnification of our directors provided in our bylaws.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we may acquire in the future. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial reporting processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the market price of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the SEC, or other regulatory authorities, which could also result in a decrease in the market price of our common stock.

Our Quarterly Report on Form 10-Q/A for the period ended September 30, 2009 stated that we did not maintain effective controls over the application and monitoring of our accounting for income taxes. Specifically, we did not have controls designed and in place to ensure the accuracy and completeness of financial information provided by third party tax advisors used in accounting for income taxes and the determination of deferred income tax assets and the related income tax provision and the review and evaluation of the application of generally accepted accounting principles relating to accounting for income taxes. This control deficiency resulted in the restatement of our unaudited condensed consolidated financial statements for the quarter ended September 30, 2009. Accordingly, we determined that this control deficiency constituted a material weakness as of September 30, 2009. As of the period ended December 31, 2009, we concluded that our ongoing remediation efforts resulted in control enhancements which had operated for an adequate period of time to demonstrate operating effectiveness. Although we believe that this material weakness has been remediated, there can be no assurance that similar weaknesses will not occur in the future which could adversely affect our future results of operations or our stock price.

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We do not currently meet the NYSE continued listing requirements. Accordingly, there is the potential that our common stock will be delisted in the future, which could have an adverse impact on the liquidity and market price of our common stock.

Our common stock currently is listed on the NYSE under the symbol **HRG**. Under the continued listing standards of the NYSE Listed Company Manual, which are qualitative as well as quantitative, the NYSE may in its sole discretion commence delisting proceedings against a listed company if its assets are substantially reduced or the company has ceased to be an operating company or discontinued a substantial portion of its operations or business. On August 3, 2010, we received notification from the NYSE that we are not in compliance with the NYSE's listing requirements because we currently have no primary operations and substantially all of our assets are held in cash, cash equivalents and U.S. government securities. As permitted by the NYSE procedures, on August 3, 2010 we submitted our Plan to the NYSE to formalize our initiatives and objectives in achieving a return to compliance no later than May 12, 2011, the last date of the period granted by the NYSE to cure our non-compliance. Our Plan has been accepted by the NYSE, and we will be subject to ongoing monitoring to ensure our sustained progress with respect to Plan goals. Our common stock will continue to be listed and traded on the NYSE, subject to our compliance with our Plan and other NYSE continued listing standards. If we are not in compliance with the continued listing standards by May 12, 2011, or if we do not make progress toward achieving compliance consistent with our Plan during this period, the NYSE will initiate delisting proceedings.

If our shares of common stock are delisted from the NYSE and we are unable to list our shares of common stock on another U.S. national securities exchange this could, among other things, (i) reduce liquidity and market price of our common stock, (ii) reduce the number of investors willing to hold or acquire our common stock and (iii) negatively impact our ability to use our capital stock as consideration in an acquisition and to raise equity financing.

The market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock.

The average daily trading volume in our stock during the twelve month period ended December 31, 2009 and the six months ended June 30, 2010 was approximately 14,000 and 17,000 shares, respectively. Although a more active trading market may develop in the future, there can be no assurance as to the liquidity of any markets that may develop for our common stock or the prices at which holders may be able to sell our common stock and the limited market liquidity for our stock could affect a stockholder's ability to sell at a price satisfactory to that stockholder. Additionally, the trading market for shares of our common stock will consist of a decreased percentage of our total capitalization following the Spectrum Brands Acquisition, and the future trading and pricing of our common stock may be further limited.

We may issue additional common shares or preferred shares to complete our business combinations or as consideration of an acquisition of an operating business or other acquisition or under an employee incentive plan after consummation of a business combination or acquisition, which would dilute the interests of our stockholders and could present other risks.

Our amended and restated certificate of incorporation authorizes the issuance of up to 500,000,000 shares of common stock and 1,000,000 shares of preferred stock. After we consummate the Spectrum Brands Acquisition, we will have more than 360,000,000 authorized but unissued shares of our common stock available for issuance. We may issue a substantial number of additional shares of common or preferred stock to complete a business combination or acquisition or under an employee incentive plan after consummation of a business combination or acquisition. The issuance of additional shares of common or preferred stock:

may significantly dilute the equity interest of our stockholders;

may subordinate the rights of holders of our common stock if preferred stock is issued with rights senior to those afforded our common stock;

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could cause a change in control of our company if a substantial number of shares of our common stock is issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any; and

may adversely affect prevailing market prices for our common stock.

We may issue notes or other debt securities, or otherwise incur substantial debt, which may adversely affect our leverage and financial condition.

Although we have no commitments as of the date of this information statement to issue any notes or other debt securities, or to otherwise incur debt, we may choose to incur substantial debt to complete a business combination or acquisition or otherwise. The incurrence of debt could result in:

default and foreclosure on our assets if our operating revenues after a business combination or acquisition are insufficient to repay our debt obligations;

acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;

our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;

our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;

our inability to pay dividends on our common stock;

using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, expenses, capital expenditures, acquisitions and other general corporate purposes;

limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and

limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.

Price fluctuations in our common stock could result from general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly held subsidiaries.

The trading price of our common stock may be highly volatile and could be subject to fluctuations in response to a number of factors beyond our control, including:

actual or anticipated fluctuations in our results of operations and, after we complete the Spectrum Brands Acquisition or other acquisitions or investments, the performance of our subsidiaries and their competitors;

reaction of the market to our announcement of any future acquisitions or investments;

the public's reaction to our press releases, our other public announcements and our filings with the SEC;

changes in general economic conditions;

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actions of our historical equity investors, including sales of common stock by our principal stockholders, our directors and our executive officers; and

actions by institutional investors trading in our stock.

In addition, the trading price of our common stock could be subject to fluctuations in response to a number of factors that affect the volatility of the common stock of any of our subsidiaries, such as SB Holdings, that are publicly traded. See **Risks Related to Spectrum Brands** **Risks Related to SB Holdings Common Stock** , below.

Future sales of substantial amounts of our common stock may adversely affect our market price.

Shares of our common stock held by the Harbinger Parties, including those to be acquired by them under the Exchange Agreement, will be restricted securities under the Securities Act and held by them as our affiliates, as that term is defined in the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. However, in connection with the Spectrum Brands Acquisition, we have granted registration rights to the Harbinger Parties under the HGI Registration Rights Agreement to facilitate the resale of their shares of our common stock. Under the HGI Registration Rights Agreement, the Harbinger Parties will have the right, subject to certain conditions, to require us to register the sale of these shares under the federal securities laws. By exercising their registration rights, and selling all or a large number of their shares, the Harbinger Parties could cause the prevailing market price of our common stock to decline. In addition, the shares of our common stock owned by the Harbinger Parties, including those to be acquired by them under the Exchange Agreement, may also be sold in the public market under Rule 144 of the Securities Act after the applicable holding period and manner and volume of sales requirements have been met, subject to the restrictions and limitations of that Rule. The holding period requirement has been met for the shares owned by the Harbinger Parties as of August 30, 2010. For a detailed discussion of the HGI Registration Rights Agreement, see **Ancillary Agreements Entered into in Connection with the Spectrum Brands Acquisition** **HGI Registration Rights Agreement**.

Future sales of substantial amounts of our common stock into the public market, or perceptions in the market that such sales could occur, may adversely affect the prevailing market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

Because we do not intend to pay any cash dividends on our common stock in the near term, capital appreciation, if any, of our common stock will be your sole source of potential gain for the foreseeable future.

We do not intend to pay cash dividends on our common stock in the near term. We currently intend to retain all available funds and any future earnings for use as consideration for an acquisition of an operating business or other acquisition or in the operation and expansion of our future businesses and do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of any future financing agreements may preclude us from paying any dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of potential gain for the foreseeable future.

Risks Related to the Spectrum Brands Acquisition

The issuance of our common stock to the Harbinger Parties under the Exchange Agreement will substantially dilute the percentage ownership interests of our current stockholders (other than the Harbinger Parties) and will give the Harbinger Parties the ability to effect a short-form merger and assume control of 100% of the outstanding shares of our common stock.

If the Spectrum Brands Acquisition is consummated, we will issue to the Harbinger Parties 119,909,830 shares of our common stock and the Harbinger Parties will own approximately 93.3% of our outstanding common stock. The issuance of our common stock to the Harbinger Parties will cause a significant reduction in the relative percentage interest of our current stockholders (other than the Harbinger Parties) in our earnings, if any, and voting power.

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If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the closing of the Spectrum Brands Acquisition they will own, in the aggregate, approximately 94.4% of our outstanding common stock.

In addition, upon the consummation of the Spectrum Brands Acquisition and subject to the provisions of our organizational documents, the Harbinger Parties will be able to effect a short-form merger and assume control of 100% of the outstanding shares of our common stock.

The exchange ratio is fixed and will not be adjusted in the event of any change in the price of either our common stock or SB Holdings common stock.

The aggregate number of shares of our common stock to be issued to the Harbinger Parties at Closing is fixed in the Exchange Agreement at 4.32 shares of our common stock for each SB Holdings Share. The exchange ratio will not be adjusted for changes in the market price of either our common stock or SB Holdings common stock. Although the prices of our common stock and SB Holdings common stock on the date the Exchange Agreement was executed, the date of this information statement and the Closing Date of the Spectrum Brands Acquisition are likely to vary from the respective volume weighted average prices used to fix the exchange ratio, the comparative values of our company and SB Holdings represented by the exchange ratio will not vary.

If the benefits of the Spectrum Brands Acquisition do not meet the expectations of the marketplace, investors, financial analysts or industry analysts, the market price of our common stock may decline.

The market price of our common stock may decline as a result of the Spectrum Brands Acquisition if SB Holdings or its subsidiaries does not perform as expected or if we do not otherwise achieve the perceived benefit of the Spectrum Brands Acquisition to the extent anticipated by the marketplace, investors, financial analysts or industry analysts. Accordingly, investors may experience a loss as a result of a decreasing stock price, and we may not be able to raise future capital, if necessary, in the equity markets.

We have incurred and expect to continue to incur substantial costs associated with the pending Spectrum Brands Acquisition, whether or not the Spectrum Brands Acquisition is completed, which will reduce the amount of cash otherwise available for other corporate purposes, and our financial results and the market price of our common stock may be adversely affected.

We have incurred and expect to continue to incur substantial costs in connection with the pending Spectrum Brands Acquisition and other acquisition opportunities we have and are evaluating, whether or not we complete any acquisition. These costs will reduce the amount of cash otherwise available to us for acquisitions and investments and other corporate purposes. There is no assurance that the actual costs will not exceed our estimates. We may incur additional material charges reflecting additional costs associated with the Spectrum Brands Acquisition in fiscal quarters subsequent to the quarter in which the Spectrum Brands Acquisition is consummated.

In addition, we have diverted significant management resources in an effort to complete the Spectrum Brands Acquisition. If the Spectrum Brands Acquisition is not completed, we will receive little or no benefit from these costs. Moreover, if the Spectrum Brands Acquisition is not completed, we may experience negative reactions from the financial markets. Each of these factors may adversely affect the market price of our common stock and our financial results.

The pro forma financial statements presented are not necessarily indicative of our financial condition or results of operations following the Spectrum Brands Acquisition.

The pro forma financial statements contained in this information statement are presented for illustrative purposes only and may not be indicative of our financial condition or results of operations following the Spectrum Brands Acquisition. The pro forma financial statements have been derived from the historical financial statements of our company, Spectrum Brands and Russell Hobbs, and many adjustments and assumptions have been made regarding Spectrum Brands (giving effect to the Russell Hobbs transaction) and

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our company after giving effect to the Spectrum Brands Acquisition. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by us in connection with the Spectrum Brands Acquisition and by Spectrum Brands as a result of the SB/RH Merger. For example, the impact of any incremental costs incurred in integrating Spectrum Brands and Russell Hobbs and integrating our financial reporting requirements with the Spectrum Brands books and records is not reflected in the pro forma financial statements. As a result, the actual financial condition and results of operations of our company following the Spectrum Brands Acquisition may not be consistent with, or evident from, these pro forma financial statements.

The assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the Spectrum Brands Acquisition. Any potential decline in our financial condition or results of operations could cause the market price of our common stock to decline.

There can be no assurance that we have identified every matter that could have a material adverse effect on SB Holdings or its subsidiaries.

Although we have conducted business, financial and legal due diligence in connection with the Spectrum Brands Acquisition, there can be no assurance that due diligence has identified every matter that could have a material adverse effect on SB Holdings or its subsidiaries. Accordingly, there may be matters involving either SB Holdings or its subsidiaries and their respective operations that were not identified during our due diligence. Any of these issues could materially and adversely affect our financial condition after giving effect to the Spectrum Brands Acquisition.

The completion of the Spectrum Brands Acquisition is subject to the satisfaction or waiver of conditions.

The Spectrum Brands Acquisition is subject to the satisfaction or waiver of a number of closing conditions set forth in the Exchange Agreement. If these conditions are not satisfied or waived, the Spectrum Brands Acquisition will not be completed. Also, even if all of these conditions are satisfied, the Spectrum Brands Acquisition may not be completed, as we and the Harbinger Parties each have the right to terminate the Exchange Agreement under certain circumstances specified in the Exchange Agreement and described in greater detail in the section entitled The Exchange Agreement Termination .

Risks Related to Spectrum Brands

Risks Related to the SB/RH Merger

Significant costs have been incurred in connection with the consummation of the SB/RH Merger and are expected to be incurred in connection with the integration of Spectrum Brands and Russell Hobbs into a combined company, including legal, accounting, financial advisory and other costs.

Spectrum Brands expects to incur one-time costs of approximately \$23 million in connection with integrating the operations, products and personnel of Spectrum Brands and Russell Hobbs into a combined company, in addition to costs related directly to completing the SB/RH Merger described below. These costs may include costs for:

employee redeployment, relocation or severance;

integration of information systems;

combination of research and development teams and processes; and

reorganization or closures of facilities.

In addition, Spectrum Brands expects to incur a number of non-recurring costs associated with combining its operations with those of Russell Hobbs, which cannot be estimated accurately at this time. Spectrum Brands expects to incur approximately \$85 million of transaction fees and other costs related to the SB/RH

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Merger. Additional unanticipated costs may yet be incurred as Spectrum Brands integrates its business with that of Russell Hobbs. Although Spectrum Brands expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of its operations with those of Russell Hobbs, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that Spectrum Brands will be successful in its integration efforts. In addition, while Spectrum Brands expects to benefit from leveraging distribution channels and brand names across both companies, it cannot assure you that it will achieve such benefits.

Spectrum Brands may not realize the anticipated benefits of the SB/RH Merger.

The SB/RH Merger involved the integration of two companies that previously operated independently. The integration of Spectrum Brands' operations with those of Russell Hobbs is expected to result in financial and operational benefits, including increased revenues and cost savings. There can be no assurance, however, regarding when or the extent to which Spectrum Brands will be able to realize these increased revenues, cost savings or other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. Spectrum Brands must integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which are dissimilar. In some instances, Spectrum Brands and Russell Hobbs have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with integration could have a material adverse effect on Spectrum Brands' business, financial condition and operating results.

Integrating Spectrum Brands' business with that of Russell Hobbs may divert Spectrum Brands' management's attention away from operations.

Successful integration of Spectrum Brands' and Russell Hobbs' operations, products and personnel may place a significant burden on Spectrum Brands' management and other internal resources. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm Spectrum Brands' business, financial conditions and operating results.

As a result of the SB/RH Merger, Spectrum Brands may not be able to retain key personnel or recruit additional qualified personnel, which could materially affect its business and require it to incur substantial additional costs to recruit replacement personnel.

Spectrum Brands is highly dependent on the continuing efforts of its senior management team and other key personnel. As a result of the SB/RH Merger, Spectrum Brands' current and prospective employees could experience uncertainty about their future roles. This uncertainty may adversely affect Spectrum Brands' ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on Spectrum Brands' business after consummation of the SB/RH Merger. In addition, Spectrum Brands currently does not maintain key person insurance covering any member of its management team.

General customer uncertainty related to the SB/RH Merger could harm Spectrum Brands.

Spectrum Brands' customers may, in response to the consummation of the SB/RH Merger, delay or defer purchasing decisions. If Spectrum Brands' customers delay or defer purchasing decisions, its revenues could materially decline or any anticipated increases in revenue could be lower than expected.

Table of Contents**Risks Related to Spectrum Brands Emergence From Bankruptcy**

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

All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the August 28, 2009 (the Effective Date). However, in light of the proximity of that date to Spectrum Brands accounting period close immediately following the Effective Date, which was August 30, 2009, Spectrum Brands elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting. Spectrum Brands adopted fresh-start reporting in accordance with the Accounting Standards Codification Topic 852:

Reorganizations, pursuant to which Spectrum Brands reorganization value, which is intended to reflect the fair value of the entity before considering liabilities and approximate the amount a willing buyer would pay for the assets of the entity immediately after the reorganization, will be allocated to the fair value of assets in conformity with Statement of Financial Accounting Standards No. 141, Business Combinations, using the purchase method of accounting for business combinations. Spectrum Brands will state liabilities, other than deferred taxes, at a present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of identified tangible and intangible assets will be reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit will be eliminated. Thus, Spectrum Brands future statements of financial position and results of operations will not be comparable in many respects to statements of financial position and consolidated statements of operations data for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing Spectrum Brands or SB Holdings securities. Additionally, the financial information included elsewhere in this information statement may not be indicative of future financial information.

Risks Related to Spectrum Brands Business

SB Holdings is a parent company and its primary source of cash is and will be distributions from its subsidiaries.

SB Holdings is a parent company with limited business operations of its own. Its main asset is the capital stock of its subsidiaries. Spectrum Brands conducts most of its business operations through its direct and indirect subsidiaries. Accordingly, Spectrum Brands primary sources of cash are dividends and distributions with respect to its ownership interests in its subsidiaries that are derived from their earnings and cash flow. SB Holdings and Spectrum Brands subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. SB Holdings and Spectrum Brands subsidiaries payments to their respective parent will be contingent upon their earnings and upon other business considerations. In addition, Spectrum Brands \$300 million senior secured asset-based revolving credit facility due 2014, its \$750 million senior secured term facility due 2016 and the indenture governing its 9.50% senior secured notes due 2018 (collectively, the Senior Secured Facilities), the indenture governing its 12% Notes due 2019 (the 2019 Indenture) and other agreements limit or prohibit certain payments of dividends or other distributions to SB Holdings. SB Holdings expects that future credit facilities will contain similar restrictions.

Spectrum Brands substantial indebtedness may limit its financial and operating flexibility, and it may incur additional debt, which could increase the risks associated with its substantial indebtedness.

Spectrum Brands has, and expects to continue to have, a significant amount of indebtedness. As of July 4, 2010, Spectrum Brands had total indebtedness under the Senior Secured Facilities and the 2019 Indenture of approximately \$1.7 billion. Spectrum Brands substantial indebtedness has had, and could continue to have, material adverse consequences for its business, and may:

require it to dedicate a large portion of its cash flow to pay principal and interest on its indebtedness, which will reduce the availability of its cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;

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increase its vulnerability to general adverse economic and industry conditions;

limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;

restrict its ability to make strategic acquisitions, dispositions or exploiting business opportunities;

place it at a competitive disadvantage compared to its competitors that have less debt; and

limit its ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets.

Under the Senior Secured Facilities and the 2019 Indenture, Spectrum Brands may incur additional indebtedness. If new debt is added to its existing debt levels, the related risks that it now faces would increase.

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

Restrictive covenants in Spectrum Brands' senior credit facilities and indentures governing its notes may restrict its ability to pursue its business strategies.

The Senior Secured Facilities and the 2019 Indenture each restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. The Senior Secured Facilities and the 2019 Indenture also contain customary events of default. These covenants, among other things, limit Spectrum Brands' ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of its assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, the Senior Secured Facilities contain financial covenants relating to maximum leverage and minimum interest coverage. Such covenants could limit the flexibility of Spectrum Brands' restricted entities in planning for, or reacting to, changes in the industries in which they operate. Spectrum Brands' ability to comply with these covenants is subject to certain events outside of its control. If Spectrum Brands is unable to comply with these covenants, the lenders under its Senior Secured Facilities could terminate their commitments and the lenders under its Senior Secured Facilities could accelerate repayment of its outstanding borrowings, and, in either case, Spectrum Brands may be unable to obtain adequate refinancing of outstanding borrowings on favorable terms. If Spectrum Brands is unable to repay outstanding borrowings when due, the lenders under the Senior Secured Facilities will also have the right to proceed against the collateral granted to them to secure the indebtedness owed to them. If Spectrum Brands' obligations under the Senior Secured Facilities and the 2019 Indenture are accelerated, it cannot assure you that its assets would be sufficient to repay in full such indebtedness.

Spectrum Brands faces risks related to the current economic environment.

The current economic environment and related turmoil in the global financial system has had and may continue to have an impact on Spectrum Brands' business and financial condition. Global economic conditions have significantly impacted economic markets within certain sectors, with financial services and retail businesses being particularly impacted. Spectrum Brands' ability to generate revenue depends significantly on discretionary consumer spending. It is

difficult to predict new general economic conditions that could impact consumer and customer demand for Spectrum Brands products or its ability to manage normal commercial relationships with its customers, suppliers and creditors. The recent continuation of a number of negative economic factors, including constraints on the supply of credit to households, uncertainty and weakness in the labor market and general consumer fears of a continuing economic downturn could have a negative impact on discretionary consumer spending. If the economy continues to deteriorate or fails to improve, Spectrum Brands business could be negatively impacted, including as a result of reduced demand for its products or supplier or customer disruptions. Any weakness in discretionary consumer spending could have a material

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adverse effect on its revenues, results of operations and financial condition. In addition, Spectrum Brands' ability to access the capital markets may be restricted at a time when it could be necessary or beneficial to do so, which could have an impact on its flexibility to react to changing economic and business conditions.

In early 2010, concern over sovereign debt in Greece and certain other European Union countries caused significant devaluation of the Euro relative to other currencies, such as the U.S. Dollar. Destabilization of the European economy could lead to a decrease in consumer confidence, which could cause reductions in discretionary spending and demand for Spectrum Brands' products. Furthermore, sovereign debt issues could also lead to further significant, and potentially longer-term, economic issues such as reduced economic growth and devaluation of the Euro against the U.S. Dollar, any of which could adversely affect its business, financial conditions and operating results.

Spectrum Brands participates in very competitive markets and it may not be able to compete successfully, causing it to lose market share and sales.

The markets in which Spectrum Brands participates are very competitive. In the consumer battery market, its primary competitors are *Duracell* (a brand of The Procter & Gamble Company (Procter & Gamble)), *Energizer* and *Panasonic* (a brand of Matsushita Electrical Industrial Co., Ltd.). In the electric shaving and grooming and electric personal care product markets, its primary competitors are *Braun* (a brand of Procter & Gamble), *Norelco* (a brand of Koninklijke Philips Electronics NV), and *Vidal Sassoon* and *Revlon* (brands of Helen of Troy Limited). In the pet supplies market, its primary competitors are Mars Corporation, The Hartz Mountain Corporation and Central Garden & Pet Company (Central Garden & Pet). In the Home and Garden Business, its principal national competitors are The Scotts Miracle-Gro Company, Central Garden & Pet and S.C. Johnson & Son, Inc. Spectrum Brands' principal national competitors within its Small Appliances segment include Jarden Corporation, DeLonghi America, Euro-Pro Operating LLC, Metro Thebe, Inc., d/b/a HWI Breville, NACCO Industries, Inc. (*Hamilton Beach*) and SEB S.A. In each of these markets, Spectrum Brands also faces competition from numerous other companies. In addition, in a number of its product lines, Spectrum Brands competes with its retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Significant new competitors or increased competition from existing competitors may adversely affect the business, financial condition and results of its operations.

Spectrum Brands competes with its competitors for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. Spectrum Brands' ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

Spectrum Brands competes against many well-established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than Spectrum Brands.

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

Product improvements or effective advertising campaigns by competitors may weaken consumer demand for Spectrum Brands' products.

Consumer purchasing behavior may shift to distribution channels where Spectrum Brands does not have a strong presence.

Consumer preferences may change to lower margin products or products other than those Spectrum Brands markets.

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Spectrum Brands may not be successful in the introduction, marketing and manufacture of any new products or product innovations or be able to develop and introduce, in a timely manner, innovations to its existing products that satisfy customer needs or achieve market acceptance.

Some competitors may be willing to reduce prices and accept lower profit margins to compete with Spectrum Brands. As a result of this competition, Spectrum Brands could lose market share and sales, or be forced to reduce its prices to meet competition. If its product offerings are unable to compete successfully, its sales, results of operations and financial condition could be materially and adversely affected.

Spectrum Brands may not be able to realize expected benefits and synergies from future acquisitions of businesses or product lines.

Spectrum Brands may acquire partial or full ownership in businesses or may acquire rights to market and distribute particular products or lines of products. The acquisition of a business or of the rights to market specific products or use specific product names may involve a financial commitment by Spectrum Brands, either in the form of cash or equity consideration. In the case of a new license, such commitments are usually in the form of prepaid royalties and future minimum royalty payments. There is no guarantee that Spectrum Brands will acquire businesses or product distribution rights that will contribute positively to its earnings. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations, and acquired businesses may carry unexpected liabilities.

Sales of certain of Spectrum Brands' products are seasonal and may cause its quarterly operating results and working capital requirements to fluctuate.

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

Spectrum Brands is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate.

Approximately 44% of Spectrum Brands' net sales for the fiscal year ended September 30, 2009 were from customers outside of the U.S. Spectrum Brands' pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. Its international operations are subject to risks including, among others:

currency fluctuations, including, without limitation, fluctuations in the foreign exchange rate of the Euro;

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

the risk that because its brand names may not be locally recognized, Spectrum Brands must spend significant amounts of time and money to build brand recognition without certainty that it will be successful;

labor unrest;

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political and economic instability, as a result of terrorist attacks, natural disasters or otherwise;

lack of developed infrastructure;

longer payment cycles and greater difficulty in collecting accounts;

restrictions on transfers of funds;

import and export duties and quotas, as well as general transportation costs;

changes in domestic and international customs and tariffs;

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

inadequate protection of intellectual property in foreign countries;

unexpected changes in regulatory environments;

difficulty in complying with foreign law;

difficulty in obtaining distribution and support; and

adverse tax consequences.

The foregoing factors may have a material adverse effect on Spectrum Brands' ability to increase or maintain its supply of products, financial condition or results of operations.

Adverse weather conditions during its peak selling season for Spectrum Brands' home and garden control products could have a material adverse effect on its Home and Garden Business.

Weather conditions in the U.S. have a significant impact on the timing and volume of sales of certain of Spectrum Brands' lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides.

Spectrum Brands' products utilize certain key raw materials; any increase in the price of, or change in supply and demand for, these raw materials could have a material and adverse effect on its business, financial condition and profits.

The principal raw materials used to produce Spectrum Brands' products—including zinc powder, electrolytic manganese dioxide powder, petroleum-based plastic materials, steel, aluminum, copper and corrugated materials (for packaging)—are sourced either on a global or regional basis by Spectrum Brands or its suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2007 and 2008, and to date in 2010, Spectrum Brands experienced extraordinary price increases for raw materials, particularly as a result of strong demand from China. Although Spectrum Brands may increase the prices of certain of its goods to its customers, it may not be able to pass all of these cost increases on to its customers. As a result, its margins may be adversely impacted by such cost increases. Spectrum Brands cannot provide any assurance that its sources of supply will not be interrupted due to

changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on its profitability and results of operations.

Spectrum Brands regularly engages in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs it expects to incur over the next 12 to 24 months; however, Spectrum Brands' hedging positions may not be effective, or may not anticipate beneficial trends, in a particular raw material market or may, as a result of changes in its business, no longer be useful for it. In addition, for certain of the principal raw materials Spectrum Brands uses to produce its products, such as electrolytic manganese dioxide powder, there are no available effective hedging markets. If these efforts are not effective or expose Spectrum Brands to above average costs for an extended period of time, and Spectrum Brands is unable to pass its raw materials costs on to its customers, its future profitability

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may be materially and adversely affected. Furthermore, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. Spectrum Brands may be unable to pass these fuel surcharges on to its customers, which may have an adverse effect on its profitability and results of operations.

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

Spectrum Brands may not be able to fully utilize its U.S. net operating loss carryforwards.

As of July 4, 2010, Spectrum Brands had U.S. federal and state net operating loss carryforwards of approximately \$1,109 and \$1,978 million, respectively. These net operating loss carryforwards expire through years ending in 2030. As of July 4, 2010, Spectrum Brands management determined that it continues to be more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, would not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including its net operating loss carryforwards. In addition, Spectrum Brands has had changes of ownership, as defined under Section 382 of the Code, that continue to subject a significant amount of Spectrum Brands' U.S. net operating losses and other tax attributes to certain limitations. Spectrum Brands estimates that approximately \$297 million of its federal and \$457 million of its state net operating losses will expire unused due to the limitation in Section 382 of the Code.

As a consequence of the Salton-Applica merger, as well as earlier business combinations and issuances of common stock consummated by both companies, use of the tax benefits of Russell Hobbs' loss carryforwards is also subject to limitations imposed by Section 382 of the Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Spectrum Brands' analysis to determine what portion of Russell Hobbs' carryforwards are restricted or eliminated by that provision is ongoing and, pursuant to such analysis, Spectrum Brands expects that a significant portion of these carryforwards will not be available to offset future taxable income, if any. In addition, use of Russell Hobbs' net operating loss and credit carryforwards is dependent upon both Russell Hobbs and Spectrum Brands achieving profitable results in the future.

If Spectrum Brands is unable to fully utilize its net operating losses, other than those restricted under Section 382 of the Code, as discussed above, to offset taxable income generated in the future, its results of operations could be materially and negatively impacted.

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

As a result of consolidation of retailers and consumer trends toward national mass merchandisers, a significant percentage of Spectrum Brands' sales are attributable to a very limited group of customers. Spectrum Brands' largest customer accounted for approximately 23% of its consolidated net sales for the fiscal year ended September 30, 2009. As these mass merchandisers and retailers grow larger and become more sophisticated, they may demand lower pricing, special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. Because of the importance of

these key customers, demands for price reductions or promotions, reductions in their purchases, changes in their financial condition or loss of their

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accounts could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

Although Spectrum Brands has long-established relationships with many of its customers, it does not have long-term agreements with them and purchases are generally made through the use of individual purchase orders. Any significant reduction in purchases, failure to obtain anticipated orders or delays or cancellations of orders by any of these major customers, or significant pressure to reduce prices from any of these major customers, could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations. Additionally, a significant deterioration in the financial condition of the retail industry in general could have a material adverse effect on its sales and profitability.

In addition, as a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among them to purchase products on a just-in-time basis. Due to a number of factors, including (i) manufacturing lead-times, (ii) seasonal purchasing patterns and (iii) the potential for material price increases, Spectrum Brands may be required to shorten its lead-time for production and more closely anticipate its retailers' and customers' demands, which could in the future require it to carry additional inventories and increase its working capital and related financing requirements. This may increase the cost of warehousing inventory or result in excess inventory becoming difficult to manage, unusable or obsolete. In addition, if Spectrum Brands' retailers significantly change their inventory management strategies, Spectrum Brands may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are cancelling orders or returning products, which may have a material adverse effect on its business.

Furthermore, Spectrum Brands primarily sells branded products and a move by one or more of its large customers to sell significant quantities of private label products, which Spectrum Brands does not produce on their behalf and which directly compete with Spectrum Brands' products, could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

As a result of its international operations, Spectrum Brands faces a number of risks related to exchange rates and foreign currencies.

Spectrum Brands' international sales and certain of its expenses are transacted in foreign currencies. During the nine months ended July 4, 2010, approximately 43% of Spectrum Brands' net sales and 44% of its operating expenses were denominated in foreign currencies. Spectrum Brands expects that the amount of its revenues and expenses transacted in foreign currencies will increase as its Latin American, European and Asian operations grow and, as a result, its exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies will affect its cost of goods sold and its operating margins and could result in exchange losses or otherwise have a material effect on its business, financial condition and results of operations. Changes in currency exchange rates may also affect Spectrum Brands' sales to, purchases from and loans to its subsidiaries as well as sales to, purchases from and bank lines of credit with its customers, suppliers and creditors that are denominated in foreign currencies.

Spectrum Brands sources many products from, and sells many products in, China and other Asian countries. To the extent the Chinese Renminbi (RMB) or other currencies appreciate with respect to the U.S. dollar, it may experience fluctuations in its results of operations. Since 2005, the RMB has no longer been pegged to the U.S. dollar at a constant exchange rate and instead fluctuates versus a basket of currencies. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate within a flexible peg range against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future Chinese authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

While Spectrum Brands may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and it may not be able to successfully hedge its exposure to currency fluctuations. Further, Spectrum Brands may not be successful in implementing customer pricing or

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other actions in an effort to mitigate the impact of currency fluctuations and, thus, its results of operations may be adversely impacted.

A deterioration in trade relations with China could lead to a substantial increase in tariffs imposed on goods of Chinese origin, which potentially could reduce demand for and sales of Spectrum Brands products.

Spectrum Brands purchases a number of its products and supplies from suppliers located in China. China gained Permanent Normal Trade Relations (PNTR) with the U.S. when it acceded to the World Trade Organization (WTO), effective January 2002. The U.S. imposes the lowest applicable tariffs on exports from PNTR countries to the U.S. In order to maintain its WTO membership, China has agreed to several requirements, including the elimination of caps on foreign ownership of Chinese companies, lowering tariffs and publicizing its laws. China may not meet these requirements, it may not remain a member of the WTO, and its PNTR trading status may not be maintained. If China's WTO membership is withdrawn or if PNTR status for goods produced in China were removed, there could be a substantial increase in tariffs imposed on goods of Chinese origin entering the U.S. which could have a material negative adverse effect on its sales and gross margin.

Spectrum Brands international operations may expose it to risks related to compliance with the laws and regulations of foreign countries.

Spectrum Brands is subject to three European Union (EU) Directives that may have a material impact on its business: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed below. Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment requires Spectrum Brands to eliminate specified hazardous materials from products it sells in EU member states. Waste of Electrical and Electronic Equipment requires Spectrum Brands to collect and treat, dispose of or recycle certain products it manufactures or imports into the EU at its own expense. The EU Directive on Batteries and Accumulators and Waste Batteries bans heavy metals in batteries by establishing maximum quantities of heavy metals in batteries and mandates waste management of these batteries, including collection, recycling and disposal systems, with the costs imposed upon producers and importers such as Spectrum Brands. Complying or failing to comply with the EU Directives may harm Spectrum Brands' business. For example:

Although contracts with its suppliers address related compliance issues, Spectrum Brands may be unable to procure appropriate Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment compliant material in sufficient quantity and quality and/or be able to incorporate it into Spectrum Brands' product procurement processes without compromising quality and/or harming its cost structure.

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

Spectrum Brands may be unable to sell certain existing inventories of its batteries in Europe.

Many of the developing countries in which Spectrum Brands operates do not have significant governmental regulation relating to environmental safety, occupational safety, employment practices or other business matters routinely regulated in the U.S. or may not rigorously enforce such regulation. As these countries and their economies develop, it is possible that new regulations or increased enforcement of existing regulations may increase the expense of doing business in these countries. In addition, social legislation in many countries in which Spectrum Brands operates may result in significantly higher expenses associated with labor costs, terminating employees or distributors and closing

manufacturing facilities. Increases in Spectrum Brands' costs as a result of increased regulation, legislation or enforcement could materially and adversely affect its business, results of operations and financial condition.

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Spectrum Brands may not be able to adequately establish and protect its intellectual property rights, and the infringement or loss of its intellectual property rights could harm its business.

To establish and protect its intellectual property rights, Spectrum Brands relies upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual arrangements. The measures that Spectrum Brands takes to protect its intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating its intellectual property. Spectrum Brands may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by Spectrum Brands, or a trademark application claiming a trademark, service mark or trade dress also used by Spectrum Brands, in order to protect its rights, it may have to participate in expensive and time consuming opposition or interference proceedings before the U.S. Patent and Trademark Office or a similar foreign agency. Similarly, its intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. For example, the Small Appliances segment has spent several million dollars on protecting its patented automatic litter box business over the last few years. Furthermore, even if Spectrum Brands' intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of its intellectual property rights, or its competitors may independently develop technologies that are substantially equivalent or superior to its technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require Spectrum Brands to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

Moreover, the laws of certain foreign countries in which Spectrum Brands operates or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate Spectrum Brands' competitive or technological advantages in such markets. Also, some of the technology underlying Spectrum Brands' products is the subject of nonexclusive licenses from third parties. As a result, this technology could be made available to Spectrum Brands' competitors at any time. If Spectrum Brands is unable to establish and then adequately protect its intellectual property rights, its business, financial condition and results of operations could be materially and adversely affected.

Spectrum Brands licenses various trademarks, trade names and patents from third parties for certain of its products. These licenses generally place marketing obligations on Spectrum Brands and require Spectrum Brands to pay fees and royalties based on net sales or profits. Typically, these licenses may be terminated if Spectrum Brands fails to satisfy certain minimum sales obligations or if it breaches the terms of the license. The termination of these licensing arrangements could adversely affect Spectrum Brands' business, financial condition and results of operations.

In the Small Appliances segment, Spectrum Brands licenses the use of the *Black & Decker* brand for marketing in certain small household appliances in North America, South America (excluding Brazil) and the Caribbean. Sales of *Black & Decker* branded products represented approximately 53% and 68% of the total consolidated revenue of the Small Appliances segment in the 2009 and 2008 fiscal year, respectively. In December 2007, The Black & Decker Corporation (BDC) extended the license agreement through December 2012, with an automatic extension through December 2014 if certain milestones are met regarding sales volume and product return. The failure to renew the license agreement with BDC or to enter into a new agreement on acceptable terms could have a material adverse effect on Spectrum Brands' financial condition, liquidity and results of operations.

Claims by third parties that Spectrum Brands is infringing their intellectual property and other litigation could adversely affect its business.

From time to time in the past, Spectrum Brands has been subject to claims that it is infringing the intellectual property of others. Spectrum Brands currently is the subject of such claims and it is possible that third parties will assert infringement claims against Spectrum Brands in the future. An adverse finding against Spectrum Brands in these or similar trademark or other intellectual property litigations may have a material

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

Spectrum Brands' dependence on a few suppliers and one of its U.S. facilities for certain of its products makes it vulnerable to a disruption in the supply of its products.

Although Spectrum Brands has long-standing relationships with many of its suppliers, it generally does not have long-term contracts with them. An adverse change in any of the following could have a material adverse effect on its business, financial condition and results of operations:

its ability to identify and develop relationships with qualified suppliers;

the terms and conditions upon which it purchases products from its suppliers, including applicable exchange rates, transport costs and other costs, its suppliers' willingness to extend credit to it to finance its inventory purchases and other factors beyond its control;

the financial condition of its suppliers;

political instability in the countries in which its suppliers are located;

its ability to import outsourced products;

its suppliers' noncompliance with applicable laws, trade restrictions and tariffs; or

its suppliers' ability to manufacture and deliver outsourced products according to its standards of quality on a timely and efficient basis.

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

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

Spectrum Brands faces risks related to its sales of products obtained from third-party suppliers.

Spectrum Brands sells a significant number of products that are manufactured by third party suppliers over which it has no direct control. While Spectrum Brands has implemented processes and procedures to try to ensure that the suppliers it uses are complying with all applicable regulations, there can be no assurances that such suppliers in all instances will comply with such processes and procedures or otherwise with applicable regulations. Noncompliance could result in Spectrum Brands marketing and distribution of

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contaminated, defective or dangerous products which could subject it to liabilities and could result in the imposition by governmental authorities of procedures or penalties that could restrict or eliminate its ability to purchase products from non-compliant suppliers. Any or all of these effects could adversely affect Spectrum Brands' business, financial condition and results of operations.

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

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

Spectrum Brands may be exposed to significant product liability claims which its insurance may not cover and which could harm its reputation.

In the ordinary course of its business, Spectrum Brands may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on Spectrum Brands' business, results of operations and financial condition if it is unable to successfully defend against or settle these matters or if its insurance coverage is insufficient to satisfy any judgments against Spectrum Brands or settlements relating to these matters. Although Spectrum Brands has product liability insurance coverage and an excess umbrella policy, its insurance policies may not provide coverage for certain, or any, claims against Spectrum Brands or may not be sufficient to cover all possible liabilities. Additionally, Spectrum Brands does not maintain product recall insurance. Spectrum Brands may not be able to maintain such insurance on acceptable terms, if at all, in the future. Moreover, any adverse publicity arising from claims made against Spectrum Brands, even if the claims were not successful, could adversely affect the reputation and sales of its products. In particular, product recalls or product liability claims challenging the safety of Spectrum Brands' products may result in a decline in sales for a particular product. This could be true even if the claims themselves are ultimately settled for immaterial amounts. This type of adverse publicity could occur and product liability claims could be made in the future.

Spectrum Brands may incur material capital and other costs due to environmental liabilities.

Spectrum Brands is subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

discharges to the air, water and land;

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

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

Risk of environmental liability is inherent in Spectrum Brands' business. As a result, material environmental costs may arise in the future. In particular, it may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies, such as the EU Directives: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on

Batteries and Accumulators and Waste Batteries, discussed above. Moreover, there are proposed international accords and treaties, as well as federal, state and local laws and regulations, that would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event that the U.S. government or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with

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applicable laws or regulations may result in increased manufacturing costs for Spectrum Brands' products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of its products are made. Spectrum Brands may incur some of these costs directly and others may be passed on to it from its third-party suppliers. Although Spectrum Brands believes that it is substantially in compliance with applicable environmental laws and regulations at its facilities, it may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

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

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

Compliance with various public health, consumer protection and other regulations applicable to Spectrum Brands' products and facilities could increase its cost of doing business and expose Spectrum Brands to additional requirements with which Spectrum Brands may be unable to comply.

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

As a distributor of consumer products in the U.S., certain of Spectrum Brands' products are also subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (the "Consumer Commission") to exclude from the market products that are found to be unsafe or hazardous.

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Under certain circumstances, the Consumer Commission could require Spectrum Brands to repair, replace or refund the purchase price of one or more of its products, or it may voluntarily do so. For example, Russell Hobbs, in cooperation with the Consumer Commission, voluntarily recalled approximately 9,800 units of a thermal coffeemaker sold under the *Black & Decker* brand in August 2009 and approximately 584,000 coffeemakers in June 2009. Any additional repurchases or recalls of Spectrum Brands products could be costly to it and could damage the reputation or the value of its brands. If Spectrum Brands is required to remove, or it voluntarily removes its products from the market, its reputation or brands could be tarnished and it may have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the Consumer Commission of a potential safety hazard can result in significant fines being assessed against Spectrum Brands. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which Spectrum Brands sells its products, and more restrictive laws and regulations may be adopted in the future.

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

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

Any failure to comply with these laws or regulations, or the terms of applicable environmental permits, could result in Spectrum Brands incurring substantial costs, including fines, penalties and other civil and criminal sanctions or the prohibition of sales of its pest control products. Environmental law requirements, and the enforcement thereof, change frequently, have tended to become more stringent over time and could require Spectrum Brands to incur significant expenses.

Most federal, state and local authorities require certification by Underwriters Laboratory, Inc. (UL), an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing electrical appliances. Foreign jurisdictions also have regulatory authorities overseeing the safety of consumer products. Spectrum Brands products may not meet the specifications required by these authorities. A determination that any of Spectrum Brands products are not in compliance with these rules and regulations could result in the imposition of fines or an award of damages to private litigants.

Public perceptions that some of the products Spectrum Brands produces and markets are not safe could adversely affect Spectrum Brands.

On occasion, customers and some current or former employees have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that any of its products are not safe, whether justified or not, could impair Spectrum Brands reputation, damage its brand names and have a material adverse effect on its business, financial condition and results of operations.

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If Spectrum Brands is unable to negotiate satisfactory terms to continue existing or enter into additional collective bargaining agreements, it may experience an increased risk of labor disruptions and its results of operations and financial condition may suffer.

Approximately 20% of Spectrum Brands' total labor force is employed under collective bargaining agreements. One of these agreements, which covers approximately 35% of the labor force under collective bargaining agreements, or approximately 7% of Spectrum Brands' total labor force, is scheduled to expire on September 30, 2010. While Spectrum Brands currently expects to negotiate continuations to the terms of these agreements, there can be no assurances that it will be able to obtain terms that are satisfactory to it or otherwise to reach agreement at all with the applicable parties. In addition, in the course of its business, Spectrum Brands may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under its current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than existing collective bargaining agreements, could adversely affect the operation of Spectrum Brands' business, including through increased labor expenses. While it intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that Spectrum Brands will be able to do so and any noncompliance could subject it to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

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

Spectrum Brands' results of operations may be positively or negatively affected by the amount of income or expense it records for its defined benefit pension plans. GAAP requires that Spectrum Brands calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions Spectrum Brands used to estimate pension income or expense are the discount rate and the expected long-term rate of return on plan assets. In addition, Spectrum Brands is required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash Spectrum Brands would contribute to pension plans as required under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

If Spectrum Brands' goodwill, indefinite-lived intangible assets or other long-term assets become impaired, Spectrum Brands will be required to record additional impairment charges, which may be significant.

After the consummation of the SB/RH Merger, a significant portion of Spectrum Brands' long-term assets will consist of goodwill, other indefinite-lived intangible assets and finite-lived intangible assets recorded as a result of past acquisitions. Spectrum Brands does not amortize goodwill and indefinite-lived intangible assets, but rather reviews them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Spectrum Brands considers whether circumstances or conditions exist which suggest that the carrying value of its goodwill and other long-lived assets might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value. If analysis indicates that an individual asset's carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value.

The steps required by GAAP entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there is impairment and which may indicate that interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response

to changes in economic; political and competitive conditions; the impact of the economic environment on the customer base and on broad market conditions that drive valuation considerations by market participants; Spectrum Brands' internal expectations with regard to future revenue growth and the assumptions it makes when performing impairment reviews; a significant decrease in the market price of its

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assets; a significant adverse change in the extent or manner in which its assets are used; a significant adverse change in legal factors or the business climate that could affect its assets; an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset; and significant changes in the cash flows associated with an asset. As a result of such circumstances, Spectrum Brands may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of its goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on Spectrum Brands' business, financial condition and operating results.

Risks Related to SB Holdings Common Stock

The Harbinger Parties and, upon consummation of the Spectrum Brands Acquisition, HGI will exercise significant influence over SB Holdings and their and HGI's interests in SB Holdings' business may be different from yours.

The Harbinger Parties beneficially own approximately 67.1% of the outstanding SB Holdings common stock as of September 10, 2010. Upon consummation of the Spectrum Brands Acquisition, HGI will own approximately 54.4% of SB Holdings common stock and Harbinger will directly own approximately 12.7% of SB Holdings common stock. The Harbinger Parties and, upon consummation of the Spectrum Brands Acquisition, HGI, will have the ability to influence the outcome of any corporate action by SB Holdings which requires stockholder approval, including, but not limited to, the election of directors, approval of merger transactions and the sale of all or substantially all of SB Holdings' and Spectrum Brands' assets. The interests of the Harbinger Parties or HGI may diverge from the interests of other SB Holdings stockholders.

This influence and actual control may have the effect of discouraging offers to acquire SB Holdings because any such consummation would likely require the consent of the Harbinger Parties, and upon consummation of the Spectrum Brands Acquisition, of HGI. The Harbinger Parties and HGI may also delay or prevent a change in control of SB Holdings.

In addition, because the Harbinger Parties now own, and upon consummation of the Spectrum Brands Acquisition, HGI (together with Harbinger) will own, more than 50% of the voting power of SB Holdings, SB Holdings is considered a controlled company under the NYSE listing standards. As such, the NYSE corporate governance rules requiring that a majority of SB Holdings' board of directors, SB Holdings' entire compensation committee and SB Holdings' entire Nominating and Corporate Governance Committee be independent do not apply. As a result, the ability of SB Holdings' independent directors to influence its business policies and affairs may be reduced.

If HGI or Harbinger or its affiliates sells substantial amounts of SB Holdings common stock in the public market, or investors perceive that these sales could occur, the market price of SB Holdings common stock could be adversely affected. The Harbinger Parties and SB Holdings entered into, and upon the consummation of the Spectrum Brands Acquisition, HGI will become a party to, the SB Holdings Registration Rights Agreement. If requested properly under the terms of the SB Registration Rights Agreement, these stockholders have the right to require SB Holdings to register all or some of such shares for sale under the Securities Act in certain circumstances and also have the right to include those shares in a registration initiated by SB Holdings. If SB Holdings is required to include such shares of its common stock in a registration initiated by SB Holdings, sales made by such parties may adversely affect the price of SB Holdings common stock and SB Holdings' ability to raise needed capital. In addition, if the parties to the SB Holdings Registration Rights Agreement exercise their demand registration rights and cause a large number of shares to be registered and sold in the public market or demand that SB Holdings register their shares on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of SB Holdings common stock.

The interests of HGI and the Harbinger Parties, which have investments in other companies, may from time to time diverge from the interests of other SB Holdings stockholders, particularly with regard to new investment opportunities. Neither HGI nor the Harbinger Parties are restricted from investing in other businesses involving or related to the marketing or distribution of household products, pet and pest products

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and personal care products. HGI and the Harbinger Parties may also engage in other businesses that compete or may in the future compete with SB Holdings.

Even though SB Holdings common stock is currently traded on the NYSE, it has less liquidity than many other stocks quoted on a national securities exchange.

The trading volume in SB Holdings common stock on the NYSE has been relatively low when compared with larger companies listed on the NYSE or other stock exchanges. Because of this, it may be more difficult for stockholders to sell a substantial number of shares for the same price at which stockholders could sell a smaller number of shares. SB Holdings cannot predict the effect, if any, that future sales of SB Holdings common stock in the market, or the availability of shares of its common stock for sale in the market, will have on the market price of SB Holdings common stock. SB Holdings can give no assurance that sales of substantial amounts of SB Holdings common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of SB Holdings common stock to decline or impair SB Holdings' future ability to raise capital through sales of its common stock. Furthermore, because of the limited market and generally low volume of trading in SB Holdings common stock that could occur, the share price of its common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in its operating results, changes in the market's perception of its business, and announcements made by SB Holdings, its competitors or parties with whom SB Holdings has business relationships. The lack of liquidity in SB Holdings common stock may also make it difficult for SB Holdings to issue additional securities for financing or other purposes, or to otherwise arrange for any financing it may need in the future. In addition, SB Holdings may experience other adverse effects, including, without limitation, the loss of confidence in it by current and prospective suppliers, customers, employees and others with whom it has or may seek to initiate business relationships.

The market price of SB Holdings common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond SB Holdings' control.

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

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

period-to-period fluctuations in its financial results.

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

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Additional issuances of SB Holdings common stock may result in dilution to its existing stockholders and to HGI.

As of August 13, 2010, SB Holdings had issued 667,933 restricted shares and 270,962 restricted stock units under two active equity incentive plans and is authorized to issue up to a total of 5,484,101 shares of its common stock, or options or restricted stock units exercisable for shares of common stock. In addition, SB Holdings board of directors has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of SB Holdings common stock. If SB Holdings does issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of SB Holdings common stock, including HGI following the consummation of the Spectrum Brands Acquisition, could be decreased. Further, any such issuance or exercise could result in a change of control. Under SB Holdings certificate of incorporation, holders of 5% or more of the outstanding common stock or capital stock into which any shares of common stock may be converted have certain rights to purchase their pro rata share of certain future issuances of securities.

SB Holdings has historically not paid dividends on its public common stock and SB Holdings does not anticipate paying dividends on its public common stock in the foreseeable future, and, therefore, any return on investment may be limited to the value of its common stock.

SB Holdings, prior to the SB/RH Merger, had not declared or paid dividends on its common stock since the stock commenced public trading in 1997, SB Holdings has not declared or paid dividends on its common stock since the stock commenced public trading in 2010, and SB Holdings does not currently anticipate paying dividends in the foreseeable future. The payment of dividends on outstanding SB Holdings common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as its board of directors may consider relevant, including the ability to do so under its credit and other debt agreements. If SB Holdings does not pay dividends, returns on an investment in its common stock will only occur if the stock price appreciates.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this information statement that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management and the management of SB Holdings. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of our company or SB Holdings, as applicable. Forward-looking statements specifically include, without limitation, the information in this document regarding: projections, efficiencies/cost avoidance, cost savings, income and margins, earnings per share, growth, economies of scale, combined operations, the economy, future economic performance, conditions to, and the timetable for, completing the Spectrum Brands Acquisition, future acquisitions and dispositions, litigation, potential and contingent liabilities, management's plans, business portfolios and taxes.

Forward-looking statements may be preceded by, followed by or include the words may, will, believe, expect, anticipate, intend, plan, estimate, could, might, or continue or the negative or other variations thereof or other terminology. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in the section captioned Risk Factors, above, and elsewhere in this information statement could affect the future results of our company, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Because of the importance of SB Holdings to our future results of operations, we set forth separately the important risks and uncertainties that that could affect SB Holdings.

HGI

Important factors that could affect our future results, particularly if we do not consummate the Spectrum Brands Acquisition, include, without limitation, the following:

our inability to successfully identify additional suitable acquisition opportunities and future acquisitions potentially involving various risks;

various unknown risks and uncertainties that would result from future acquisitions;

volatility in the global credit markets may impact our ability to obtain financing to fund acquisitions;

changes in the market prices of the publicly traded equity interest that we may acquire, particularly during times of volatility in security prices, could impact an investor's perception of the aggregate value of our company portfolio and equity and adversely affect the market price of our common stock;

our ability to dispose of equity interests that we may acquire may be limited by restrictive stockholder agreements and by securities laws;

our principal stockholders hold a majority of our outstanding common stock and have interests which may conflict with interests of other stockholders, and as a result of this ownership, we are a controlled company within the meaning of the NYSE rules and are exempt from certain corporate governance requirements;

our dependence on certain key personnel;

our future acquisitions and dispositions may not require a stockholder vote and may be material to us;

changes in our investment portfolio would likely increase our risk of loss and subject us to additional risks;

our ability to increase the size of our organization and manage our growth;

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we may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status;

we may be subject to an additional tax as a personal holding company on future undistributed personal holding company income if we generate passive income in excess of operating expenses;

agreements and transactions involving former subsidiaries may give rise to future claims that could materially adversely impact our capital resources;

litigation defense and settlement costs with respect to our prior businesses may be material;

section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price;

if we do not come into compliance with the NYSE's continued listing requirements, the NYSE will delist our common stock, which could have an adverse impact on the liquidity and market price of our common stock;

the market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock;

we may issue additional shares of common stock or other securities convertible into our common stock, which would dilute the interests of our stockholders and could present other risks and may adversely affect our market price;

we may issue notes or other debt securities, or otherwise incur substantial debt, which may adversely affect our leverage and financial condition; and

price fluctuations in our common stock could result from general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly held subsidiaries.

SB Holdings

SB Holdings' actual results or other outcomes from those expressed or implied in the forward-looking statements may be affected by a variety of important factors, including, without limitation, the following:

the impact of Spectrum Brands' substantial indebtedness on its business, financial condition and results of operations;

the impact of restrictions in Spectrum Brands' debt instruments on its ability to operate its business, finance its capital needs or pursue or expand business strategies;

any failure to comply with financial covenants and other provisions and restrictions of Spectrum Brands' debt instruments;

Spectrum Brands' ability to successfully integrate the business acquired in connection with the combination with Russell Hobbs and achieve the expected synergies from that integration at the expected costs;

the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;

the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit;

interest rate and exchange rate fluctuations;

the loss of, or a significant reduction in, sales to a significant retail customer(s);

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competitive promotional activity or spending by competitors or price reductions by competitors;

the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;

the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;

changes in consumer spending preferences and demand for Spectrum Brands products;

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

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

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

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

the impact of pending or threatened litigation;

changes in accounting policies applicable to Spectrum Brands business;

government regulations;

the seasonal nature of sales of certain of Spectrum Brands products;

the effects of climate change and unusual weather activity; and

the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

We also caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this document. We do not undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this information statement or to reflect actual outcomes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF SB HOLDINGS AND SPECTRUM BRANDS

The following includes Spectrum Brands' management's discussion of the financial results, liquidity and other key items related to Spectrum Brands' performance and should be read in conjunction with the Selected Historical Consolidated and Combined Financial Data of SB Holdings and Spectrum Brands and the Consolidated Financial Statements of SB Holdings and Spectrum Brands and related notes included elsewhere in this information statement. All references to Fiscal 2009, 2008, 2007, 2006 and 2005 refer to fiscal year periods ended September 30, 2009, 2008, 2007, 2006 and 2005, respectively.

The discussion and analysis of historical periods prior to the consummation of the SB/RH Merger do not reflect the significant impact the Russell Hobbs transaction will have on Spectrum Brands.

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

Unless the context indicates otherwise, the term Spectrum Brands is used to refer to Spectrum Brands, Inc. and its subsidiaries before and on and after the Effective Date. The term New Spectrum, however, refers only to Spectrum Brands, Inc., the Delaware successor, and its subsidiaries, after the Effective Date, and the term Old Spectrum refers only to Spectrum Brands, Inc., the Wisconsin predecessor, and its subsidiaries prior to the Effective Date. The term Spectrum Brands refers to Spectrum Brands Holdings, Inc. and its subsidiaries (including Spectrum Brands and Russell Hobbs) subsequent to the SB/RH Merger and Spectrum Brands prior to the SB/RH Merger and the term Russell Hobbs refers to Russell Hobbs, Inc. and its subsidiaries. For the period from June 16, 2010, the date of the SB/RH Merger, the SB Holdings financial statements include the results of Spectrum Brands.

Introduction

Spectrum Brands 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 control products.

Spectrum Brands manages its business in four reportable segments: (i) Global Batteries & Personal Care, which consists of its worldwide battery, shaving and grooming, personal care and portable lighting business (*Global Batteries & Personal Care*); (ii) Global Pet Supplies, which consists of its worldwide pet supplies business (*Global Pet Supplies*); (iii) the Home and Garden Business, which consists of its home and garden control product offerings, including household insecticides, repellents and herbicides (the *Home and Garden Business*); and (iv) Small Appliances, which consists of small electrical appliances primarily in the kitchen and home product categories (*Small Appliances*).

Spectrum Brands manufactures and markets alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellents and specialty pet supplies. Spectrum Brands designs and markets rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. With the addition of Russell Hobbs, Spectrum Brands designs, markets and distributes a broad range of branded small

household appliances and personal care products. Spectrum Brands' manufacturing and product development facilities are located in the U.S., Europe, Latin America and Asia. Substantially all of its rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

Spectrum Brands sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers (*OEMs*) and enjoys strong name recognition in its markets under the *Rayovac*, *VARTA* and *Remington* brands, each of which has been in existence for more than 80 years, and under the

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Tetra, *8-in-1*, *Spectracide*, *Cutter*, *Black & Decker*, *George Foreman*, *Russell Hobbs*, *Farberware* and various other brands.

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

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

Spectrum Brands has 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, it acquired ROV Limited's battery business, which operations had an extensive network of distribution and production facilities in Central America, the Dominican Republic, Mexico, Venezuela, Argentina, and Chile. In 2002, Spectrum Brands acquired substantially all of VARTA AG's consumer battery business. In September 2003, it acquired Remington Products in order to expand its products portfolio and become a more diversified consumer products company that did not solely focus on the battery and lighting product markets. In 2004, Spectrum Brands acquired Microlite S.A. (*Microlite*), a Brazilian battery company, from VARTA AG and Tabriza Brasil Empreendimentos Ltd. In 2005, it acquired United Industries Corporation (*United*) and Tetra Holding GmbH and its affiliates and subsidiaries in the aquatics business (*Tetra*) to further diversify its business and leverage its distribution strengths through expansion into the home and garden and pet product markets. These acquisitions were financed in substantial part with debt from a variety of sources.

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

During the first and second quarters of Fiscal 2007, Spectrum Brands engaged in substantive negotiations with a potential purchaser as to definitive terms for the purchase of the Home and Garden Business; however, the potential purchaser ultimately determined not to pursue the acquisition. Spectrum Brands continued to actively market the Home and Garden Business after such time; however, the Fiscal 2007 selling season for its lawn and garden and household insect control product offerings was significantly negatively impacted by extremely poor weather conditions throughout the U.S., resulting in poor operating performance of the Home and Garden Business. In addition, during the fourth quarter of Fiscal 2007 there was an unforeseen, rapid and significant tightening of liquidity in the U.S. credit markets. Spectrum Brands believes that this tightening of liquidity in the credit markets had a direct impact on the expected proceeds that Spectrum Brands would ultimately receive in connection with a sale of the Home and Garden Business. To address these issues, during the fourth quarter of Fiscal 2007 Spectrum Brands reassessed the value of the Home and Garden Business to take into account the changes in the credit markets and the

weaker than planned operating performance during the Fiscal 2007 selling season so as to ensure that the Home and Garden Business was being marketed at a price that was reasonable in relation to its current fair value. Their reassessment produced a lower range of expected sales values than was previously determined. As a result of the reassessment, Spectrum Brands recorded an impairment charge against the Home and Garden Business during the fourth quarter of Fiscal

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2007 to reflect its fair value as determined by us. Subsequent to taking the impairment charge, and thereby revising its expectations of the proceeds that would ultimately be received upon a sale of the Home and Garden Business, Spectrum Brands continued to be in active discussions with various potential purchasers through December 30, 2007.

On November 1, 2007, Spectrum Brands completed the sale of the Canadian division of the Home and Garden Business. See Note 10, Discontinued Operations of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information on the sale of the Canadian division of the Home and Garden Business.

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

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

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

On December 15, 2008, Spectrum Brands was advised that its common stock would be suspended from trading on the NYSE prior to the opening of the market on December 22, 2008. Spectrum Brands was advised that the decision to suspend its common stock was reached in view of the fact that it had recently fallen below the NYSE's continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than \$25 million, the minimum threshold for listing on the NYSE. Its common stock was delisted from the NYSE effective January 23, 2009.

On February 2, 2009, Spectrum Brands did not make a \$25.8 million interest payment due February 2, 2009 on Spectrum Brands 73/8% Senior Subordinated Notes due 2015 (the 73/8% Notes), triggering a default with respect to such notes.

As a result of its substantial leverage, Spectrum Brands determined that, absent a financial restructuring, it would be unable to achieve future profitability or positive cash flows on a consolidated basis solely from cash generated from operating activities or to satisfy certain of its payment obligations as the same may become due and be at risk of not

satisfying the leverage ratios to which Spectrum Brands was subject under the Old Senior Term Credit Facility, which ratios become more restrictive in future periods. Accordingly, Old Spectrum and its U.S. subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the

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Bankruptcy Court (the *Bankruptcy Filing*) to pursue such a restructuring. The Bankruptcy Filing is discussed in more detail under Chapter 11 Proceedings below.

As a result of its Bankruptcy Filing, Spectrum Brands was able to significantly reduce its indebtedness. However, Spectrum Brands continues to have a significant amount of indebtedness relative to its competitors and continue to explore potential strategies that may be available to them to restructure this indebtedness.]

Chapter 11 Proceedings

On February 3, 2009, Spectrum Brands announced that it had reached agreements with certain noteholders, representing, in the aggregate, approximately 70% of the face value of its then outstanding senior subordinated notes, to pursue a refinancing that, if implemented as proposed, would significantly reduce its outstanding debt. On the same day, the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code, in the Bankruptcy Court (the *Bankruptcy Filing*) and filed with the Bankruptcy Court a proposed plan of reorganization (the *Proposed Plan*) that detailed the Debtors' proposed terms for the refinancing. The Chapter 11 cases were jointly administered by the Bankruptcy Court as Case No. 09-50455 (the *Bankruptcy Cases*). The Bankruptcy Court entered a written order (the *Confirmation Order*) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the *Plan*). For more details regarding the Chapter 11 Proceedings, as well as the events leading to Spectrum Brands' voluntary filing for Chapter 11 bankruptcy, see Item 1. Business in Spectrum Brands' Annual Report on Form 10-K for its fiscal year ended September 30, 2009.

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Old Spectrum's existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Reorganized Spectrum Brands filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, reorganized Spectrum Brands issued a total of 27,030,000 shares of its common stock and approximately \$218 million in aggregate principal amount of 12% Senior Subordinated Toggle Notes due 2019 (the *12% Notes*) to holders of allowed claims with respect to Old Spectrum's 8 1/2% Senior Subordinated Notes due 2013 (the *8 1/2 Notes*), 7 3/8% Senior Subordinated Notes due 2015 (the *7 3/8 Notes*) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the *Variable Rate Notes*) (collectively, the *Senior Subordinated Notes*). For a further discussion of the 12% Notes see *Debt Financing Activities - 12% Notes*. Also on the Effective Date, reorganized Spectrum Brands issued a total of 2,970,000 shares of its common stock to supplemental and sub-supplemental debtor-in-possession credit facility participants in respect of the equity fee earned under the Debtors' debtor-in-possession credit facility.

Accounting for Reorganization

Subsequent to the date of the Bankruptcy Filing, Spectrum Brands' financial statements are prepared in accordance with ASC 852. ASC 852 does not change the application of GAAP in the preparation of its financial statements. However, ASC 852 does require that financial statements, for periods including and subsequent to the filing of a Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. In accordance with ASC 852 Spectrum Brands has done the following:

on its Consolidated Statements of Financial Position included elsewhere in this information statement, Spectrum Brands has separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

on its Consolidated Statements of Operations included elsewhere in this information statement, Spectrum Brands has distinguished transactions and events that are directly associated with the

reorganization from the ongoing operations of the business;

on its Consolidated Statements of Cash Flows included elsewhere in this information statement, Spectrum Brands has separately disclosed reorganization items expense (income), net;

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ceased accruing interest on the old senior notes; and

presented Consolidating Financial Statements of entities not in proceedings under Chapter 11 of the Bankruptcy Code in Note 17, Consolidating Financial Statements, included elsewhere in this information statement. These Consolidated Financial Statements of its entities not in proceedings under Chapter 11 of the Bankruptcy Code have been prepared on the same basis as Spectrum Brands Consolidated Financial Statements included elsewhere in this information statement.

Fresh-Start Reporting

As required by ASC 852 Spectrum Brands adopted fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code as of its monthly period ended August 30, 2009 as is reflected in this information statement.

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

Spectrum Brands analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, through August 30, 2009, the fresh-start reporting date, and concluded that such transactions were not material individually or in the aggregate as they represented less than 1% of the total net sales for the entire fiscal year ended September 30, 2009. As such, Spectrum Brands determined that August 30, 2009, would be an appropriate fresh-start reporting date to coincide with its normal financial period close for the month of August 2009. Upon adoption of fresh-start reporting, the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values. Accordingly, the reported historical financial statements of Old Spectrum prior to the adoption of fresh-start reporting for periods ended prior to August 30, 2009 are not comparable to those of New Spectrum.

Russell Hobbs

In connection with the SB/RH Merger, Russell Hobbs and its subsidiaries became wholly-owned subsidiaries of Spectrum Brands. Russell Hobbs and its subsidiaries became a fourth operating and reporting segment of Spectrum Brands, which is led by Terry Polistina, Russell Hobbs' Chief Executive Officer.

Cost Reduction Initiatives

Spectrum Brands continually seeks to improve its operational efficiency, match its manufacturing capacity and product costs to market demand and better utilize its manufacturing resources. Spectrum Brands and Spectrum Brands have undertaken various initiatives to reduce manufacturing and operating costs.

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

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

Fiscal 2007. In connection with Spectrum Brands' announcement that Spectrum Brands would manage its business in three vertically integrated, product-focused reporting segments, its costs related to research and

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development, manufacturing management, global purchasing, quality operations and inbound supply chain, which had previously been included in its corporate reporting segment, are now included in each of the operating segments on a direct as incurred basis. In connection with these changes Spectrum Brands undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the *Global Realignment Initiatives*), including a headcount reduction of approximately 200 employees.

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

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

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

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

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

Meeting Consumer Needs through Technology and Development

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

During Fiscal 2009, Spectrum Brands introduced the *Roughneck Flex 360* flashlight. Spectrum Brands also launched a long lasting zero-mercury hearing aid battery. This product provides the same long lasting performance as conventional hearing aid batteries, but with an environmentally friendly formula. During Fiscal

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2009, Spectrum Brands also introduced a line of Tetra marine aquatic products, new dog treat items and enhanced Nature's Miracle Stain & Odor products.

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

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

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

Competitive Landscape

Spectrum Brands competes in seven major product categories: consumer batteries, small appliances, pet supplies, electric shaving and grooming, electric personal care, portable lighting, and home and garden control products.

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

Spectrum Brands believes that it is the largest worldwide marketer of hearing aid batteries and that it continues to maintain a leading global market position. Spectrum Brands believes that its close relationship with hearing aid manufacturers and other customers, as well as its product performance improvements and packaging innovations, position it for continued success in this category.

Spectrum Brands' global pet supplies business comprises aquatics equipment (aquariums, filters, pumps, etc.), aquatics consumables (fish food, water treatments and conditioners, etc.) and specialty pet products for dogs, cats, birds and other small domestic animals. The pet supply market is extremely fragmented. Spectrum Brands believes that its brand positioning, including the leading global aquatics brand in Tetra, its diverse array of innovative and attractive products and its strong retail relationships and global infrastructure will allow us to remain competitive in this fast growing industry.

Spectrum Brands also operates in the shaving and grooming and personal care product category, consisting of electric shavers and accessories, electric grooming products and hair care appliances. Electric shavers include men's and women's shavers (both rotary and foil design) and electric shaver accessories consisting of shaver replacement parts (primarily foils and cutters), pre-shave products and cleaning agents. Electric shavers are marketed primarily under

one of the following global brands: *Remington*, *Braun* and *Norelco*. Electric grooming products include beard and mustache trimmers, nose and ear trimmers, body groomers and haircut kits and related accessories. Hair care appliances include hair dryers, straightening irons, styling irons and hair-setters. Europe and North America account for the majority of its worldwide product category sales. Spectrum Brands' major competitors in the electric personal care product category are Conair Corporation, Wahl Clipper Corporation and Helen of Troy.

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

The following factors contribute to Spectrum Brands' ability to succeed in these highly competitive product categories:

Strong Diversified Global Brand Portfolio. Spectrum Brands has a global portfolio of well-recognized consumer product brands. Spectrum Brands believes that the strength of its brands positions us to extend its product lines and provide its retail customers with strong sell-through to consumers.

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

Expansive Distribution Network. Spectrum Brands distributes its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and OEMs.

Innovative New Products, Packaging and Technologies. Spectrum Brands has a long history of product and packaging innovations in each of its seven product categories and continually seek to introduce new products both as extensions of existing product lines and as new product categories.

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

Seasonal Product Sales

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

Percentage of Annual Sales

Fiscal Quarter Ended	Fiscal Year Ended September 30,		
	2009	2008	2007
December	25%	24%	25%
March	23%	22%	23%

June	26%	26%	25%
September	26%	28%	27%

The Financial Accounting Standards Board Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162, an

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accounting standard which established the ASC to become the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities, with the exception of guidance issued by the SEC and its staff. All guidance contained in the ASC carries an equal level of authority. The ASC is not intended to change GAAP, but rather is expected to simplify accounting research by reorganizing current GAAP into approximately 90 accounting topics. Spectrum Brands adopted this accounting standard in preparing its Consolidated Financial Statements for the period ended September 30, 2009 included elsewhere in this information statement. The adoption of this accounting standard, which was subsequently codified into ASC Topic 105: Generally Accepted Accounting Principles, had no impact on retained earnings and will have no impact on its financial position, results of operations or cash flows.

Results of Operations SB Holdings**Fiscal Quarter and Fiscal Nine Month Period Ended July 4, 2010 Compared to Fiscal Quarter and Fiscal Nine Month Period Ended June 28, 2009**

In this section, SB Holdings refers to the fiscal three month period ended July 4, 2010 as the Fiscal 2010 Quarter, the fiscal nine month period ended July 4, 2010 as the Fiscal 2010 Nine Months, the fiscal three month period ended June 28, 2009 as the Fiscal 2009 Quarter and the fiscal nine month period ended June 28, 2009 as the Fiscal 2009 Nine Months.

SB Holdings has presented the growing products portion of its Home and Garden Business as discontinued operations for all periods presented. The board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of its Fiscal 2009. See Note 3, Significant Accounting Policies – Discontinued Operations, to its SB Holdings Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information on the shutdown of the growing products portion of its Home and Garden Business. As a result, and unless specifically stated, all discussions regarding the Fiscal 2010 Quarter, the Fiscal 2010 Nine Months, the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months only reflect results from its continuing operations.

Net Sales. Net sales for the Fiscal 2010 Quarter increased to \$653 million from \$589 million in the Fiscal 2009 Quarter, an 11% increase. The following table details the principal components of the change in net sales from the Fiscal 2009 Quarter to the Fiscal 2010 Quarter (in millions):

	Net Sales
Fiscal 2009 Quarter Net Sales	\$ 589
Increase in Global Batteries & Personal Care consumer battery sales	11
Increase in Global Batteries & Personal Care Remington branded product sales	12
Increase in Home and garden control product sales	16
Increase in Portable Lighting product sales	3
Decrease in Pet supplies sales	(8)
Addition of Small Appliances	35
Foreign currency impact, net	(5)
Fiscal 2010 Quarter Net Sales	\$ 653

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Net sales for the Fiscal 2010 Nine Months increased to \$1,778 million from \$1,641 million in the Fiscal 2009 Nine Months, an 8% increase. The following table details the principal components of the change in net sales from the Fiscal 2009 Nine Months to the Fiscal 2010 Nine Months (in millions):

	Net Sales
Fiscal 2009 Nine Months Net Sales	\$ 1,641
Increase in Global Batteries & Personal Care Remington branded product sales	27
Increase in Global Batteries & Personal Care consumer battery sales	18
Increase in Home and Garden control product sales	17
Increase in Portable Lighting product sales	3
Decrease in Pet supplies sales	(3)
Addition of Small Appliances	35
Foreign currency impact, net	40
 Fiscal 2010 Nine Months Net Sales	 \$ 1,778

Consolidated net sales by product line for the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months are as follows (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
<i>Product line net sales</i>				
Battery sales	\$ 194	\$ 185	\$ 629	\$ 590
Pet supplies sales	135	145	420	419
Home and Garden control product sales	164	148	266	249
Shaving and grooming product sales	61	48	196	166
Personal care product sales	43	44	167	158
Lighting product sales	21	18	65	59
Small appliances	35		35	
 Total net sales to external customers	 \$ 653	 \$ 589	 \$ 1,778	 \$ 1,641

Global consumer battery sales increased \$9 million, or 5%, in the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter. The increase in consumer battery sales is attributable to increases in Latin America and North America of \$9 million and \$7 million, respectively. These gains were partially offset by declines in Europe of \$5 million and unfavorable foreign exchange translation of \$2 million. The decrease within Europe is primarily due to the continued exit of low margin private label sales. The \$10 million, or 7%, decrease in pet supplies sales during the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter is due to decreased promotional activity from retailers and unfavorable foreign exchange translation of approximately \$1 million. The \$16 million, or 11%, increase in home and garden control product sales in the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter is a result of greater volume with major customers driven by incentives to the retailer and promotional campaigns. Shaving and grooming product sales increased \$13 million, or 23%, in the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter driven by increases within Europe of \$10 million. The increased shaving and grooming product sales within Europe is a result of

successful promotions and operational execution. Personal care product sales during the Fiscal 2010 Quarter decreased \$1 million, or 3%, compared to the Fiscal 2009 Quarter, as a result of unfavorable foreign exchange impacts. Lighting product sales increased \$3 million, or 19%, during the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter as a result of significant new distribution to a major customer.

Global consumer battery sales increased \$39 million, or 7%, in the Fiscal 2010 Nine Months compared to the Fiscal 2009 Nine Months. The increase was driven by favorable foreign exchange translation of \$21 million coupled with increased sales in North America and Latin America. These increases were tempered by decreased consumer battery sales of \$17 million in Europe, primarily due to SB Holdings' continued exit of

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low margin private label battery sales. Pet supplies sales were virtually flat in the Fiscal 2010 Nine Months compared to the Fiscal 2009 Nine Months, increasing \$1 million to \$420 million. The \$1 million increase comprised of favorable foreign exchange translation of \$5 million which was offset by decreased aquatics sales, primarily in the Pacific Rim. Home and garden control product sales increased \$17 million, or 7%, in the Fiscal 2010 Nine Months compared to the Fiscal 2009 Nine Months. The increase is due to additional sales to major customers driven by incentives to retailers and promotional campaigns. Electric shaving and grooming products increased \$30 million, or 18%, in the Fiscal 2010 Nine Months compared to the Fiscal 2009 Nine Months. This increase is primarily due to increased sales in Europe of \$23 million and favorable foreign exchange translation of \$6 million. During the Fiscal 2010 Nine Months electric personal care sales increased \$9 million, or 5%, compared to the Fiscal 2009 Nine Months primarily due to favorable foreign exchange translation of \$5 million and increases within Latin America and North America of \$3 million and \$2 million, respectively. These increases within electric personal care sales were slightly offset by declines in Europe of \$2 million. The \$6 million, or 9%, increase in portable lighting sales in the Fiscal 2010 Nine Months compared to the Fiscal 2009 Nine Months was primarily due to favorable foreign exchange translation of \$2 million coupled with the same factors mentioned above for the Fiscal 2010 Quarter.

Gross Profit. Gross profit for the Fiscal 2010 Quarter was \$253 million versus \$230 million for the Fiscal 2009 Quarter. SB Holdings' gross profit margin for the Fiscal 2010 Quarter decreased slightly to 38.6% from 39.1% in the Fiscal 2009 Quarter. This slight decline in gross profit margin is primarily due to Restructuring and related charges of \$2 million in the Fiscal 2010 Quarter compared to de minimis charges during the Fiscal 2009 Quarter. Restructuring and related charges in the Fiscal 2010 Quarter were primarily related to cost reduction initiatives announced in 2009. Gross profit for the Fiscal 2010 Nine Months was \$647 million versus \$605 million for the Fiscal 2009 Nine Months. SB Holdings' gross profit margin for the Fiscal 2010 Nine Months decreased slightly to 36.4% from 36.8% in the Fiscal 2009 Nine Months. As a result of SB Holdings' adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with Statement of Financial Accounting Standards No. 141,

Business Combinations, (*SFAS 141*), inventory balances were revalued at August 30, 2009 resulting in an increase in such inventory balances of \$49 million. As a result of the inventory revaluation, SB Holdings recognized \$34 million in additional cost of goods sold in the Fiscal 2010 Nine Months. The impact of the inventory revaluation was offset by lower Restructuring and related charges as Cost of goods sold during the Fiscal 2010 Nine Months included \$6 million of Restructuring and related charges whereas the Fiscal 2009 Nine Months included \$13 million of Restructuring and related charges. The Restructuring and related charges incurred in the Fiscal 2010 Nine Months were primarily associated with cost reduction initiatives announced in 2009. The \$13 million of Restructuring and related charges incurred in the Fiscal 2009 Nine Months primarily related to the shutdown of SB Holdings' Ningbo, China battery manufacturing facility. See *Restructuring and Related Charges* below, as well as Note 13, Restructuring and Related Charges, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges.

Operating Expense. Operating expenses for the Fiscal 2010 Quarter totaled \$193 million versus \$147 million for the Fiscal 2009 Quarter representing an increase of \$46 million. During the Fiscal 2010 Quarter SB Holdings incurred \$17 million of Acquisition and integration related charges as a result of SB/RH merger. During the Fiscal 2010 Quarter SB Holdings also incurred \$6 million of Selling expense and \$3 million of General and administrative expense related to the Small Appliances segment. Also included in Operating expenses for the Fiscal 2010 Quarter was additional depreciation and amortization as a result of the revaluation of its long lived assets in connection with its adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code. Operating expenses for the Fiscal 2010 Nine Months totaled \$523 million versus \$463 million for the Fiscal 2009 Nine Months representing an increase of \$60 million. The increase in the Fiscal 2010 Nine Months was due to the same factors affecting the Fiscal 2010 Quarter increase partially offset by lower restructuring and related charges. In the Fiscal 2010 Nine Months SB Holdings recorded approximately \$11 million of restructuring and related charges which were primarily related to cost reduction initiatives announced in 2009. SB Holdings recorded \$27 million of restructuring and related charges in the Fiscal 2009 Nine Months which related to consulting, legal and accounting fees related to the

evaluation of its capital structure coupled with various cost reduction initiatives announced in 2009 and its global realignment

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announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 13, Restructuring and Related Charges, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges.

Adjusted EBITDA. SB Holdings management believes that certain non-GAAP financial measures may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods. Adjusted earnings before interest, taxes, depreciation and amortization (*Adjusted EBITDA*) is a metric used by management and frequently used by the financial community which provides insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt and is one of the measures used for determining SB Holdings' debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. While SB Holdings management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace SB Holdings' GAAP financial results.

Adjusted EBITDA, which includes the results of Russell Hobbs' businesses as if it was combined with Spectrum Brands for all periods presented (see reconciliation of GAAP Net Income (Loss) from Continuing Operations to Adjusted EBITDA by segment below) was \$124 million for the Fiscal 2010 Quarter compared with \$123 million for the Fiscal 2009 Quarter.

Segment Results. As discussed above, SB Holdings manages its business in four reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies, (iii) Home and Garden Business; and (iv) Small Appliances.

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

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

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to SB Holdings' reportable segments is contained in Note 11, Segment Results, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement.

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Below is a reconciliation of GAAP Net Income (Loss) from Continuing Operations to Adjusted EBITDA by segment for the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months:

	Fiscal 2010 Quarter					
	Global Batteries & Personal		Home and Garden		Corporate/ Consolidated SB Holdings	
	Care	Global Pet Supplies	Business	Small Appliances	Unallocated Items(a)	Consolidated SB Holdings
	(In millions)					
Net Income (loss)	\$ 29	\$ 17	\$ 40	\$ 2	\$ (175)	\$ (87)
Income tax expense					13	13
Interest expense					50	50
Write-off unamortized discounts and financing fees(b)					82	82
Pre-acquisition earnings				15		15
Restructuring and related charges	1	1			3	5
Acquisition and integration related charges				1	16	17
Accelerated depreciation and amortization(c)					(2)	(2)
Adjusted EBIT	\$ 30	\$ 18	\$ 40	\$ 18	\$ (13)	\$ 93
Depreciation and amortization	14	7	4	1	6	31
Adjusted EBITDA	\$ 44	\$ 25	\$ 44	\$ 19	\$ (7)	\$ 124

	Fiscal 2009 Quarter					
	Global Batteries & Personal		Home and Garden		Corporate/ Consolidated SB Holdings	
	Care	Global Pet Supplies	Business	Small Appliances	Unallocated Items(a)	Consolidated SB Holdings
	(In millions)					
Net Income (loss)	\$ 37	\$ 19	\$ 35	\$	\$ (128)	\$ (37)
Loss from discontinued operations, net of tax			2			2
Income tax expense					8	8
Interest expense					49	49

Write-off unamortized discounts and financing fees(b)						
Pre-acquisition earnings				21		21
Restructuring and related charges	1		1		1	3
Reorganization items					62	62
Brazilian IPI credit/other	(1)					(1)
Adjusted EBIT	\$ 37	\$ 19	\$ 38	\$ 21	\$ (8)	\$ 107
Depreciation and amortization	6	6	3		1	15
Adjusted EBITDA	\$ 43	\$ 25	\$ 41	\$ 21	\$ (7)	\$ 122

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	Fiscal 2010 Nine Months					
	Global Batteries & Personal Care	Global Pet Supplies	Home and Garden Business	Small Appliances	Corporate/ Unallocated Items(a)	Consolidated SB Holdings
	(In millions)					
Net Income (loss)	\$ 101	\$ 35	\$ 31	\$ 2	\$ (334)	\$ (166)
Loss from discontinued operations, net of tax			3			3
Income tax expense					45	45
Interest expense					148	148
Write-off unamortized discounts and financing fees(b)					82	82
Pre-acquisition earnings				67		67
Restructuring and related charges	3	4	8		2	17
Acquisition and integration related charges				1	21	22
Reorganization items					4	4
Accelerated depreciation and amortization(c)					(2)	(2)
Fresh-start inventory fair value adjustment	18	14	2			34
Brazilian IPI credit/other	(5)					(5)
Adjusted EBIT	\$ 117	\$ 52	\$ 44	\$ 70	\$ (34)	\$ 249
Depreciation and amortization	38	21	10	1	13	83
Adjusted EBITDA	\$ 155	\$ 73	\$ 54	\$ 71	\$ (21)	\$ 332

	Fiscal 2009 Nine Months					
	Global Batteries & Personal Care	Global Pet Supplies	Home and Garden Business	Small Appliances	Corporate/ Unallocated Items(a)	Consolidated SB Holdings
	(In millions)					
Net Income (loss)	\$ 99	\$ 42	\$ (50)	\$	\$ (301)	\$ (210)
Loss from discontinued operations, net of tax			84			84

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Income tax expense					32	32
Interest expense					149	149
Pre-acquisition earnings				57		57
Restructuring and related charges	21	5	3		12	40
Reorganization items					84	84
Accelerated depreciation and amortization(c)	(3)					(3)
Brazilian IPI credit/other	(5)					(5)
Adjusted EBIT	\$ 112	\$ 47	\$ 37	\$ 57	\$ (24)	\$ 228
Depreciation and Amortization	21	16	8		2	47
Adjusted EBITDA	\$ 133	\$ 63	\$ 45	\$ 57	\$ (22)	\$ 275

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- (a) It is SB Holdings policy to record Income tax expense (benefit), and interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the operating results of the operating segments.
- (b) Adjustment reflects \$61.4 million write off of unamortized deferred financing fees and discounts associated with the company's capital structure refinanced on June 16, 2010; \$5.0 million charge related to pre-payment premiums associated with the paydown of the ABL and FILO extinguished on June 16, 2010 and \$15.7 million related to the termination of interest swaps and commitment fees.
- (c) Adjustment reflects restricted stock amortization and accelerated depreciation associated with certain restructuring initiatives. Inasmuch as this amount is included within Restructuring and related charges, this adjustment negates the impact of reflecting the add-back of depreciation and amortization.

Global Batteries & Personal Care

	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
	(In millions)			
Net sales to external customers	\$ 319	\$ 297	\$ 1,056	\$ 974
Segment profit	\$ 32	\$ 37	\$ 112	\$ 124
Segment profit as a % of net sales	10.0%	12.5%	10.6%	12.7%
Segment Adjusted EBITDA	\$ 44	\$ 43	\$ 155	\$ 133
Assets at July 4, 2010 and September 30, 2009	\$ 1,538	\$ 1,630	\$ 1,538	\$ 1,630

Segment net sales to external customers in the Fiscal 2010 Quarter increased \$22 million to \$319 million from \$297 million during the Fiscal 2009 Quarter, a 7% increase. Unfavorable foreign currency exchange translation impacted net sales in the Fiscal 2010 Quarter by approximately \$4 million. Battery sales for the Fiscal 2010 Quarter increased to \$194 million when compared to sales of \$185 million in the Fiscal 2009 Quarter. The increase is attributable to gains in Latin America and North America of \$9 million and \$7 million, respectively. The increased sales within Latin America were driven by increased specialty battery sales volume in Central America and Columbia while the increases in North America were attributable to continued sales growth with a major customer. These gains were partially offset by declines in Europe of \$5 million and unfavorable foreign exchange translation of \$2 million. The decrease within Europe is primarily due to the continued exit of low margin private label sales. Net sales of electric shaving and grooming products in the Fiscal 2010 Quarter increased by \$13 million from their levels in the Fiscal 2009 Quarter primarily due to increases within Europe of \$10 million. The increased shaving and grooming product sales within Europe is a result of successful promotions and operational execution. SB Holdings also experienced modest increases during the Fiscal 2010 Quarter compared to the Fiscal 2009 Quarter within both North America and Latin America of \$2 million and \$1 million, respectively. Net sales of electric personal care products in the Fiscal 2010 Quarter decreased slightly by \$1 million compared to the Fiscal 2009 Quarter due to unfavorable foreign exchange translation. Net sales of portable lighting products for the Fiscal 2010 Quarter increased to \$21 million as compared to sales of \$18 million for the Fiscal 2009 Quarter as a result of increased distribution to a major customer. Segment net sales to external customers in the Fiscal 2010 Nine Months increased \$82 million to \$1,056 million from \$974 million during the Fiscal 2009 Nine Months, a 9% increase. Favorable foreign currency exchange translation impacted net sales in the Fiscal 2010 Nine Months by approximately \$35 million. Battery sales for the Fiscal 2010 Nine Months increased to \$629 million when compared to sales of \$590 million in the Fiscal 2009 Nine Months. The increased sales are attributable to favorable foreign currency exchange translation of \$21 million coupled with increased specialty battery sales of \$24 million which was partially tempered by a decline in alkaline

sales of \$6 million. The increase in specialty battery sales are due to greater volume in Colombia and Central America coupled with increased sales at a major customer within North America. The decrease in alkaline sales is due to the continued exit of low margin private label sales in Europe which was offset by sales with a major customer in North America. Net sales of electric shaving and grooming products in the Fiscal 2010 Nine Months increased by \$30 million from their levels in the Fiscal 2009 Nine Months due to favorable foreign exchange translation of \$6 million coupled with increased sales in Europe of \$23 million. Net sales of electric personal care products in the

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Fiscal 2010 Nine Months increased by \$9 million compared to the Fiscal 2009 Nine Months due to favorable foreign exchange translation of \$5 million coupled with increases within North America and Latin America of \$2 million and \$3 million, respectively. These increases within electric personal care sales were slightly offset by declines in Europe of \$2 million. Net sales of portable lighting products for the Fiscal 2010 Nine Months increased to \$65 million as compared to sales of \$59 million for the Fiscal 2009 Nine Months. The increased lighting products sales is a result of the factors mentioned above.

Segment profitability in the Fiscal 2010 Quarter was \$32 million compared to \$37 million in the Fiscal 2009 Quarter. Segment profitability as a percentage of net sales decreased to 10.0% in the Fiscal 2010 Quarter compared to 12.5% in the Fiscal 2009 Quarter. Segment profitability in the Fiscal 2010 Quarter was negatively impacted by an increase of approximately \$4 million in intangible asset amortization, primarily related to customer relationship lists, as was required when Spectrum Brands adopted fresh-start reporting upon its emergence from Chapter 11 of the Bankruptcy Code. Offsetting this decrease to segment profitability was higher sales, primarily due to favorable foreign exchange translation, and savings from Spectrum Brands cost reduction initiatives announced in Fiscal 2009. Segment profitability in the Fiscal 2010 Nine Months decreased to \$112 million from \$124 million in the Fiscal 2009 Nine Months. Segment profitability as a percentage of net sales decreased to 10.6% in the Fiscal 2010 Nine Months compared to 12.7% in the Fiscal 2009 Nine Months. The decrease in segment profitability for the Fiscal 2010 Nine Months was mainly attributable to a \$19 million increase in cost of goods sold due to the revaluation of inventory coupled with approximately a \$12 million increase in intangible amortization due to SB Holdings adoption of fresh-start reporting as mentioned in the Fiscal 2010 Quarter. Offsetting this decrease to segment profitability was higher sales, primarily due to favorable foreign exchange translation, and savings from its restructuring initiatives mentioned above in the Fiscal 2010 Quarter. See *Restructuring and Related Charges* below, as well as Note 12, Restructuring and Related Charges, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges.

Segment Adjusted EBITDA in the Fiscal 2010 Quarter was \$44 million compared to \$43 million in the Fiscal 2009 Quarter. Segment Adjusted EBITDA increased to \$155 million in the Fiscal 2010 Nine Months compared to \$133 million in the Fiscal 2009 Nine Months. The increase in Adjusted EBITDA is mainly driven by the highly efficient cost structure now in place from SB Holdings cost reduction initiatives announced in Fiscal 2009 coupled with increases in market share in certain of SB Holdings product categories.

Segment assets at July 4, 2010 decreased to \$1,538 million from \$1,630 million at September 30, 2009. The decrease is primarily due to the impact of foreign currency translation. On July 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting upon Spectrum Brands emergence from Chapter 11 of the Bankruptcy Code, totaled approximately \$869 million and \$909 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to SB Holdings Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information on fresh-start reporting.

Foreign Currency Translation Venezuela Impacts

The Global Batteries & Personal Care segment does business in Venezuela through a Venezuelan subsidiary. As of January 4, 2010, the beginning of its second quarter of Fiscal 2010, SB Holdings determined that Venezuela meets the definition of a highly inflationary economy under GAAP. As a result, beginning January 4, 2010, the U.S. dollar is the functional currency for its Venezuelan subsidiary. Accordingly, going forward, currency remeasurement adjustments for this subsidiary's financial statements and other transactional foreign exchange gains and losses are reflected in earnings. Through January 3, 2010, prior to being designated as highly inflationary, translation adjustments related to its Venezuelan subsidiary were reflected in Shareholders' equity as a component of other comprehensive income.

In addition, on January 8, 2010, the Venezuelan government announced its intention to devalue its currency, the Bolivar fuerte, relative to the U.S. dollar. The official exchange rate for imported goods classified as essential, such as food and medicine, changed from 2.15 to 2.6 to the U.S. dollar, while payments for other

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non-essential goods moved to an exchange rate of 4.3 to the U.S. dollar. Some of SB Holdings' imported products fell into the essential classification and qualified for the 2.6 rate; however, its overall results in Venezuela are reflected at the 4.3 rate expected to be applicable to dividend repatriations. As a result, SB Holdings remeasured the local statement of financial position of its Venezuela entity during the second quarter of SB Holdings' fiscal 2010 to reflect the impact of the devaluation. There will also be an ongoing impact related to measuring its Venezuelan statement of operations at the new exchange rate of 4.3 to the U.S. dollar; however, SB Holdings does not expect that impact to be material.

The designation of its Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a \$1 million unfavorable impact to its operating income and a foreign exchange loss, reflected in Other expense, net, of approximately \$6 million for the Fiscal 2010 Nine Months.

Global Pet Supplies

	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
	(In millions)			
Net sales to external customers	\$ 135	\$ 145	\$ 420	\$ 419
Segment profit	\$ 17	\$ 19	\$ 37	\$ 46
Segment profit as a % of net sales	12.6%	13.1%	8.8%	11.0%
Segment Adjusted EBITDA	\$ 25	\$ 25	\$ 73	\$ 63
Assets at July 4, 2010 and September 30, 2009	\$ 810	\$ 867	\$ 810	\$ 867

Segment net sales to external customers in the Fiscal 2010 Quarter decreased to \$135 million from \$145 million in the Fiscal 2009 Quarter, representing a decrease of \$10 million or 7%. The decrease in net sales in the Fiscal 2010 Quarter was primarily driven by decreased promotional activity from retailers and unfavorable foreign exchange translation of approximately \$1 million. Segment net sales to external customers in the Fiscal 2010 Nine Months increased slightly to \$420 million from \$419 million in the Fiscal 2009 Nine Months. The increase in net sales in the Fiscal 2010 Nine Months was primarily driven by favorable foreign currency exchange translation of \$4 million which was partially offset the factors mentioned above.

Segment profitability in the Fiscal 2010 Quarter was \$17 million versus \$19 million in the Fiscal 2009 Quarter. Segment profitability as a percentage of sales in the Fiscal 2009 Quarter decreased to 12.6% from 13.1% in the same period last year. The slight decline in segment profitability for the Fiscal 2010 Quarter was mainly attributable to the previously mentioned decrease in promotional activity from retailers. Segment profitability in the Fiscal 2010 Nine Months was \$37 million versus \$46 million in the Fiscal 2009 Nine Months. Segment profitability as a percentage of sales in the Fiscal 2010 Nine Months decreased to 8.8% from 11.0% in the same period last year. The decrease in segment profitability for the Fiscal 2010 Nine Months was mainly attributable to a \$14 million increase in cost of goods sold due to the revaluation of inventory in accordance with SFAS 141, as was required when Spectrum Brands adopted fresh-start reporting upon its emergence from Chapter 11 of the Bankruptcy Code which was partially offset by increased segment profitability during the Fiscal 2010 Nine Months as a result of improved pricing and lower manufacturing costs and savings from its global cost reduction initiatives announced in Fiscal 2009. See *Restructuring and Related Charges* below, as well as Note 12, Restructuring and Related Charges, to SB Holdings' Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges.

Segment Adjusted EBITDA in the Fiscal 2010 Quarter was \$25 million compared to \$25 million in the Fiscal 2009 Quarter. Segment Adjusted EBITDA increased to \$73 million in the Fiscal 2010 Nine Months compared to \$63 million in the Fiscal 2009 Nine Months. Despite decreased net sales for the Fiscal 2010 Quarter of \$10 million, SB Holdings' successful efforts to create a lower cost structure including the closure and consolidation of some of its pet facilities, and improved product mix, resulted in Adjusted EBITDA of \$25 million which was flat when compared to the Fiscal 2009 Quarter. The \$10 million increase in Adjusted EBITDA for the Fiscal 2010 Nine months is due to its cost savings initiatives mentioned previously. See *Restructuring and Related Charges* below for further detail on its Fiscal 2009 initiatives.

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Segment assets at July 4, 2010 decreased to \$810 million from \$867 million at September 30, 2009. The decrease is primarily due to the impact of foreign currency translation. On July 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting upon Spectrum Brands' emergence from Chapter 11 of the Bankruptcy Code, totaled approximately \$576 million and \$618 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to SB Holdings' Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information on fresh-start reporting.

Home and Garden

	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
	(In millions)			
Net sales to external customers	\$ 164	\$ 148	\$ 266	\$ 249
Segment profit	\$ 40	\$ 39	\$ 41	\$ 37
Segment profit as a % of net sales	24.4%	26.4%	15.4%	14.9%
Segment Adjusted EBITDA	\$ 44	\$ 41	\$ 54	\$ 45
Assets at July 4, 2010 and September 30, 2009	\$ 533	\$ 506	\$ 533	\$ 506

Segment net sales to external customers in the Fiscal 2010 Quarter increased to \$164 million from \$148 million in the Fiscal 2009 Quarter. The increase in net sales in the Fiscal 2010 Quarter was primarily a result of greater volume with major customers driven by incentives to the retailer. Segment net sales to external customers increased to \$266 million in the Fiscal 2010 Nine Months from \$249 million in the Fiscal 2009 Nine Months. The increase in net sales in the Fiscal 2010 Nine Months is attributable to the factors mentioned above.

Segment profitability in the Fiscal 2010 Quarter increased slightly to \$40 million from \$39 million in the Fiscal 2009 Quarter. Segment profitability as a percentage of sales in the Fiscal 2010 Quarter decreased slightly to 24.4% from 26.4% in the same period last year. Segment profitability in the Fiscal 2010 Nine Months increased to \$41 million from \$37 million in the Fiscal 2009 Nine Months. Segment profitability as a percentage of sales in the Fiscal 2010 Nine Months increased to 15.4% from 14.9% in the same period last year.

This slight increase in segment profitability was attributable to savings from Spectrum Brands' global cost reduction initiatives announced in Fiscal 2009. See *Restructuring and Related Charges* below, as well as Note 13, Restructuring and Related Charges, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges. The increase in profitability during the Fiscal 2010 Nine Months was tempered by a \$2 million increase in cost of goods sold due to the revaluation of inventory and increased intangible amortization due to the revaluation of SB Holdings' customer relationships in accordance with SFAS 141 as was required when Spectrum Brands adopted fresh-start reporting upon its emergence from Chapter 11 of the Bankruptcy Code.

Segment Adjusted EBITDA in the Fiscal 2010 Quarter was \$44 million compared to \$41 million in the Fiscal 2009 Quarter. Segment Adjusted EBITDA increased to \$54 million in the Fiscal 2010 Nine Months compared to \$45 million in the Fiscal 2009 Nine Months. The increase in Adjusted EBITDA for the Fiscal 2010 Quarter and Fiscal 2010 Nine months is mainly driven by its expanded promotions at its top retailers and strong sales growth.

Segment assets at July 4, 2010 increased to \$533 million from \$506 million at September 30, 2009. On July 4, 2010 and September 30, 2009, goodwill and intangible assets, which were revalued in conjunction with fresh-start reporting

upon Spectrum Brands emergence from Chapter 11 of the Bankruptcy Code, totaled approximately \$413 million and \$419 million, respectively. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to the Condensed Consolidated Financial Statements (Unaudited) SB Holdings included elsewhere in this information statement for additional information on fresh-start reporting.

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	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
	(In millions)			
Net sales to external customers	\$ 35	\$	\$ 35	\$
Segment profit	\$ 2	\$	\$ 2	\$
Segment profit as a % of net sales	5.7%		5.7%	
Segment Adjusted EBITDA	\$ 19	\$ 21	\$ 71	\$ 57
Assets at July 4, 2010 and September 30, 2009	\$ 821	\$	\$ 821	\$

Segment net sales to external customers in the Fiscal 2010 Quarter were \$35 million. This represents sales related to Russell Hobbs from the date of the consummation of the merger, June 16, 2010 through the close of the Fiscal 2010 Quarter.

Segment profitability in the Fiscal 2010 Quarter was \$2 million. This represents segment profit related to Russell Hobbs from the date of the consummation of the merger, June 16, 2010 through the close of the Fiscal 2010 Quarter.

Segment Adjusted EBITDA in the Fiscal 2010 Quarter was \$19 million compared to \$21 million in the Fiscal 2009 Quarter. The slight decrease in Adjusted EBITDA for the Fiscal 2010 Quarter is mainly due to SB Holdings' focus on expanding SB Holdings' presence in the healthy cooking category and leveraging the strength of the George Foreman brand with increased promotional spending. Adjusted EBITDA increased to \$71 million in the Fiscal 2010 Nine Months compared to \$57 million in the Fiscal 2009 Nine Months. The \$14 million increase in the Fiscal 2010 Nine Months is mainly driven by Russell Hobbs' voluntarily exiting non-profitable product lines and implementing cost reduction initiatives.

Segment assets at July 4, 2010 were \$821 million. On July 4, 2010 goodwill and intangible assets, which were revalued in conjunction with the SB/RH Merger, totaled approximately \$488 million.

Corporate Expense. SB Holdings' corporate expense in the Fiscal 2010 Quarter was \$10 million compared to \$8 million during the Fiscal 2009 Quarter. Corporate expense as a percentage of consolidated net sales for the Fiscal 2010 Quarter was 1.5% and 1.4% for the Fiscal 2009 Quarter. The increase is primarily due to stock compensation expense of \$6 million in the Fiscal 2010 Quarter compared to \$1 million of stock compensation expense in the Fiscal 2009 Quarter. SB Holdings' corporate expense in the Fiscal 2010 Nine Months was \$29 million compared to \$25 million during the Fiscal 2009 Nine Months. Corporate expense as a percentage of consolidated net sales for the Fiscal 2010 Nine Months was 1.6% and 1.5% for the Fiscal 2009 Nine Months. The increase is primarily due to stock compensation expense of \$12 million in the Fiscal 2010 Nine Months compared to \$2 million of stock compensation expense in the Fiscal 2009 Nine Months.

Acquisition and Integration Related Charges. During the Fiscal 2010 Quarter, SB Holdings, in connection with the SB/RH Merger, recorded Acquisition and integration related charges of \$17 million, which consisted primarily of professional and legal fees. During the Fiscal 2010 Nine Months SB Holdings recorded Acquisition and integration related charges of \$22 million, which consisted primarily of legal and professional fees.

Restructuring and Related Charges. See Note 13, Restructuring and Related Charges to SB Holdings' Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its restructuring and related charges.

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The following table summarizes all restructuring and related charges SB Holdings incurred in the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2010	2009	2010	2009
	(In millions)			
Costs included in cost of goods sold:				
Latin American Initiatives:				
Termination benefits	\$	\$	\$ 0.2	\$ 0.2
Other associated costs			(0.1)	
Global Realignment Initiatives:				
Termination benefits				0.3
Ningbo Exit Plan:				
Termination benefits	0.2		0.2	0.8
Other associated costs		0.2	1.2	11.2
Global Cost Reduction Initiatives:				
Termination benefits	1.1		2.4	0.2
Other associated costs	0.6	0.2	1.6	0.5
Total included in cost of goods sold	1.9	0.4	5.5	13.2
Costs included in operating expenses:				
United & Tetra integration:				
Termination benefits		(0.2)		2.2
Other associated costs		(0.6)		0.6
Global Realignment Initiatives:				
Termination benefits	2.5	1.0	2.5	8.9
Other associated costs	(0.4)	0.5	(1.4)	2.3
Ningbo Exit Plan:				
Other associated costs				1.5
Global Cost Reduction Initiatives:				
Termination benefits		0.5	1.8	2.5
Other associated costs	0.8	1.6	8.3	9.2
Total included in operating expenses	2.9	2.8	11.2	27.2
Total restructuring and related charges	\$ 4.8	\$ 3.2	\$ 16.7	\$ 40.4

SB Holdings has implemented a series of initiatives in the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize SB Holdings' manufacturing structure (the *European Initiatives*). In connection with the European Initiatives, which are substantially complete, SB Holdings implemented a series of initiatives within the Global Batteries & Personal Care segment in Europe to reduce operating costs and rationalize its manufacturing structure. These initiatives include the relocation of certain operations at its Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring Europe's sales, marketing and support functions. SB Holdings recorded no pretax restructuring and related charges during the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months in connection with the European Initiatives. SB Holdings has recorded pretax restructuring and related charges of approximately \$27 million since the

inception of the European Initiatives.

SB Holdings has implemented a series of initiatives within its Global Batteries & Personal Care business segment in Latin America to reduce operating costs (the *Latin American Initiatives*). The initiatives, which are substantially complete, include the reduction of certain manufacturing operations in Brazil and the

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restructuring of management, sales, marketing and support functions. SB Holdings recorded de minimis pretax restructuring and related charges during the Fiscal 2010 Quarter, the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months in connection with the Latin American Initiatives. SB Holdings has recorded restructuring and related charges of approximately \$12 million since the inception of the Latin American Initiatives.

In Fiscal 2007, SB Holdings 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, its global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes SB Holdings undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the *Global Realignment Initiatives*). SB Holdings recorded approximately \$2 million and \$1 million of pretax restructuring and related charges during the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, respectively, and recorded \$1 million and \$12 million during the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through June 30, 2011, relate primarily to severance and are projected at approximately \$87 million.

During Fiscal 2008, SB Holdings implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize its manufacturing structure. These initiatives, which are substantially complete, include the exit of its battery manufacturing facility in Ningbo, China (*Ningbo*) (the *Ningbo Exit Plan*). SB Holdings recorded de minimis pretax restructuring and related charges during the Fiscal 2010 Quarter and approximately \$2 million during the Fiscal 2010 Nine Months. SB Holdings recorded de minimis pretax restructuring and related charges during the Fiscal 2009 Quarter and approximately \$12 million of pretax restructuring and related charges during the Fiscal 2009 Nine Months in connection with the Ningbo Exit Plan. SB Holdings has recorded restructuring and related charges of approximately \$28 million since the inception of the Ningbo Exit Plan.

During Fiscal 2009, SB Holdings implemented a series of initiatives within the Global Batteries & Personal Care segment, the Global Pet Supplies segment, and the Home and Garden Business segment to reduce operating costs as well as evaluate its opportunities to improve its capital structure (the *Global Cost Reduction Initiatives*). These initiatives include headcount reductions within all its segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies and the Home and Garden Business segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of its capital structure. SB Holdings recorded \$3 million of restructuring and related charges during the Fiscal 2010 Quarter, \$14 million during the Fiscal 2010 Nine Months, \$2 million during the Fiscal 2009 Quarter and \$13 million during the Fiscal 2009 Nine Months related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected at approximately \$55 million.

Interest Expense. Interest expense in the Fiscal 2010 Quarter increased to \$132 million from \$49 million in the Fiscal 2009 Quarter. Included in the Fiscal 2010 Quarter interest expense are the following: (i) \$55 million representing the write-off of the unamortized portion of discounts and premiums related to debt that was paid off in conjunction with SB Holdings' refinancing, a non-cash charge; (ii) \$9 million related to bridge commitment fees while SB Holdings was refinancing its debt; (iii) \$6 million representing the write-off of the unamortized debt issuance costs related to debt that was paid off, a non-cash charge; (iv) \$4 million related to a prepayment premium; and (v) \$3 million related to the termination of a Euro-denominated interest rate swap. Interest expense in the Fiscal 2010 Nine Months increased to \$230 million from \$149 million in the Fiscal 2009 Nine Months. The increase during the Fiscal 2010 Nine Months is also a result of the factors mentioned above. See Note 8, Debt, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its outstanding debt.

Reorganization Items. During the Fiscal 2010 Nine Months, SB Holdings, in connection with Spectrum Brands reorganization under Chapter 11 of the Bankruptcy Code, recorded Reorganization items, net of

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\$4 million, which are primarily professional and legal fees. During the Fiscal 2009 Quarter and the Fiscal 2009 Nine Months SB Holdings incurred approximately \$63 million and \$84 million, respectively, of expense in Reorganization items, net. The Fiscal 2009 Quarter included legal and professional fees of \$56 million and a provision for rejected leases of \$6 million. The Fiscal 2009 Nine Months included the following: (i) legal and professional fees of \$67 million; (ii) write off of deferred financing costs of \$11 million; and (iii) a provision for rejected leases of \$6 million. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to Consolidated Financial Statements (Unaudited) of Spectrum Brands included elsewhere in this information statement for more information related to its reorganization under Chapter 11 of the Bankruptcy Code.

Income Taxes. SB Holdings' effective tax rate on income from continuing operations was approximately (17)% and (38)% for the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, respectively. SB Holdings' effective tax rate on income from continuing operations was approximately (30)% and (34)% for the Fiscal 2009 Quarter and Fiscal 2009 Nine Months, respectively. SB Holdings has had changes of ownership, as defined under IRC Section 382, that continue to subject a significant amount of its U.S. federal and state net operating losses and other tax attributes to certain limitations. Under ASC Topic 740: *Income Taxes*, (ASC 740) SB Holdings, as discussed more fully below, continues to have a valuation allowance against its net deferred tax assets in the U.S., excluding certain indefinite lived intangibles.

At July 4, 2010, SB Holdings is estimating that at September 30, 2010 it will have U.S. federal and state net operating loss carryforwards of approximately \$1,109 million and \$1,978 million, respectively, which will expire through years ending in 2030, and SB Holdings will have foreign net operating loss carryforwards of approximately \$184 million, which expire beginning in 2010. Certain of the foreign net operating losses have indefinite carryforward periods. At September 30, 2009, SB Holdings had U.S. federal and state net operating loss carryforwards of approximately \$598 million and \$643 million, respectively, which, at that time, were scheduled to expire through years ending in 2029. At September 30, 2009, SB Holdings had foreign net operating loss carryforwards of approximately \$138 million, which at the time were set to expire beginning in 2010. Certain of the foreign net operating losses have indefinite carryforward periods. Limitations apply to a substantial portion of the U.S. federal and state net operating loss carryforwards in accordance with IRC Section 382. As such, SB Holdings estimates that approximately \$297 million of its federal and \$451 million of its state net operating losses will expire unused.

As a consequence of the Salton-Applica Merger, as well as earlier business combinations and issuances of common stock consummated by both companies, use of the tax benefits of Russell Hobbs' loss carryforwards is also subject to limitations imposed by Section 382 of the IRC. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. SB Holdings' analysis to determine what portion of Russell Hobbs' carryforwards are restricted or eliminated by that provision is ongoing and, pursuant to such analysis, SB Holdings expects that a significant portion of these carryforwards will not be available to offset future taxable income, if any. In addition, use of Russell Hobbs' net operating loss and credit carryforwards is dependent upon both Russell Hobbs and us achieving profitable results in the future.

The ultimate realization of its deferred tax assets depends on its ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. SB Holdings establishes valuation allowances for deferred tax assets when it estimates it is more likely than not that the tax assets will not be realized. SB Holdings bases these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact its ability to project future income. ASC 740 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with ASC 740, SB Holdings periodically assesses the likelihood that its deferred tax assets will be realized and determines if adjustments to the valuation allowance are appropriate. As a result of this assessment, SB Holdings determined that a full valuation allowance is required against the tax benefit of its net deferred tax assets in the U.S. and various other foreign jurisdictions,

excluding certain indefinite lived intangibles. In addition, certain other subsidiaries are subject to valuation allowances with respect to certain deferred tax assets. During the Fiscal 2010 Quarter SB Holdings increased its valuation allowance against net deferred tax assets by approximately \$92 million. SB Holdings' total valuation allowance, established for the tax benefit of

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deferred tax assets that may not be realized, was approximately \$271 million and \$133 million at July 4, 2010 and September 30, 2009, respectively. Of this amount, approximately \$259 million and \$109 million relates to U.S. net deferred tax assets at July 4, 2010 and September 30, 2009, respectively and approximately \$12 million and \$24 million relates to foreign net deferred tax assets at July 4, 2010 and September 30, 2009, respectively.

SB Holdings recognizes in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. At July 4, 2010 and September 30, 2009, SB Holdings had approximately \$10 million and \$8 million of unrecognized tax benefits, respectively. At July 4, 2010 and September 30, 2009, SB Holdings had approximately \$6 million and \$3 million of accrued interest and penalties related to uncertain tax positions, respectively.

Discontinued Operations. On November 11, 2008, the board of directors of Old Spectrum approved the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. SB Holdings believes the shutdown is consistent with what it has done in other areas of its business to eliminate unprofitable products from its portfolio. SB Holdings completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 3, Significant Accounting Policies – Discontinued Operations, of Notes to Condensed Consolidated Financial Statements (Unaudited) of SB Holdings included elsewhere in this information statement for further details on the disposal of the growing products portion of the Home and Garden Business.

The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during the Fiscal 2009 Quarter, the Fiscal 2010 Nine Months and the Fiscal 2009 Nine Months, respectively (in millions):

	Fiscal Quarter 2009	Fiscal Nine Months 2010	2009
Net sales	\$	\$	\$ 31.3
Loss from discontinued operations before income taxes	\$	\$ (2.5)	\$ (89.1)
Provision for income tax (benefit) expense		(1.1)	0.2 (5.1)
Loss from discontinued operations, net of tax	\$	\$ (2.0)	\$ (2.7) (84.0)

Liquidity and Capital Resources**Operating Activities**

For the Fiscal 2010 Nine Months cash used by operating activities totaled \$54 million as compared to a use of \$43 million in the Fiscal 2009 Nine Months. Cash used by continuing operations during the Fiscal 2010 Nine Months was \$44 million, compared to cash used by continuing operations of \$28 million in the Fiscal 2009 Nine Months. This change was primarily the result of \$47 million in cash payments for administrative related reorganization items during the Fiscal 2010 Nine Months and \$22 million of cash payments in conjunction with the SB/RH Merger. These items

were partially offset by an increase of income after non-cash items of \$54 million. The \$54 million increase in income after non-cash items is primarily due to higher sales, driven by increased market share and favorable foreign exchange translation and savings from SB Holdings' various cost reduction initiatives. See *Restructuring and Related Charges* above, as well as Note 13, Restructuring and Related Charges, to its Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for additional information regarding its various cost reduction initiatives. Cash used by operating activities of discontinued operations was \$10 million in the Fiscal 2010 Nine Months, compared to cash use of \$16 million during the Fiscal 2009 Nine Months. The operating activities of discontinued operations were related to the growing products portion of the Home and Garden

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Business. See *Discontinued Operations*, above, as well as Note 3, Significant Accounting Policies-Discontinued Operations, of Notes to Condensed Consolidated Financial Statements (Unaudited) included elsewhere in this information statement for further details on the disposal of the growing products portion of the Home and Garden Business.

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

Investing Activities

Net cash used by investing activities was \$20 million for the Fiscal 2010 Nine Months. For the Fiscal 2009 Nine Months net cash used by investing activities was \$6 million. The \$14 million increase in cash used by investing activities is primarily due to increased capital expenditures for continuing operations of \$12 million, partially offset by the non-recurrence of \$1 million cash used by investing activities for discontinued operations in the Fiscal 2009 Nine Months.

Debt Financing Activities

In connection with the SB/RH Merger, SB Holdings (i) entered into a new senior secured term loan pursuant to a new senior credit agreement (the *Senior Credit Agreement*) consisting of a \$750 million U.S. Dollar Term Loan due June 16, 2016 (the *Term Loan*), (ii) issued \$750 million in aggregate principal amount of 9.5% Senior Secured Notes maturing June 15, 2018 (the *9.5% Notes*) and (iii) entered into a \$300 million U.S. Dollar asset based revolving loan facility due June 16, 2014 (the *ABL Revolving Credit Facility*) and together with the Senior Credit Agreement, the *Senior Credit Facilities* and the Senior Credit Facilities together with the 9.5% Notes, the *Senior Secured Facilities*). The proceeds from the Senior Secured Facilities were used to repay its then-existing senior term credit facility (the *Prior Term Facility*) and its then-existing asset based revolving loan facility, to pay fees and expenses in connection with the refinancing and for general corporate purposes.

The 9.5% Notes and 12% Notes were issued by Spectrum Brands. SB/RH Holdings, LLC, a wholly-owned subsidiary of SB Holdings, and certain of the U.S. subsidiaries of Spectrum Brands are the guarantors under the 9.5% Notes. Certain of the U.S. subsidiaries of Spectrum Brands are the guarantors under the 12% Notes. SB Holdings is not an issuer or guarantor of the 9.5% Notes or the 12% Notes. SB Holdings is also not a borrower or guarantor under the Company's Term Loan or the ABL Revolving Credit Facility. Spectrum Brands is the borrower under the Term Loan and certain of its U.S. subsidiaries along with SB/RH Holdings, LLC are the guarantors under that facility. Spectrum Brands and certain of its U.S. subsidiaries are the borrowers under the ABL Revolving Credit Facility and SB/RH Holdings, LLC is a guarantor of that facility.

Senior Term Credit Facility

The Term Loan has a maturity date of June 16, 2016. Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to a scheduled amortization, with the final payment of all

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amounts outstanding, plus accrued and unpaid interest, due at maturity. Among other things, the Term Loan provides for a minimum Eurodollar interest rate floor of 1.5% and interest spreads over market rates of 6.5%.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum leverage ratio and a minimum interest coverage 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 SB Holdings' 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, SB Holdings and its domestic subsidiaries have guaranteed its respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of SB Holdings' respective assets to secure such obligations. The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

The Term Loan was issued at a 2.00% discount and was recorded net of the \$15 million amount incurred. The discount will be amortized as an adjustment to the carrying value of principal with a corresponding charge to interest expense over the remaining life of the Senior Credit Agreement. During both the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, SB Holdings recorded \$26 million of fees in connection with the Senior Credit Agreement. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the Senior Credit Agreement.

At July 4, 2010, the aggregate amount outstanding under the Term Loan totaled \$750 million.

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

At July 4, 2010, SB Holdings was in compliance with all covenants under the Senior Credit Agreement.

9.5% Notes

At July 4, 2010, SB Holdings had outstanding principal of \$750 million under the 9.5% Notes maturing June 15, 2018.

SB Holdings may redeem all or a part of the 9.5% Notes, upon not less than 30 or more than 60 days notice, beginning June 15, 2014 at specified redemption prices. Further, the indenture governing the 9.5% Notes (the *2018 Indenture*) requires SB Holdings to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control, as defined in such indenture.

The 2018 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2018 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other

indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2018 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 9.5% Notes. If any other event of default under the 2018 Indenture occurs and is continuing, the trustee for the 2018 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 9.5% Notes may declare the acceleration of the amounts due under those notes.

At July 4, 2010, SB Holdings was in compliance with all covenants under the 2018 Indenture. SB Holdings, however, is subject to certain limitations as a result of its Fixed Charge Coverage Ratio under the

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2018 Indenture being below 2:1. Until the test is satisfied, SB Holdings and certain of its subsidiaries are limited in its ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. SB Holdings does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

The 9.5% Notes were issued at a 1.37% discount and were recorded net of the \$10 million amount incurred. The discount will be amortized as an adjustment to the carrying value of principal with a corresponding charge to interest expense over the remaining life of the 9.5% Notes. During both the Fiscal 2010 Quarter and the Fiscal 2010 Nine Months, SB Holdings recorded \$21 million of fees in connection with the issuance of the 9.5% Notes. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the 9.5% Notes.

12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 and pursuant to the Plan, SB Holdings issued \$218 million in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at its option, SB Holdings may elect to pay interest on the 12% Notes in cash or as payment in kind, or PIK. PIK interest would be added to principal upon the relevant semi-annual interest payment date. Under the Prior Term Facility, SB Holdings agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. As a result of the refinancing of the Prior Term Facility SB Holdings is no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010. During both the Fiscal 2010 Quarter and the Fiscal 2010 Nine Months, SB Holdings reclassified \$13 million of accrued interest from Other long term liabilities to principal in connection with the PIK provision of the 12% Notes. At July 4, 2010, SB Holdings had \$10 million of accrued interest included in Other long term liabilities in the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) that will be reclassified to principal upon the next semi-annual interest payment date of August 28, 2010.

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

At July 4, 2010 and September 30, 2009, SB Holdings had outstanding principal of \$231 million and \$218 million, respectively, under the 12% Notes.

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

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

At July 4, 2010, SB Holdings was in compliance with all covenants under the 12% Notes. SB Holdings, however, is subject to certain limitations as a result of its Fixed Charge Coverage Ratio under the 2019

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Indenture being below 2:1. Until the test is satisfied, SB Holdings and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. SB Holdings does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

In connection with the SB/RH Merger, SB Holdings obtained the consent of the note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture became effective upon the closing of the Merger. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger Parties and increased SB Holdings' ability to incur indebtedness up to \$1,850 million.

During both the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, SB Holdings recorded \$3 million of fees in connection with the consent. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the Merger.

ABL Revolving Credit Facility

The ABL Revolving Credit Facility is governed by a credit agreement (the ABL Credit Agreement) with Bank of America as administrative agent (the Agent). The ABL Revolving Credit Facility consists of 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.

The Revolving Loans may be drawn, repaid and reborrowed without premium or penalty. The proceeds of borrowings under the ABL Revolving Credit Facility are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for working capital requirements of SB Holdings and its subsidiaries, restructuring costs, and other general corporate purposes.

The ABL Revolving Credit Facility carries an interest rate, at SB Holdings' option, which is subject to change based on availability under the facility, of either: (a) the base rate plus currently 2.75% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate) plus currently 3.75% per annum. No amortization will be required with respect to the ABL Revolving Credit Facility. The ABL Revolving Credit Facility will mature on June 16, 2014.

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

At July 4, 2010, SB Holdings was in compliance with all covenants under the ABL Credit Agreement.

During both the Fiscal 2010 Quarter and Fiscal 2010 Nine Months, SB Holdings recorded \$10 million of fees in connection with the ABL Revolving Credit Facility. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the ABL Revolving Credit Facility.

As a result of borrowings and payments under the ABL Revolving Credit Facility at July 4, 2010, SB Holdings had aggregate borrowing availability of approximately \$208 million, net of lender reserves of \$29 million.

At July 4, 2010, SB Holdings had an aggregate amount outstanding under the ABL Revolving Credit Facility of \$63 million which includes loans outstanding of \$22 million and letters of credit of \$41 million.

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At September 30, 2009, SB Holdings had an aggregate amount outstanding under its then-existing asset based revolving loan facility of \$84 million which included a supplemental loan of \$45 million and \$6 million in outstanding letters of credit.

Interest Payments and Fees

In addition to principal payments on SB Holdings Senior Credit Facilities, it had annual interest payment obligations of approximately \$71 million in the aggregate under SB Holdings 9.5% Notes and annual interest payment obligations of approximately \$28 million in the aggregate under its 12% Notes. SB Holdings also incurred interest on its borrowings under the Senior Credit Facilities, and such interest would increase borrowings under the ABL Revolving Credit Facility if cash were not otherwise available for such payments. Interest on the 9.5% Notes and interest on the 12% Notes is payable semi-annually in arrears and interest under the Senior Credit Facilities is payable on various interest payment dates as provided in the Senior Credit Agreement and the ABL Credit Agreement. Interest is payable in cash, except that, under the terms of the Senior Credit Facilities, interest under the 12% Notes is required to be paid for the first three semi-annual interest payment dates by increasing the aggregate principal amount due under the subject notes. As a result of the refinancing of the previous Senior Credit Agreement on June 16, 2010, SB Holdings is no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010. Thereafter, SB Holdings may make the semi-annual interest payments for the 12% Notes either in cash or by further increasing the aggregate principal amount due under the notes subject to certain conditions. Based on amounts currently outstanding under the Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect at July 4, 2010, SB Holdings estimates annual interest payments of approximately \$61 million in the aggregate under its Senior Credit Facilities would be required assuming no further principal payments were to occur and excluding any payments associated with outstanding interest rate swaps. SB Holdings is required to pay certain fees in connection with the Senior Credit Facilities. Such fees include a quarterly commitment fee of up to 0.75% on the unused portion of the ABL Revolving Credit Facility and certain additional fees with respect to the letter of credit subfacility under the ABL Revolving Credit Facility.

Equity Financing Activities

During the Fiscal 2010 Nine Months, SB Holdings granted approximately 0.9 million shares of restricted stock. All vesting dates are subject to the recipient's continued employment with us, except as otherwise permitted by its board of directors or in certain cases if the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately \$23 million which was recorded as unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

There have been no material changes to SB Holdings contractual obligations and commercial commitments as discussed in Spectrum Brands consolidated financial statements for its fiscal year ended September 30, 2009 included elsewhere in this information statement.

Critical Accounting Policies and Critical Accounting Estimates

SB Holdings Condensed Consolidated Financial Statements (Unaudited) have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present SB Holdings financial position and results of operations. There have been no material changes to its critical accounting policies or critical accounting estimates as discussed in Spectrum Brands consolidated financial statements included elsewhere in this information statement.

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Recently Issued Accounting Standards

Employers Disclosures About Postretirement Benefit Plan Assets

In December 2008, the FASB issued new accounting guidance on employers' disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for SB Holdings' annual financial statements for the period that began after December 15, 2009. The adoption of this guidance is not expected to have a material effect on its financial position, results of operations or cash flows.

Accounting for Transfers of Financial Assets

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

Variable Interest Entities

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

Results of Operations Spectrum Brands

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

Fiscal 2009, when referenced within this Management's Discussion and Analysis of Financial Condition and Results of Operations, includes the combined results of Old Spectrum for the eleven month period ended August 30, 2009 and New Spectrum Brands for the one month period ended September 30, 2009.

Highlights of Consolidated Operating Results

During Fiscal 2009 and Fiscal 2008, Spectrum Brands has presented the growing products portion of the Home and Garden Business as discontinued operations. During Fiscal 2008 Spectrum Brands has presented the Canadian division of the Home and Garden Business as discontinued operations. The board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of its Fiscal 2009. The Canadian division of the Home and Garden Business was sold on November 1, 2007. See Note 10, Discontinued Operations of Notes to the Consolidated Financial Statements of Spectrum Brands, included elsewhere in this information statement for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the

Canadian division of the Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2009 and Fiscal 2008 only reflect results from its continuing operations.

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

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

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

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

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

Pet product sales during Fiscal 2009 decreased \$25 million, or 4%, compared to Fiscal 2008. The decrease of \$25 million is primarily attributable to decreased aquatics sales of \$27 million coupled with unfavorable foreign

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

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

Electric shaving and grooming product sales during Fiscal 2009 decreased \$22 million, or 9%, compared to Fiscal 2008 primarily due to unfavorable foreign exchange translation of \$19 million. The decline of \$3 million, excluding unfavorable foreign exchange, was due to a \$7 million decrease of sales within North America, which was partially offset by slight increases within Europe and Latin America of \$3 million and \$1 million, respectively. The decreased sales of electric shaving and grooming products within North America were a result of delayed inventory stocking at certain of its major customers for the 2009 holiday season which in turn has resulted in a delay of its product shipments that historically would have been recorded during the fourth quarter of its fiscal year. Spectrum Brands anticipated the first quarter sales of the fiscal year ending September 30, 2010 (*Fiscal 2010*) to be positively impacted versus its historical results due to this delay. The increases within Europe and Latin America were driven by new product launches, pricing and promotions.

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

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

Gross Profit. Gross profit for Fiscal 2009 was \$817 million versus \$920 million for Fiscal 2008. Spectrum Brands gross profit margin for Fiscal 2009 decreased slightly to 36.6% from 37.9% in Fiscal 2008. Gross profit was lower in Fiscal 2009 due to unfavorable foreign exchange impacts of \$58 million. As a result of its adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with ASC 805-10, inventory balances were revalued as of August 30, 2009 resulting in an increase in such inventory balances of \$49 million. As a result of the inventory revaluation, New Spectrum Brands recognized \$16 million in additional cost of goods sold in Fiscal 2009. The remaining \$33 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010. These inventory revaluation adjustments are non-cash charges. In addition, in connection with its adoption of fresh-start reporting, and in accordance with ASC 852, Spectrum Brands revalued its property, plant and equipment as of August 30, 2009 which resulted in an increase to such assets of \$34 million. As a result of the revaluation of property, plant and equipment, during Fiscal 2009 it incurred an additional \$2 million of depreciation charges within cost of goods sold. Spectrum Brands anticipated higher cost of goods sold in future years as a result of the revaluation of its property, plant and equipment. Furthermore, as a result of emergence from Chapter 11 of the Bankruptcy Code, Spectrum Brands anticipated lower interest costs in future years which should enable it to invest more in capital expenditures into its business and, as a result, such higher future capital spending would also increase its depreciation expense in future years. See Note 2, Voluntary Reorganization Under Chapter 11, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for more information

related to its reorganization under Chapter 11 of the Bankruptcy Code and

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fresh-start reporting. Offsetting the unfavorable impacts to its gross margin, Spectrum Brands incurred \$13 million of restructuring and related charges, within costs of goods sold, during Fiscal 2009, compared to \$16 million in Fiscal 2008. The \$13 million in Fiscal 2009 primarily related to the 2009 Cost Reduction Initiatives and the Ningbo Exit Plan, while the Fiscal 2008 charges were primarily related to the Ningbo Exit Plan. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding its restructuring and related charges.

Operating Expense. Operating expenses for Fiscal 2009 totaled \$659 million versus \$1,605 million for Fiscal 2008. This \$946 million decrease in operating expenses for Fiscal 2009 versus Fiscal 2008 was primarily driven by lower impairment charges recorded in Fiscal 2009 versus Fiscal 2008. During Fiscal 2009 Spectrum Brands recorded non-cash impairment charges of \$34 million versus \$861 million of non-cash impairment charges recorded in Fiscal 2008. The Fiscal 2009 impairment charges related to the write down of the carrying value of indefinite-lived intangible assets to fair value while the Fiscal 2008 impairment charges related to the write down of the carrying value of goodwill and indefinite-lived intangible assets to fair value. These impairment charges were recorded in accordance with both ASC Topic 350: Intangibles-Goodwill and Other, formerly SFAS No. 142, Goodwill and Other Intangible Assets, (ASC 350) and ASC Topic 360: Property, Plant and Equipment, formerly SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (ASC 360). See *Goodwill and Intangibles Impairment* below, as well as Note 3(i), Significant Accounting Policies and Practices Intangible Assets, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding these non-cash impairment charges. The decrease in operating expenses in Fiscal 2009 versus Fiscal 2008 is also attributable to the positive impact related to foreign exchange of \$37 million in Fiscal 2009 coupled with the non-recurrence of a charge in Fiscal 2008 of \$18 million associated with the depreciation and amortization related to the assets of the Home and Garden Business incurred as a result of its reclassification of the Home and Garden Business from discontinued operations to continuing. See *Introduction* above and *Segment Results Home and Garden* below, as well as Note 1, Description of Business, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding the reclassification of the Home and Garden Business. Tempering the decrease in operating expenses from Fiscal 2008 to Fiscal 2009 was an increase in restructuring and related charges. Restructuring and related charges included in operating expenses were \$32 million in Fiscal 2009 and \$23 million in Fiscal 2008. The Fiscal 2009 Restructuring and related charges are primarily attributable to the 2009 Cost Reduction Initiatives, while the Fiscal 2008 charges are primarily attributable to various cost reduction initiatives in connection with its global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding its restructuring and related charges.

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

Segment Results. Spectrum Brands manages its business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies and (iii) Home and Garden Business.

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

determination of operating segment profits. Corporate expenses include primarily general and administrative expenses associated with corporate overhead and global long-term incentive compensation plans.

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

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

Global Batteries & Personal Care

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

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

Excluding unfavorable foreign exchange, Spectrum Brands experienced an increase in sales of \$4 million within electric personal care products. Sales in Europe and Latin America increased \$8 million and \$3 million, respectively, while North American electric personal care product sales decreased \$8 million. Similar to its electric shaving and grooming products sales, the decreased sales of electric personal care products within North America was a result of delayed holiday inventory stocking at certain of its customers which in turn has resulted in a delay

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of its product shipments that historically would have been recorded during the fourth quarter of its fiscal year. The increased sales within Europe and Latin America were due to strong growth in its women's hair care products. Net sales of portable lighting products for Fiscal 2009 decreased to \$80 million as compared to sales of \$100 million for Fiscal 2008. The portable lighting product sales decrease was driven by unfavorable foreign exchange impact of \$5 million, coupled with declines in North America, Europe and Latin America of \$9 million, \$3 million and \$2 million, respectively. The decrease across all regions was driven by softness in the portable lighting products category as a result of the global economic slowdown.

Segment profitability in Fiscal 2009 increased slightly to \$165 million from \$163 million in Fiscal 2008. Segment profitability as a percentage of net sales increased to 12.4% in Fiscal 2009 as compared with 10.9% in Fiscal 2008. The increase in segment profitability during Fiscal 2009 was primarily the result of cost savings from the Ningbo Exit Plan and its global realignment announced in January 2007. See *Restructuring and Related Charges* below, as well as Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding its restructuring and related charges. Tempering the increase in segment profitability were decreased sales during Fiscal 2009 as compared to Fiscal 2008 which was primarily driven by unfavorable foreign exchange and softness in certain product categories due to the global economic slowdown. In addition, as a result of its adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with ASC 805-10, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Global Batteries & Personal Care inventory balances of \$27 million. As a result of the inventory revaluation, Global Batteries & Personal Care recognized \$10 million in additional cost of goods sold in Fiscal 2009. The remaining \$17 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010. See *Net Sales* above for further discussion on its Fiscal 2009 sales.

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

Global Pet Supplies

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

Segment net sales to external customers in Fiscal 2009 decreased to \$574 million from \$599 million in Fiscal 2008, representing a decrease of \$25 million or 4%. Unfavorable foreign currency exchange translation impacted net sales in Fiscal 2009 compared to Fiscal 2008 by approximately \$11 million. Worldwide aquatic sales for Fiscal 2009

decreased to \$360 million when compared to sales of \$398 million in Fiscal 2008. The decrease in worldwide aquatic sales was a result of unfavorable foreign exchange impacts of \$11 million coupled with declines of \$14 million, \$10 million and \$3 million in the United States, Europe and the Pacific Rim, respectively. The declines in the U.S. were a result of decreased sales of large equipment, primarily aquariums, due to the slowdown in economic conditions. The declines in Europe were due to inventory de-stocking at retailers and the poor weather season, which impacted its outdoor pond product sales, whereas the

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declines the Pacific Rim were as a result of the slowdown in economic conditions. Companion animal net sales increased to \$214 million in Fiscal 2009 compared to \$201 million in Fiscal 2008, an increase of \$13 million, or 6%. Spectrum Brands continued to see strong growth, and foresee further growth in Fiscal 2010, in companion animal related product sales in the U.S., driven by its Dingo brand dog treats, coupled with increased volume in Europe and the Pacific Rim associated with the continued introductions of companion animal products.

Segment profitability in Fiscal 2009 decreased slightly to \$65 million from \$69 million in Fiscal 2008. Segment profitability as a percentage of sales in Fiscal 2009 also decreased slightly to 11.3% from 11.5% during Fiscal 2008. This decrease in segment profitability and profitability margin was primarily due to decreased sales, as discussed above, coupled with increases in cost of goods sold driven by higher input costs, which negatively impacted margins, as price increases lagged behind such cost increases. Tempering the decrease in profitability and profitability margin were lower operating expenses, principally selling related expenses. In addition, as a result of its adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with ASC 805-10, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Global Pet Supplies inventory balances of \$19 million. As a result of the inventory revaluation, Global Pet Supplies recognized \$5 million in additional cost of goods sold in Fiscal 2009. The remaining \$14 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010.

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

Home and Garden Business

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

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

Segment profitability in Fiscal 2009 increased to \$42 million from \$29 million in Fiscal 2008. Segment profitability as a percentage of sales in Fiscal 2009 increased to 13.0% from 8.7% in Fiscal 2008. The increase in segment profit for Fiscal 2009 was the result of declining commodity costs associated with its lawn and garden control products and the non-recurrence of a charge incurred during Fiscal 2008 of approximately \$11 million that related to depreciation and amortization expense related to Fiscal 2007. From October 1, 2006 through December 30, 2007, the Home and Garden Business was designated as discontinued operations. In

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accordance with GAAP, while designated as discontinued operations Spectrum Brands ceased recording depreciation and amortization expense associated with the assets of this business. As a result of its reclassification of that business to a continuing operation Spectrum Brands recorded a catch-up of depreciation and amortization expense, which totaled \$14 million, for the five quarters during which this business was designated as discontinued operations. In addition, as a result of its adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, in accordance with ASC 805-10, inventory balances were revalued as of August 30, 2009 resulting in an increase in such Home and Garden inventory balances of \$3 million. As a result of the inventory revaluation, Home and Garden recognized \$1 million in additional cost of goods sold in Fiscal 2009. The remaining \$2 million of the inventory revaluation will be recorded during the first quarter of Fiscal 2010.

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

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

Restructuring and Related Charges. See Note 15, Restructuring and Related Charges, of Notes to the Consolidated Financial Statements of Spectrum Brands, included elsewhere in this information statement, for additional information regarding its restructuring and related charges.

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

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

In connection with the acquisitions of United and Tetra in Fiscal 2005, Spectrum Brands 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 its operations in Madison,

Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at its Global Pet Supplies business. In addition, certain corporate functions were shifted to its global headquarters in Atlanta, Georgia.

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Spectrum Brands has recorded approximately \$(1) million of restructuring and related charges during Fiscal 2009, to adjust prior estimates and eliminate the accrual, and no charges during Fiscal 2008.

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

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of its 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. Spectrum Brands recorded approximately \$2 million and \$3 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively. Spectrum Brands has recorded pretax restructuring and related charges of approximately \$37 million since the inception of the integration activities within Global Pet Supplies.

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

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

In Fiscal 2007, Spectrum Brands 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, its global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 12, Segment Information, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional discussion on the realignment of its operating segments. In connection with these changes Spectrum Brands undertook the Global Realignment Initiatives. Spectrum Brands recorded approximately \$11 million and \$20 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through

December 31, 2010, relate primarily to severance and are projected at approximately \$77 million.

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During Fiscal 2008, Spectrum Brands implemented an initiative within the Global Batteries & Personal Care segment to reduce operating costs and rationalize its manufacturing structure. These initiatives, which are substantially complete, include the exit of its battery manufacturing facility in Ningbo Baowang, China. Spectrum Brands recorded approximately \$11 million and \$16 million of pretax restructuring and related charges during Fiscal 2009 and Fiscal 2008, respectively, in connection with the Ningbo Exit Plan. It has recorded pretax and restructuring and related charges of approximately \$27 million since the inception of the Ningbo Exit Plan.

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

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

Interest Expense. Interest expense in Fiscal 2009 decreased to \$190 million from \$229 million in Fiscal 2008. The decrease in Fiscal 2009 is primarily due to ceasing the accrual of interest on the Old Senior Notes, partially offset by the accrual of the default interest on its Old U.S. Dollar Term B Loan and Old Euro Facility and ineffectiveness related to interest rate derivative contracts. Contractual interest not accrued on the Old Senior Notes during Fiscal 2009 was \$56 million. See Note 8, Debt, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding its outstanding debt.

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

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the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for more information related to its reorganization under Chapter 11 of the Bankruptcy Code.

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

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

Spectrum Brands recognized income tax expense of approximately \$124 million related to the gain on the settlement of liabilities subject to compromise and the modification of the Old Senior Term Credit Facility in the eleven month period ended August 30, 2009. This adjustment, net of a change in valuation allowance is embedded in reorganization items expense (income), net. Spectrum Brands intends to reduce its net operating loss carryforwards for any cancellation of debt income in accordance with IRC Section 108 that arises from its emergence from Chapter 11 of the Bankruptcy Code under IRC Section 382(1)(6).

The ultimate realization of Spectrum Brands' deferred tax assets depends on its ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. Spectrum Brands established valuation allowances for deferred tax assets when it estimated it is more likely than not that the tax assets will not be realized. Spectrum Brands based these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact its ability to project future income. ASC 740 requires the establishment of a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In accordance with ASC 740, Spectrum Brands periodically assessed the likelihood that its deferred tax assets will be realized and determine if adjustments to the valuation allowance are appropriate. In 2009, Old Spectrum recorded a reduction in the valuation allowance against the U.S. net deferred tax asset exclusive of indefinite lived intangible assets primarily as a result of utilizing net operating losses to offset the gain on settlement of liabilities subject to compromise and the impact of the fresh start reporting adjustments. New Spectrum Brands recorded a reduction in the domestic valuation allowance of \$47 million as a reduction to goodwill as a result of the recognition of pre-fresh start deferred tax assets to offset New Spectrum Brands income. Spectrum Brands' total valuation allowance established for the tax benefit of deferred tax

assets that may not be realized is approximately \$133 million at September 30, 2009. Of this amount, approximately \$109 million relates to U.S. net deferred tax assets and approximately \$24 million relates to foreign net deferred tax assets. Spectrum Brands recorded a non-cash deferred income tax charge of approximately

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\$257 million related to a valuation allowance against U.S. net deferred tax assets during Fiscal 2008. Included in the total is a non-cash deferred income tax charge of approximately \$4 million related to an increase in the valuation allowance against its net deferred tax assets in China in connection with the Ningbo Exit Plan. Spectrum Brands also determined that a valuation allowance was no longer required in Brazil and thus recorded a \$31 million benefit to reverse the valuation allowance previously established. Spectrum Brands' total valuation allowance, established for the tax benefit of deferred tax assets that may not be realized, is approximately \$496 million at September 30, 2008. Of this amount, approximately \$468 million relates to U.S. net deferred tax assets and approximately \$28 million relates to foreign net deferred tax assets.

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

ASC 740, which clarifies the accounting for uncertainty in tax positions, requires that it recognized in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Spectrum Brands adopted this provision on October 1, 2007. As a result of the adoption, it recognized no cumulative effect adjustment. As of September 30, 2009, August 30, 2009 and September 30, 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in future periods is \$8 million, \$8 million and \$7 million, respectively. See Note 9, Income Taxes, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information.

Discontinued Operations. On November 5, 2008, the board of directors of Old Spectrum committed to the shutdown of the growing products portion of the Home and Garden Business, which includes the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed, following an evaluation of the historical lack of profitability and the projected input costs and significant working capital demands for the growing product portion of the Home and Garden Business during Fiscal 2009. Spectrum Brands believes the shutdown is consistent with what it has done in other areas of its business to eliminate unprofitable products from its portfolio. Spectrum Brands completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009.

Accordingly, the presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. See Note 10, Discontinued Operations, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for further details on the disposal of the growing products portion of the Home and Garden Business. The following amounts related to the growing products portion of the Home and Garden Business have been segregated from continuing operations and are reflected as discontinued operations during Fiscal 2009 and Fiscal 2008, respectively:

	2009	2008
Net sales	\$ 31.3	\$ 261.4
Loss from discontinued operations before income taxes	\$ (90.9)	\$ (27.1)
Provision for income tax benefit	(4.5)	(2.1)

Loss from discontinued operations, net of tax	\$ (86.4)	\$ (25.0)
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In accordance with ASC 360, long-lived assets to be disposed of are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2008, Spectrum Brands recorded a non-cash pretax charge of \$6 million in discontinued operations to reduce the carrying value of intangible assets related to the

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growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business.

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

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

	2008(1)
Net sales	\$ 4.7
Loss from discontinued operations before income taxes	\$ (1.9)
Provision for income tax benefit	(0.7)
Loss from discontinued operations, net of tax	\$ (1.2)

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

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

Fiscal Year Ended September 30, 2008 Compared to Fiscal Year Ended September 30, 2007***Highlights of Consolidated Operating Results***

During Fiscal 2008 and Fiscal 2007, Spectrum Brands has presented the growing products portion of the Home and Garden Business and the Canadian division of the Home and Garden Business as discontinued operations. Spectrum Brands board of directors committed to the shutdown of the growing products portion of the Home and Garden Business in November 2008 and the shutdown was completed during the second quarter of its Fiscal 2009. The Canadian division of the Home and Garden Business was sold on November 1, 2007. See Note 10, Discontinued

Operations, of Notes to the Consolidated Financial Statements of Spectrum Brands, included elsewhere in this information statement for additional information regarding the shutdown of the growing products portion of the Home and Garden Business and the sale of the Canadian division of the Home and Garden Business. As a result, and unless specifically stated, all discussions regarding Fiscal 2008 and Fiscal 2007 only reflect results from its continuing operations.

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

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

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

	Fiscal Year	
	2008	2007
Product line net sales		
Consumer batteries	\$ 916	\$ 882
Pet supplies	599	563
Home and garden control products	334	338
Electric shaving and grooming products	247	268
Electric personal care products	2316	187
Portable lighting product	100	95
Total net sales to external customers	\$ 2,427	\$ 2,333

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

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

products. Spectrum Brands continued to see strong electric personal care double digit growth in all geographic regions during Fiscal 2008, particularly in North America with 28% growth, when compared to Fiscal 2007.

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

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

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

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

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

of \$39 million. The Fiscal 2007 operating loss is directly attributable to

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the previously discussed non-cash impairment charge of approximately \$362 million coupled with restructuring and related charges of \$98 million.

Segment Results. Spectrum Brands manages its business in three reportable segments: (i) Global Batteries & Personal Care, (ii) Global Pet Supplies; and (iii) Home and Garden Business.

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

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

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

Global Batteries & Personal Care

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

Segment net sales to external customers in Fiscal 2008 increased \$63 million to \$1,494 million from \$1,431 million during Fiscal 2007, representing a 4% increase. Favorable foreign currency exchange translation impacted net sales in Fiscal 2008 by approximately \$88 million in comparison to Fiscal 2007. Battery sales for Fiscal 2008 increased to \$916 million when compared to Fiscal 2007 sales of \$881 million, principally due a positive foreign currency impact of \$61 million and increases in North America of \$15 million, which were driven by an increase in market share, as consumers opted for its value proposition during the weakening economic conditions in the U.S. These increases were partially offset by decreases in Latin America and Europe of \$9 million and \$32 million, respectively. The decrease in Latin American battery sales was primarily due to zinc carbon shortfalls in Mexico, Central America and Colombia. The decrease in European battery sales was the result of its continued efforts to exit from unprofitable or marginally profitable private label battery sales, as well as certain second tier branded battery sales. Spectrum Brands is continuing its efforts to promote profitable growth and therefore, expect to continue to exit certain low margin business as appropriate to create a more favorable mix of branded versus private label products. Net sales of electric

shaving and grooming products in Fiscal 2008 decreased by \$21 million, or 8%, primarily as a result of declines within North America of \$29 million. These declines were partially offset by a positive foreign currency impact of \$9 million. Electric personal care sales increased by \$44 million, an increase of 24%, over Fiscal 2007. Favorable foreign exchange translation impacted net sales by approximately \$14 million coupled with strong worldwide growth in its women's hair care products. Spectrum Brands saw double-digit sales growth of its electric personal care products in all geographic regions, particularly in North America with 28% growth, when compared to Fiscal 2007. Net sales of portable lighting products for Fiscal 2008 increased to

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\$100 million as compared to sales of \$95 million for Fiscal 2007. The sales increase was driven by a \$5 million increase in North America associated with sales gains from new product launches coupled with favorable foreign exchange translation of \$4 million that was tempered by decreases in Latin America and Europe due to declining market demand.

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

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

Global Pet Supplies

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

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

Segment profitability in Fiscal 2008 decreased to \$69 million from \$71 million in Fiscal 2007. Segment profitability as a percentage of sales in Fiscal 2008 decreased to 11.5% from 12.6% in the same period last year. This decrease in segment profitability margin was primarily due to the non-recurrence of a curtailment

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gain of approximately \$3 million, related to the termination of a postretirement plan recorded in Fiscal 2007, coupled with an increase in input costs.

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

Home and Garden

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

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

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

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

Corporate Expense. Spectrum Brands' corporate expense in Fiscal 2008 decreased to \$45 million from \$47 million in Fiscal 2007. The decrease in expense for Fiscal 2008 is primarily due to savings associated with its global realignment announced in January 2007, lower executive compensation expense and other corporate overhead expense reductions, tempered by the write off of professional fees incurred in connection with the termination of potential sales of certain of Spectrum Brands' businesses coupled with the non-recurrence of a curtailment gain of \$2 million which was recorded in Fiscal 2007 in connection with the

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termination of an employee benefit plan. Spectrum Brands corporate expense as a percentage of consolidated net sales in Fiscal 2008 decreased to 1.7% from 1.8% in Fiscal 2007.

Restructuring and Related Charges. See Note 15, Restructuring and Related Charges of Notes to the Consolidated Financial Statements of Spectrum Brands, included elsewhere in this information statement for additional information regarding its restructuring and related charges.

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

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

During Fiscal 2005, Spectrum Brands announced the closure of a zinc carbon manufacturing facility in Breitenbach, France within Global Batteries & Personal Care. Spectrum Brands recorded no pretax

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restructuring and related charges during Fiscal 2008, and approximately \$1 million in Fiscal 2007, in connection with this closure. The costs associated with the initiative are complete and totaled approximately \$11 million.

In connection with the acquisitions of United and Tetra in Fiscal 2005, Spectrum Brands 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 its operations in Madison, Wisconsin; converting all information systems to SAP; consolidating United's home and garden manufacturing and distribution locations in North America; rationalizing the North America supply chain; and consolidating administrative, manufacturing and distribution facilities at its Global Pet Supplies business. In addition, certain corporate functions were shifted to its global headquarters in Atlanta, Georgia. Effective October 1, 2006, Spectrum Brands suspended initiatives to integrate the activities of the Home and Garden Business into its operations in Madison, Wisconsin. Spectrum Brands recorded de minimis restructuring and related charges in Fiscal 2008, and \$5 million in Fiscal 2007, in connection with the integration of the United home and garden business.

Integration activities within Global Pet Supplies were substantially complete as of September 30, 2007. Global Pet Supplies integration activities consisted primarily of the rationalization of manufacturing facilities and the optimization of its 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. Spectrum Brands recorded approximately \$3 million and \$22 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively.

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

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

In Fiscal 2007, Spectrum Brands 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, its global operations organization, which had previously been included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. See also Note 12, Segment Information, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional discussion on the realignment of its operating segments. In connection with these changes it undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels. Spectrum

Brands recorded approximately

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\$20 million and \$53 million of pretax restructuring and related charges during Fiscal 2008 and Fiscal 2007, respectively, in connection with the Global Realignment Initiatives.

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

Goodwill and Intangibles Impairment. ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In Fiscal 2008 and Fiscal 2007, Spectrum Brands tested its goodwill and indefinite-lived intangible assets. As a result of this testing, it recorded a non-cash pretax impairment charge of \$861 million and \$362 million in Fiscal 2008 and Fiscal 2007, respectively. The \$861 million non-cash pretax impairment charge incurred in Fiscal 2008 reflects \$602 million related to the impairment of goodwill and \$259 million related to the impairment of trade name intangible assets. Of the \$602 million goodwill impairment; \$426 million was associated with its Global Pet Supplies segment, \$160 million was associated with the Home and Garden Business and \$16 million was associated with its Global Batteries & Personal Care reportable segment. Of the \$259 million trade name intangible assets impairment; \$98 million was within its Global Pet Supplies reportable segment, \$86 million was within its Global Batteries & Personal Care reportable segment and \$75 million was within the Home and Garden reportable segment. The \$362 million impairment charge incurred in Fiscal 2007 reflects the impairment of goodwill associated with its U.S. Home and Garden Business and its North America reporting unit, which is now included as part of its Global Batteries & Personal Care reportable segment, coupled with an impairment of trade name intangible assets primarily associated with its Global Batteries & Personal Care business segment. Future cash expenditures will not result from these impairment charges. See Note 3(i), Significant Accounting Policies and Practices – Intangible Assets, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for further details on these impairment charges.

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

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

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

The ultimate realization of its deferred tax assets depends on its ability to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions. Spectrum Brands established valuation allowances for deferred tax assets when it estimated it is more likely than not that the tax assets will not be realized. Spectrum Brands based these estimates on projections of future income, including

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

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

ASC 740, which clarifies the accounting for uncertainty in tax positions, requires that Spectrum Brands recognize in its financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Spectrum Brands adopted this provision on October 1, 2007. As a result of the adoption, it recognized no cumulative effect adjustment. As of October 1, 2007 and September 30, 2008 Spectrum Brands had approximately \$8 million and \$7 million of unrecognized tax benefits, respectively, of which approximately \$5 million, for both October 1, 2007 and September 30, 2008, would affect its effective tax rate if recognized and approximately \$3 million and \$2 million, respectively, of which would result in a reduction in goodwill if recognized. The change from October 1, 2007 to September 30, 2008 is primarily a result of the accrual of additional interest and penalties and the settlement of a tax examination in Germany. See Note 9, Income Taxes, of Notes to the Consolidated Financial Statements of Spectrum Brands included elsewhere in this information statement for additional information regarding the settlement of the tax examination in Germany.

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

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

	2008(1)	2007
	(In millions)	
Net sales	\$ 261.4	\$ 232.0
Loss from discontinued operations before income taxes	(27.1)	6.3
Provision for income tax benefit	(2.1)	
Loss from discontinued operations, net of tax	\$ (25.0)	\$ 6.3

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

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

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

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

	2008(1)	2007
	(In millions)	
Net sales	\$ 4.7	\$ 88.7
Loss from discontinued operations before income taxes	(1.9)	(46.3)

Provision for income tax benefit	(0.7)	(6.3)
Loss from discontinued operations, net of tax	\$ (1.2)	\$ (40.0)

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

In accordance with ASC 360, long-lived assets to be disposed of by sale are recorded at the lower of their carrying value or fair value less costs to sell. During Fiscal 2007, Spectrum Brands recorded a non-cash pretax charge of \$45 million in discontinued operations to reduce the carrying value of certain assets, principally

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consisting of goodwill and intangible assets, related to the Canadian Home and Garden Business in order to reflect the estimated fair value of this business.

Liquidity and Capital Resources

Operating Activities. Net cash provided by operating activities was \$77 million during Fiscal 2009 compared to a cash use of \$10 million during Fiscal 2008. The \$87 million increase in cash provided by operating activities was primarily due to favorable changes in accounts receivable and inventories of \$94 million (net of the inventory fair value adjustment reflected in fresh-start reporting), lower cash interest payments of \$63 million, primarily related to the exchange of Spectrum Brands 73/8% Notes in accordance with the Plan, partially offset by unfavorable payments for fees and expenses related to the Bankruptcy Filing of \$46 million and a use of cash from operating losses related to discontinued operations of \$17 million.

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

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

Debt Financing Activities***Restructuring of Pre-Petition Indebtedness***

The Bankruptcy Filing, as described in Note 2, Voluntary Reorganization Under Chapter 11, of Spectrum Brands financial statements included in this information statement, constituted an event of default under Spectrum Brands senior secured term credit facility agreement and the respective indentures governing its Senior Subordinated Notes. In addition, on February 2, 2009, Spectrum Brands did not make a \$26 million interest payment due February 2, 2009 on its 73/8 Notes. While its pre-petition asset-based revolving credit facility agreement also provided for an event of default in the event of a bankruptcy filing, the credit agreement and related guarantee and collateral agreement were amended in connection with the Bankruptcy Cases to provide new debtor-in-possession financing for the Debtors.

Pursuant to and in accordance with the Plan, the allowed claims in the Bankruptcy Cases with respect to the senior secured term credit facility were reinstated and, as further described under *Senior Term Credit Facility* below,

Spectrum Brands entered into two amendments to the senior secured term credit facility agreement.

Also pursuant to and in accordance with the Plan, Spectrum Brands refinanced its Senior Subordinated Notes. On the Effective Date, pursuant to the Plan, it and its U.S. subsidiaries, as guarantors, entered into the

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2019 Indenture and issued the 12% Notes under the 2019 Indenture for the benefit of holders of allowed claims with respect to its Senior Subordinated Notes. For more information on the 12% Notes and the 2019 Indenture, see the description under *12% Notes* below. Spectrum Brands also issued an aggregate of approximately 27 million shares of its common stock to holders of such Senior Subordinated Notes.

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

Senior Term Credit Facility

During the second quarter of Fiscal 2007, Spectrum Brands refinanced its then outstanding senior credit facility with a new senior secured credit facility pursuant to the Senior Credit Agreement consisting of a \$1,000 million U.S. Dollar Term B Loan facility (the U.S. Dollar Term B Loan), a \$200 million U.S. Dollar Term B II Loan facility (the U.S. Dollar Term B II Loan), a 262 million Term Loan facility (the Euro Facility), and a \$50 million synthetic letter of credit facility (the L/C Facility) and together with the U.S. Dollar Term B Loan, the U.S. Dollar Term B II Loan and the Euro Facility, collectively, the Senior Term Credit Facility). The proceeds of borrowings under the Senior Credit Agreement were used to repay all outstanding obligations under Spectrum Brands' 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 its senior subordinated notes, and for general corporate purposes. Subject to certain mandatory prepayment events, the term loan facilities under the Senior Credit Agreement are subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Letters of credit issued pursuant to the L/C Facility are required to expire, at the latest, upon the day that is five business days prior to maturity of the Senior Credit Agreement. In connection with its emergence from voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Plan, Spectrum Brands entered into certain amendments to the Senior Credit Agreement (the Term Credit Amendments). Among other things, the Term Credit Amendments provide for a minimum Eurodollar interest rate floor of 1.5%, interest spreads over market rates of 6.5% for the U.S. Dollar Term B Loan and 7.0% for the Euro Facility, increases to the maximum Senior Secured Leverage Ratio and a shortened maturity date of June 30, 2012.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum senior secured leverage ratio, which covenants, pursuant to its terms, become more restrictive over time. In addition, the Senior Credit Agreement contains customary restrictive covenants, including, but not limited to, restrictions on Spectrum Brands' 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, Spectrum Brands and its domestic subsidiaries have guaranteed Spectrum Brands' respective obligations under the Senior Credit Agreement and related loan documents and have pledged substantially all of Spectrum Brands' respective assets to secure such obligations. The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

During the eleven month period ended August 30, 2009, Spectrum Brands made scheduled, and in connection with asset sales, mandatory, prepayments of term loan indebtedness totaling \$12.7 million under the Senior Credit

Agreement. During the eleven month period ended August 30, 2009 and pursuant to an order from the Bankruptcy Court entered on April 22, 2009, Spectrum Brands made certain adequate protection payments with respect to the Senior Term Credit Facility. These payments included fees, costs and expenses incurred by the agent under the Senior Term Credit Facility and the agent's professionals. Spectrum Brands

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also made certain cash payments of interest at the non-default rate as and when due pursuant to the terms of the Senior Credit Agreement. In connection with its emergence from its voluntary reorganization under Chapter 11 of the Bankruptcy Code and the Term Credit Amendments, Spectrum Brands agreed to incur non-cash default interest at 1.5% for the pendency of the Bankruptcy Cases. As a result, \$8 million of principal was added to the U.S. Dollar Term B Loan and 2 million (\$3 million) of principal was added to the Euro Facility at August 28, 2009 related to such default interest.

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

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

As of September 30, 2009, Spectrum Brands was in compliance with all covenants under the Senior Credit Agreement.

ABL Revolving Credit Facility

On August 28, 2009, in connection with its emergence from its voluntary reorganization under Chapter 11 of the Bankruptcy Code, Spectrum Brands entered into a \$242 million U.S. Dollar asset based revolving loan facility (the 2009 ABL Revolving Credit Facility) and together with the Senior Term Credit Facility, the Senior Credit Facilities) pursuant to a credit agreement (the ABL Credit Agreement) with General Electric Capital Corporation as administrative and co-collateral agent (the Agent) with a participating interest from each of Harbinger Master Fund and Special Situations Fund, D. E. Shaw Laminar Portfolios, L.L.C. and the Avenue Parties. The ABL Revolving Credit Facility replaced Spectrum Brands debtor-in-possession credit facility, which was simultaneously prepaid using cash on hand generated from its operations and available cash from prior borrowings under the ABL Revolving Credit Facility. The ABL Revolving Credit Facility consists of (a) revolving loans (the Revolving Loans), with a portion available for letters of credit and a portion available as swing line loans, in each case subject to the terms and limits described therein, and (b) a supplemental loan (the Supplemental Loan), in the form of an asset based revolving loan, in an amount up to \$45 million.

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

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

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

The ABL Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting and a maximum fixed charge coverage ratio. The ABL Credit

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Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

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

As of September 30, 2009, Spectrum Brands was in compliance with all covenants under the ABL Credit Agreement.

12% Notes

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

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

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

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

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

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

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

Table of Contents***Interest Payments and Fees***

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

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

Off-Balance Sheet Arrangements

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

Contractual Obligations & Other Commercial Commitments***Contractual Obligations***

The following table summarizes Spectrum Brands' contractual obligations as of September 30, 2009 and the effect such obligations were expected to have at that time on its liquidity and cash flow in future periods. The table excludes other obligations Spectrum Brands has reflected in its consolidated financial statements included in this information statement, such as pension obligations. See Note 11, Employee Benefit Plans, of

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Notes to consolidated financial statements of Spectrum Brands included in this information statement for a more complete discussion of Spectrum Brands employee benefit plans (in millions):

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

(1) Capital lease payments due by fiscal year include executory costs and imputed interest not reflected in the consolidated financial statements of Spectrum included in this information statement.

Other Commercial Commitments

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

	Other Commercial Commitments						Total
	Amount of Commitment Expiration by Fiscal Year						
	2010	2011	2012	2013	2014	Thereafter	
Letters of credit	\$ 56	\$	\$	\$	\$	\$ 2	\$ 58
Total Other Commercial Commitments	\$ 56	\$	\$	\$	\$	\$ 2	\$ 58

Critical Accounting Policies

The consolidated financial statements included in this information statement have been prepared in accordance with GAAP and fairly present Spectrum Brands financial position and results of operations. Spectrum Brands management believes the following accounting policies are critical to an understanding of its financial statements. The application of these policies requires management's judgment and estimates in areas that are inherently uncertain.

Valuation of Assets and Asset Impairment

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

ASC 350 requires companies to test goodwill and indefinite-lived intangible assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred.

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In Fiscal 2009, Fiscal 2008 and Fiscal 2007, Spectrum Brands tested its goodwill and indefinite-lived intangible assets. As a result of this testing, it recorded non-cash pretax impairment charges of \$34 million, \$861 million and \$362 million in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. The \$34 million impairment charge incurred in Fiscal 2009 reflects an impairment of trade name intangible assets consisting of the following: (i) \$18 million related to the Global Pet Supplies Business; (ii) \$15 million related to the Global Batteries and Personal Care segment; and (iii) \$1 million related to the Home and Garden Business. The \$861 million impairment charge incurred in Fiscal 2008 reflects impaired goodwill of \$602 million and impaired trade name intangible assets of \$259 million. The \$602 million of impaired goodwill consisted of the following: (i) \$426 million associated with its Global Pet Supplies reportable segment; (ii) \$160 million associated with the Home and Garden Business; and (iii) \$16 million related to its Global Batteries & Personal Care reportable segment. The \$259 million of impaired trade name intangible assets consisted of the following: (i) \$86 million related to its Global Batteries & Personal Care reportable segment; (ii) \$98 million related to Global Pet Supplies; and (iii) \$75 million related to the Home and Garden Business. The \$362 million impairment charge incurred in Fiscal 2007 reflects \$214 million of goodwill associated with Spectrum Brands North America reporting unit, which is now part of its Global Batteries & Personal Care reportable segment, a goodwill impairment of \$124 million within the U.S. Home and Garden Business and an impairment of trade name intangible assets of \$24 million, primarily associated with its Global Batteries & Personal Care reportable segment. Future cash expenditures will not result from these impairment charges.

Spectrum Brands used a discounted estimated future cash flows methodology, third party valuations and negotiated sales prices to determine the fair value of its reporting units (goodwill). Fair value of indefinite-lived intangible assets, which represent trade names, was determined using a relief from royalty methodology. Assumptions critical to its fair value estimates were: (i) the present value factors used in determining the fair value of the reporting units and trade names or third party indicated fair values for assets expected to be disposed; (ii) royalty rates used in its trade name valuations; (iii) projected average revenue growth rates used in the reporting unit and trade name models; and (iv) projected long-term growth rates used in the derivation of terminal year values. Spectrum Brands also tested fair value for reasonableness by comparison to its total market capitalization, which includes both its equity and debt securities. These and other assumptions are impacted by economic conditions and expectations of management and will change in the future based on period specific facts and circumstances. In light of a sustained decline in market capitalization coupled with the decline of the fair value of its debt securities, Spectrum Brands also considered these factors in the Fiscal 2008 annual impairment testing.

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

See Note 3(h), Significant Accounting Policies and Practices – Property, Plant and Equipment, Note 3(i), Significant Accounting Policies and Practices – Intangible Assets, Note 5, Property, Plant and Equipment, Note 6, Assets Held for Sale, Note 7, Goodwill and Intangible Assets, Note 9, Income Taxes, and Note 10, Discontinued Operations, of Notes to consolidated financial statements of Spectrum Brands included in this information statement for more information about these assets.

Revenue Recognition and Concentration of Credit Risk

Spectrum Brands recognizes revenue from product sales generally upon delivery to the customer or the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This

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represents the point at which title and all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; there is persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. Spectrum Brands is generally not obligated to allow for, and its general policy is not to accept, product returns for battery sales. It does accept returns in specific instances related to its electric shaving and grooming, electric personal care, lawn and garden, household insect control and pet supply products. The provision for customer returns is based on historical sales and returns and other relevant information. Spectrum Brands estimates and accrues the cost of returns, which are treated as a reduction of net sales.

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

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

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

Spectrum Brands also enters into various arrangements, primarily with retail customers, which require it to make an upfront cash, or slotting payment, to secure the right to distribute through such customer. Spectrum Brands capitalizes slotting payments, provided the payments are supported by a time or volume based arrangement with the retailer, and amortize the associated payment over the appropriate time or volume based term of the arrangement. The amortization of slotting payments is treated as a reduction in net sales and a corresponding asset is reported in Deferred charges and other in its consolidated financial statements included in this information statement.

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

See Note 3(b), Significant Accounting Policies and Practices – Revenue Recognition, Note 3(c), Significant Accounting Policies and Practices – Use of Estimates and Note 3(e), Significant Accounting Policies and Practices

Concentrations of Credit Risk and Major Customers and Employees, of Notes to consolidated financial statements of Spectrum Brands included in this information statement for more information about its revenue recognition and credit policies.

Table of Contents***Pensions***

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

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

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

See Note 11, Employee Benefit Plans, of Notes to consolidated financial statements of Spectrum Brands included in this information statement for a more complete discussion of its employee benefit plans.

Restructuring and Related Charges

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

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustment and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating detailed analyses of the cost to be incurred. Such liabilities could

include amounts for items such as severance costs and related benefits (including settlements of pension plans), impairment of property and equipment and other current or long term assets, lease termination payments and any other items directly related to the exit activities. While the actions are carried out as expeditiously as possible, restructuring and related charges are estimates. Changes in estimates

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resulting in an increase to or a reversal of a previously recorded liability may be required as management executes a restructuring plan.

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

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

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

See Note 15, Restructuring and Related Charges, of Notes to the consolidated financial statements of Spectrum Brands included in this information statement for a more complete discussion of its restructuring initiatives and related costs.

Loss Contingencies

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

See further discussion in Information about HGI, Spectrum Brands and Russell Hobbs Information about Spectrum Brands Litigation, and Note 13, Commitments and Contingencies, of Notes to the consolidated financial statements of Spectrum Brands included in this information statement.

Other Significant Accounting Policies

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the consolidated financial statements of Spectrum Brands included in this information statement. The Notes to the consolidated financial statements of Spectrum Brands included in this information statement contain additional information related to Spectrum Brands' accounting policies and should be read in conjunction with this discussion.

Recently Issued Accounting Standards

Business Combinations

In December 2007, the FASB issued new accounting guidance on business combinations and non-controlling interests in consolidated financial statements. The objective is to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial

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reports about a business combination and its effects. The guidance applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as true mergers or mergers of equals and combinations achieved without the transfer of consideration. In April 2009, the FASB issued additional guidance which addresses application issues arising from contingencies in a business combination. The guidance is effective for Spectrum Brands' financial statements for the fiscal year that began October 1, 2009. Spectrum Brands will adopt the new guidance prospectively as applicable.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The new guidance also changes the way the consolidated financial statements are presented, establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and expands disclosures in the consolidated financial statements that clearly identify and distinguish between the parent's ownership interest and the interest of the noncontrolling owners of a subsidiary. The provisions are to be applied prospectively as of the beginning of the fiscal year in which the guidance is adopted, except for the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. The guidance is effective for Spectrum Brands' financial statements for the fiscal year that began October 1, 2009. At September 30, 2009, Spectrum Brands was in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Determination of the Useful Life of Intangible Assets

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

Employers' Disclosures About Postretirement Benefit Plan Assets

In December 2008, the FASB issued new accounting guidance on employers' disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for Spectrum Brands' financial statements for the fiscal year that began October 1, 2009. At September 30, 2009, Spectrum Brands was in the process of evaluating the impact that the guidance may have on its financial statement disclosures.

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued new accounting guidance to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred

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financial assets. The provisions are effective for Spectrum Brands' financial statements for the fiscal year beginning October 1, 2010. At September 30, 2009, Spectrum Brands was in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Variable Interest Entities

In June 2009, the FASB issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. It also requires enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The provisions are effective for Spectrum Brands' financial statements for the fiscal year beginning October 1, 2010. At September 30, 2009, Spectrum Brands was in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Table of Contents**MARKET PRICE AND DIVIDEND INFORMATION****Market Prices of Spectrum Brands and SB Holdings Common Stock**

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

The following table sets forth the reported high and low last sales prices per share of Spectrum Brands common stock as reported on the NYSE and the high and low last sales prices and high and low closing bid prices of the Old Common Stock as reported on the NYSE and the PinkSheets, respectively, for the fiscal periods indicated:

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

- (1) Represents market prices while Spectrum Brands was operating during the Chapter 11 reorganization for periods subsequent to February 2, 2009.
- (2) High price reflects the high last sales price on NYSE prior to Old Common Stock's suspension from trading on December 15, 2008. Low price reflects the Over-The-Counter (OTC) market low closing bid price during the balance of the quarter. The OTC bid prices represent prices between dealers and do not include retail markup, markdown or commission.

The common stock of reorganized Spectrum Brands (the New Common Stock) began quotation on the Over-The-Counter Bulletin Board (the OTCBB) and the PinkSheets under the symbol SPEB on September 2, 2009. Spectrum Brands common stock was listed for trading on the NYSE under the symbol SPB on March 18, 2010 and continued trading on the NYSE until June 16, 2010, the date of the SB/RH Merger. The following table sets forth the reported high and low closing bid prices per share of Spectrum Brands common stock as reported on the OTCBB for

the fiscal periods indicated:

	High	Low
Fiscal 2010		
Quarter ended July 4, 2010 (through June 16, 2010)	\$ 30.44	\$ 24.48
Quarter ended March 31, 2010	\$ 29.70	\$ 22.00
Quarter ended January 3, 2010	\$ 23.35	\$ 21.20
Fiscal 2009		
Quarter ended September 30, 2009	\$ 25.00	\$ 12.50

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The SB Holdings common stock commenced trading on the NYSE under the symbol **SPB** on June 17, 2010, the day after the consummation of the SB/RH Merger. The following table sets forth the reported high and low last sales prices per share of the SB Holdings common stock as reported on the NYSE for the fiscal periods indicated:

	High	Low
Fiscal 2011		
Quarter ended January 2, 2011 (through October 5, 2010)	\$ 28.56	\$ 26.89
Fiscal 2010		
Quarter ended September 30, 2010	\$ 29.51	\$ 23.21
Quarter ended July 4, 2010 (from June 17, 2010)	\$ 28.65	\$ 25.35

On October 5, 2010, the closing sales price of SB Holdings common stock on the NYSE was \$28.56 per share.

 Holders

As of October 1, 2010, there were approximately 5 holders of record of SB Holdings common stock based upon data provided by SB Holdings. SB Holdings believes the number of beneficial holders of its common stock is significantly in excess of this amount. The transfer agent for SB Holdings common stock is BNY Mellon Shareowner Services.

SB Holdings Dividend Information

SB Holdings has not declared or paid any cash dividends since it commenced public trading in June 2010 and does not anticipate paying cash dividends in the foreseeable future, but intends to retain any future earnings for reinvestment in its business. In addition, the terms of SB Holdings and its subsidiaries senior credit facilities and the indentures governing its outstanding notes restrict its ability to pay dividends to its stockholders. Any future determination to pay cash dividends will be at the discretion of the SB Holdings board of directors and will be dependent upon its financial condition, results of operations, capital requirements, contractual restrictions and such other factors as the board of directors deems relevant.

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PRINCIPAL STOCKHOLDERS OF HGI BEFORE AND AFTER THE SPECTRUM BRANDS ACQUISITION

The table below shows the number of shares of our common stock beneficially owned by:

each named executive officer,

each director,

each person known to us to beneficially own more than 5% of our outstanding common stock (the 5% stockholders), and

all directors and executive officers as a group,

before the Spectrum Brands Acquisition and immediately after giving effect to the Spectrum Brands Acquisition.

Beneficial ownership is determined in accordance with the rules of the SEC. Determinations as to the identity of 5% stockholders and the number of shares of our common stock beneficially owned, including shares which may be acquired by them within 60 days, is based upon filings with the SEC as indicated in the footnotes to the table below. Except as otherwise indicated, we believe, based on the information furnished or otherwise available to us, that each person or entity named in the table has sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to applicable community property laws.

The percentage of beneficial ownership set forth below pre-Spectrum Brands Acquisition is based upon 19,286,290 shares of our common stock issued and outstanding as of the close of business on October 1, 2010. The percentage of beneficial ownership set forth below post-Spectrum Brands Acquisition gives effect to the 119,909,830 shares of our common stock we will issue to the Harbinger Parties pursuant to the Exchange Agreement. The Exchange Agreement permits the Harbinger Parties to contribute additional SB Holdings common stock to us at the Closing at the same Exchange Ratio. If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the Closing of the Spectrum Brands Acquisition we will issue 147,989,830 shares of our common stock to the Harbinger Parties pursuant to the Exchange Agreement and Harbinger will beneficially own approximately 94.4% of our outstanding common stock.

In computing the number of shares of our common stock beneficially owned by a person and the percentage ownership of that person, shares of our common stock that are subject to options held by that person that are currently exercisable or exercisable within 60 days of October 1, 2010, are deemed outstanding. These shares of our common stock are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Harbinger Group Inc., 450 Park Avenue, 27th Floor, New York, New York 10022.

Pre-Spectrum Brands Acquisition Amount and Nature of	Percent	Post- Spectrum Brands Acquisition	Percent
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Name and Address	Beneficial Ownership 5% Stockholders	of Class	Amount of Beneficial Ownership	of Class
Harbinger Capital Partners Master Fund I, Ltd. (1)	3,945,076 (2)	20.5 %	96,134,982	69.1 %
Global Opportunities Breakaway Ltd. (1)	3,316,687 (3)	17.2 %	12,434,660	8.9 %
Harbinger Capital Partners Special Situations Fund, L.P.(1)	2,688,298 (4)	13.9 %	21,290,248	15.3 %
Royce & Associates, LLC 1414 Avenue of the Americas New York, New York 10019	1,988,800 (5)	10.3 %	1,988,800	1.4 %
River Road Asset Management, LLC 462 S. 4th St., Suite 1600 Louisville, KY 40202	1,981,753 (6)	10.3 %	1,981,753	1.4 %
Dimensional Fund Advisors LP Palisades West, Building One, 6300 Bee Cave Road Austin, TX 78746	1,237,936 (7)	6.4 %	1,237,936	0.9 %

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Name and Address	Pre-Spectrum Brands Acquisition Amount and Nature of Beneficial Ownership		Post-Spectrum Brands Acquisition Amount of Beneficial Ownership	
	Percent of Class	Percent of Class	Percent of Class	Percent of Class
Our Directors and Executive Officers Serving at October 1, 2010				
Lap W. Chan	0		0	
Lawrence M. Clark, Jr. (1)	0		0	
Philip A. Falcone (1)	9,950,061 (8)	51.6 %	129,859,891	93.3 %
Keith M. Hladek (1)	0		0	
Thomas Hudgins	0		0	
Peter A. Jenson (1)	0		0	
Robert V. Leffler, Jr.	8,000 (9)	*	8,000	*
Francis T. McCarron	0		0	
All current directors and executive officers as a group (8 persons)	9,958,061	51.6 %	129,867,891	93.3 %

* Indicates less than 1% of our outstanding common stock.

- (1) The address of each beneficial owner is c/o Harbinger Capital Partners LLC, 450 Park Avenue, 30th Floor, New York, New York 10022.
- (2) Based solely on a Schedule 13D Amendment No. 4, filed with the SEC on September 15, 2010, Master Fund is the beneficial owner of 3,945,076 shares of our common stock, which may also be deemed to be beneficially owned by Harbinger Capital, the investment manager of Master Fund; Harbinger Holdings, LLC (Harbinger Holdings), the managing member of Harbinger Capital, and Philip A. Falcone, the managing member of Harbinger Holdings and the portfolio manager of Master Fund.
- (3) Based solely on a Schedule 13D Amendment No. 4, filed with the SEC on September 15, 2010, Global Fund is the beneficial holder of 3,316,687 shares of our common stock, which may be deemed to be beneficially owned by Harbinger Capital Partners II LP (HCP II), the investment manager of the Global Fund; Harbinger Capital Partners II GP LLC (HCP II GP), the general partner of HCP II, and Mr. Falcone, the managing member of HCP II GP and the portfolio manager of Global Fund.
- (4) Based solely on a Schedule 13D Amendment No. 4, filed with the SEC on September 15, 2010, Special Situations Fund is the beneficial holder of 2,688,298 shares of our common stock, which may be deemed to be beneficially owned by Harbinger Capital Partners Special Situations GP, LLC (HCPSS), the general partner of Special Situations Fund, Harbinger Holdings, the managing member of HCPSS, and Mr. Falcone, the managing member of Harbinger Holdings and the portfolio manager of Special Situations Fund.
- (5) Based solely on a Schedule 13G, Amendment No. 7, filed with the SEC on February 11, 2010, Royce & Associates, LLC (Royce) is the beneficial owner of 1,988,800 shares of our common stock with sole voting power and dispositive power over all such shares. Royce is an investment adviser registered in accordance with

SEC rules.

- (6) Based solely on a Schedule 13G, Amendment No. 3, filed with the SEC on February 16, 2010, River Road Asset Management, LLC (River Road) is the beneficial owner of 1,981,753 shares of our common stock with sole voting power over 1,447,553 such shares and sole dispositive power over all such shares. River Road is an investment adviser registered in accordance with SEC rules.
- (7) Based solely on a Schedule 13G, Amendment No. 3, filed with the SEC on February 8, 2010, Dimensional Fund Advisors LP (Dimensional Fund) is the beneficial owner of 1,237,936 shares of our common stock with sole voting power over 1,229,836 such shares and sole dispositive power over all such shares. Dimensional Fund is an investment adviser registered in accordance with SEC rules.

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- (8) Based solely on a Schedule 13D, Amendment No. 4, filed with the SEC on September 15, 2010, Mr. Falcone, the managing member of Harbinger Holdings and portfolio manager of each of Master Fund, Special Situations Fund and Global Fund, may be deemed to indirectly beneficially own all 9,950,061 shares of our common stock, constituting approximately 51.6% of our outstanding common stock, and has shared voting and dispositive power over all such shares. Mr. Falcone disclaims beneficial ownership of the shares reported in the Schedule 13D, except with respect to his pecuniary interest therein. Mr. Falcone's address is c/o Harbinger Holdings, LLC, 450 Park Avenue, 30th Floor, New York, New York, 10022.
- (9) Represents 8,000 shares of our common stock issuable under options exercisable within 60 days of October 1, 2010.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements for the year ended December 31, 2009 and for the six month period ended June 30, 2010, the date of our latest publicly available financial information, gives effect to (i) our contemplated Spectrum Brands Acquisition as well as the effect of (ii) the SB/RH Merger and related debt refinancing which was completed by Spectrum Brands (or SBI) on June 16, 2010 and (iii) the emergence of Spectrum Brands from bankruptcy in August 2009 and the application of fresh start accounting. The unaudited pro forma condensed combined financial statements shown below reflect historical financial information and have been prepared on the basis that the Spectrum Brands Acquisition is accounted for under Accounting Standards Codification Topic 805: Business Combinations (ASC 805) as a transaction between entities under common control. In accordance with the guidance in ASC 805, the assets and liabilities transferred between entities under common control should be recorded by the receiving entity based on their carrying amounts (or at the historical cost basis of the Parent, if these amounts differ). Although we will issue shares of our common stock to effect the Spectrum Brands Acquisition, for accounting purposes Spectrum Brands will be treated as the predecessor and receiving entity of HGI since Spectrum Brands was an operating business in prior periods, whereas HGI was not. As Spectrum Brands was determined to be the accounting acquirer in the SB/RH Merger, the financial statements of Spectrum Brands will be presented as our predecessor for the period preceding the SB/RH Merger. After the issuance of the shares of our common stock to the Harbinger Parties to effect the Spectrum Brands Acquisition, our Parent (the Harbinger Parties) is expected to own more than 90% of our common stock. Spectrum Brands, as the predecessor and under common ownership of the Harbinger Parties, would record HGI assets and liabilities at the Harbinger Parties basis as of the date that common control was first established (June 16, 2010). The carrying value of HGI's assets and liabilities approximated the Harbinger Parties basis at that date. See The Spectrum Brands Acquisition Accounting Treatment in this information statement for more information on the accounting treatment applied to the Spectrum Brands Acquisition.

The following unaudited pro forma condensed combined balance sheet at June 30, 2010 is presented on a basis to reflect (i) the Spectrum Brands Acquisition and (ii) issuance of our common stock to effect the Spectrum Brands Acquisition, as if both had occurred on June 30, 2010. The unaudited pro forma condensed combined statements of operations for the six month period ended June 30, 2010 is presented on a basis to reflect (i) the Spectrum Brands Acquisition, (ii) issuance of our common stock to effect the Spectrum Brands Acquisition and (iii) the SB/RH Merger, as if each had occurred on January 1, 2009. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009 is presented on a basis to reflect (i) the Spectrum Brands Acquisition, (ii) the issuance of our common stock to effect the Spectrum Brands Acquisition, (iii) the SB/RH Merger, as if each had occurred on January 1, 2009, and (iv) the emergence of Spectrum Brands from bankruptcy in August 2009 and the application of fresh start accounting, as if it had occurred on October 1, 2008 (the beginning of Spectrum Brands' fiscal year). Because of different fiscal year-ends, and in order to present results for comparable periods, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2009 combines the historical consolidated statement of operations of HGI for the year then ended with the derived historical results of operations of Russell Hobbs for the twelve months ended December 31, 2009 and the historical consolidated statement of operations of Spectrum Brands for its fiscal year ended September 30, 2009. The unaudited pro forma condensed combined statement of operations for the six-month period ended June 30, 2010 combines the historical condensed consolidated statement of operations of HGI for the six months then ended with the derived historical results of operations of Russell Hobbs for the six months ended March 31, 2010, the last quarter end reported by Russell Hobbs prior to the SB/RH Merger, and the derived historical results of operations of SB Holdings (or SBH) for the six-month period ended July 4, 2010. Spectrum Brands' historical consolidated statement of operations for the three-month period ended January 3, 2010 and Russell Hobbs historical statement of operations for the three-month period ended September 30, 2009 have been excluded from the interim results in order to present comparable results to HGI's six-month period ended June 30, 2010. Also, the results of Russell Hobbs have been excluded subsequent to the

June 16, 2010 date of the SB/RH Merger, for pro forma purposes, since comparable results are included in the derived historical results of operations of Russell Hobbs for the six-month period ended March 31, 2010, which are included in these unaudited pro forma condensed combined financial statements. Pro forma adjustments are made in order

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to reflect the potential effect of the transactions on the unaudited pro forma condensed combined statement of operations. Upon completion of the Spectrum Brands Acquisition, the financial statements of Spectrum Brands, as predecessor, will replace those of HGI for periods prior to the Spectrum Brands Acquisition. Those financial statements will reflect the SB/RH Merger effective June 16, 2010. We did not present any pro forma annual periods prior to January 1, 2009 since they would be the same as Spectrum Brands historical financial statements as the predecessor to HGI.

The unaudited pro forma condensed combined financial statements and the notes to the unaudited pro forma condensed combined financial statements were based on, and should be read in conjunction with:

our historical unaudited condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2010, included elsewhere in this information statement;

our historical audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2009, included elsewhere in this information statement;

SB Holdings' historical unaudited condensed consolidated financial statements and notes thereto, included elsewhere in this information statement and included in SB Holdings' Quarterly Report on Form 10-Q for the nine months ended July 4, 2010, filed with the SEC on August 18, 2010;

Spectrum Brands' historical audited consolidated financial statements and notes thereto, included elsewhere in this information statement and included in Spectrum Brands' Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the SEC on December 29, 2009, as amended by Spectrum Brands' Annual Report on Form 10-K/A filed with the SEC on March 29, 2010;

Russell Hobbs' historical unaudited consolidated financial statements for the nine months ended March 31, 2010 and notes thereto included elsewhere in this information statement.

Russell Hobbs' historical audited consolidated financial statements for the fiscal year ended June 30, 2009 and notes thereto included elsewhere in this information statement;

Our historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Spectrum Brands Acquisition and SB/RH Merger, pursuant to the Exchange Agreement and the emergence of Spectrum Brands from bankruptcy in August 2009 and the application of fresh start accounting; (2) factually supportable, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on our results. The unaudited pro forma condensed combined financial statements do not reflect any of HGI management's expectations for revenue enhancements, cost savings from the combined company's operating efficiencies, synergies or other restructurings, or the costs and related liabilities that would be incurred to achieve such revenue enhancements, cost savings from operating efficiencies, synergies or restructurings, which could result from the SB/RH Merger.

In addition to these pro forma financial statements, HGI is contemplating a transaction to acquire a U.S.-based life insurance company. See Annex H for HGI's unaudited pro forma condensed combined financial statements for the fiscal year ended December 31, 2009 and the six months ended June 30, 2010 that give effect to the contemplated Insurance Transaction.

The pro forma adjustments are based upon available information and assumptions that the managements of HGI and SB Holdings believe reasonably reflect the Spectrum Brands Acquisition and the SB/RH Merger. The

unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and do not purport to represent what our actual consolidated results of operations or the consolidated financial position would have been had the Spectrum Brands Acquisition occurred on the date assumed, nor are they necessarily indicative of our future consolidated results of operations or financial position.

Table of Contents**Harbinger Group Inc. and Subsidiaries****Unaudited Condensed Combined Pro Forma Balance Sheet
As of June 30, 2010**

	Historical			
	Harbinger Group Inc. June 30, 2010	Spectrum Brands Holdings July 4, 2010	Pro Forma Adjustments (in thousands)	Note
				Pro Forma Combined
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 64,724	\$ 115,941	\$	\$ 180,665
Short-term investments	76,049			76,049
Trade and other accounts receivable, net		422,089		422,089
Inventories, net		514,415		514,415
Deferred income taxes		27,953		27,953
Assets held for sale		12,238		12,238
Prepaid expenses and other current assets	1,205	47,354		48,559
Total current assets	141,978	1,139,990		1,281,968
Long-term investments	4,021			4,021
Property, plant and equipment, net	105	189,333		189,438
Deferred charges and other		33,271		33,271
Goodwill		590,926		590,926
Intangible assets, net		1,754,439		1,754,439
Other assets	1,211	59,390		60,601
Total assets	\$ 147,315	\$ 3,767,349	\$	\$ 3,914,664
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	\$ 310	\$ 257,898	\$	\$ 258,208
Current portion of long-term debt		46,261		46,261
Accrued expenses	2,042	109,466		111,508
Other liabilities - current portion		124,826		124,826
Current income tax payable		35,287		35,287
Total current liabilities	2,352	573,738		576,090
Long-term debt		1,734,746		1,734,746
Pension liability	3,455	66,045		69,500
Non-current deferred income taxes		269,112		269,112
Other liabilities	1,055	57,010		58,065

Total liabilities	6,862	2,700,651		2,707,513
Commitments and contingencies				
Stockholders equity:				
Common stock	193	514	685 (6c)	1,392
Additional paid in capital	132,698	1,312,059	(479,565) (6a,b,c)	965,192
Retained earnings (accumulated deficit)	17,987	(236,575)	(17,987) (6a)	(236,575)
Accumulated other comprehensive loss	(10,453)	(7,093)	10,453 (6a)	(7,093)
Less treasury stock, at cost		(2,207)		(2,207)
Total stockholders equity	140,425	1,066,698	(486,414)	720,709
Noncontrolling interest	28		486,414 (6b)	486,442
Total equity	140,453	1,066,698		1,207,151
Total liabilities and equity	\$ 147,315	\$ 3,767,349	\$	\$ 3,914,664

Table of Contents**Harbinger Group Inc. and Subsidiaries****Unaudited Condensed Combined Pro Forma Statement of Operations
For The Year Ended December 31, 2009**

	Historical Spectrum Brands Inc.				Pro Forma Adjustments				
	Harbinger Group Inc. 12 Months Ended December 31, 2009	Successor 1 Month Ended September 30, 2009	Predecessor 11 Months Ended August 30, 2009	12 Months Ended September 30, 2009	Russell Hobbs, Inc. 12 Months Ended December 31, 2009	SBI Fresh Start	Note	SB/RH Acquisition Related & Other	Note
	(in thousands, except per share data)								
	\$	\$ 219,888	\$ 2,010,648	\$ 2,230,536	\$ 779,375	\$		\$	
		155,310	1,245,640	1,400,950	549,220	4,187	(5a)		
		178	13,189	13,367					
		64,400	751,819	816,219	230,155	(4,187)			
		39,136	363,106	402,242	117,406	335	(5b)		
	6,290	20,578	145,235	165,813	39,531	19,743	(5b, c)	15,293	(6a,e,f,h)
		3,027	21,391	24,418	4,027	398	(5b)		
		1,551	30,891	32,442	3,813				
			34,391	34,391					
	6,290	64,292	595,014	659,306	164,777	20,476		15,293	
	(6,290)	108	156,805	156,913	65,378	(24,663)		(15,293)	
	(229)	16,962	172,940	189,902	44,657			(55,534)	(6d)
	(1,280)	(816)	3,320	2,504	4,013				
from	(4,781)	(16,038)	(19,455)	(35,493)	16,708	(24,663)		40,241	

ore items							
items ne, net	(3,962)	1,142,809	1,138,847		(1,138,847)	(5d)	
from							
ore	(4,781)	(20,000)	1,123,354	1,103,354	16,708	(1,163,510)	40,241
ense	8,566	51,193	22,611	73,804	17,998		(8,542) (6a,g)
from							
	\$ (13,347)	\$ (71,193)	\$ 1,100,743	\$ 1,029,550	\$ (1,290)	\$ (1,163,510)	\$ 48,783
n							
	(3)						(43,726) (6b)
from							
erest	\$ (13,344)	\$ (71,193)	\$ 1,100,743	\$ 1,029,550	\$ (1,290)	\$ (1,163,510)	\$ 92,509
umon							
from ations							
rest	\$ (0.69)						
ge on ng (s) umon	19,280						119,910 (6c)
from ations							
rest	\$ (0.69)						
ge on alents	19,280						119,910 (6c)

Table of Contents**Harbinger Group Inc. and Subsidiaries****Unaudited Condensed Combined Pro Forma Statement of Operations
For The Six-Month Period Ended June 30, 2010**

	Harbinger Group Inc.	Historical Spectrum Brands Holdings, Inc.	Russell Hobbs, Inc.	Pro Forma Adjustments			Pro Forma Combined
				Elimination of Russell Hobbs	Duplicate Financial Information (7)	SB/RH Acquisition Related & Other	
	6 Month Period Ended June 30, 2010	6 Month Period Ended July 4, 2010	6 Month Period Ended March 31, 2010				
(In thousands, except per share data)							
Net sales	\$	\$ 1,186,072	\$ 406,412	\$ (35,755)	\$		\$ 1,556,729
Cost of goods sold		719,744	275,668	(23,839)		(8b)	971,573
Restructuring and related charges		3,879					3,879
Gross profit		462,449	130,744	(11,916)			581,277
Operating expenses							
Selling		216,543	60,906	(5,962)			271,487
General and administrative	7,073	96,772	21,616	(4,640)	2,706	(6a,e,f,h)	123,527
Research and development		14,901	4,217	(659)			18,459
Acquisition and integration related charges		22,472			(22,472)	(8a)	
Restructuring and related charges		6,356	3,908				10,264
Total operating expenses:	7,073	357,044	90,647	(11,261)	(19,766)		423,737
Operating income (loss)	(7,073)	105,405	40,097	(655)	19,766		157,540
Interest (income) expense	(96)	180,648	11,556	(3,866)	(98,824)	(6d)	89,418
Other (income) expense, net	(347)	7,781	6,423	923			14,780

(Loss) income from continuing operations before reorganization items and income	(6,630)	(83,024)	22,118	2,288	118,590		53,342
Reorganization items expense, net							
(Loss) income from continuing operations before income taxes	(6,630)	(83,024)	22,118	2,288	118,590		53,342
Income tax expense (benefit)	(767)	22,517	7,021	(214)	767	(6a,g)	29,324
(Loss) income from continuing operations	\$ (5,863)	\$ (105,541)	\$ 15,097	\$ 2,502	\$ 117,823		\$ 24,018
Less: Income (loss) from continuing operations attributable to noncontrolling interest	(2)				13,766	(6b)	13,764
(Loss) income from continuing operations attributable to controlling interest	\$ (5,861)	\$ (105,541)	\$ 15,097	\$ 2,502	\$ 104,057		\$ 10,254
Basic earnings per share:							
(Loss) income from continuing operations attributable to controlling interest	\$ (0.30)						\$ 0.07
Weighted average shares of common stock outstanding	19,285				119,910	(6c)	139,195
Diluted earnings per share:							
(Loss) income from continuing operations attributable to controlling interest	\$ (0.30)						\$ 0.07
Weighted average shares and equivalents outstanding	19,285				119,910	(6c)	139,195

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined Financial Statements****(Amounts in thousands, except per share amounts)****(1) CONFORMING PERIODS**

HGI's fiscal year end is December 31 while SB Holdings' fiscal year end is September 30 and Russell Hobbs' fiscal year end is June 30. In order for the year end pro forma results to be comparative, the Russell Hobbs 12 months ended December 31, 2009 was calculated as follows:

	Year Ended June 30, 2009	Six Months Ended December 31, 2009	Six Months Ended December 31, 2008	Twelve Months Ended December 31, 2009 (D)=(A)+(B)- (C)
	(A)	(B)	(C)	(C)
	(In thousands)			
Net sales	\$ 796,628	\$ 459,521	\$ 476,774	\$ 779,375
Cost of goods sold	577,138	317,868	345,786	549,220
Gross profit	219,490	141,653	130,988	230,155
Operating expenses:				
Selling	128,195	59,116	69,905	117,406
General and administrative	43,760	25,090	29,319	39,531
Research and development	4,813	4,659	5,445	4,027
Restructuring and related charges	9,700	1,769	7,656	3,813
Total operating expenses	186,468	90,634	112,325	164,777
Operating income	33,022	51,019	18,663	65,378
Interest expense	50,221	19,894	25,458	44,657
Other expense, net	4,622	3,224	3,833	4,013
(Loss) income from continuing operations before income taxes	(21,821)	27,901	(10,628)	16,708
Income tax expense	14,042	8,872	4,916	17,998
(Loss) income from continuing operations	\$ (35,863)	\$ 19,029	\$ (15,544)	\$ (1,290)

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

The latest interim period for HGI is the second quarter results for the six-month period ended June 30, 2010, while Russell Hobbs' latest interim period, prior to the SB/RH Merger, is its third quarter results for the nine-month period ended March 31, 2010 and SBH's latest interim period is its third quarter results for the nine-month period ended July 4, 2010. In order for the unaudited interim pro forma results to be comparative, such interim results of Russell Hobbs and SBH must reflect only six month results. Accordingly, Russell Hobbs' historical financial information for the statement of operations covering the three-month period ended September 30, 2009 has been excluded, as follows:

	Nine Months Ended March 31, 2010 (A)	Three Months Ended September 30, 2009 (B)	Six Months Ended March 31, 2010 (C) = (A) - (B)
Net sales	\$ 617,281	\$ 210,869	\$ 406,412
Cost of goods sold	422,652	146,984	275,668
Gross profit	194,629	63,885	130,744
Operating expenses:			
Selling	87,539	26,633	60,906
General and administrative	35,715	14,099	21,616
Research and development	6,513	2,296	4,217
Restructuring and related charges	4,665	757	3,908
Total operating expenses	134,432	43,785	90,647
Operating income	60,197	20,100	40,097
Interest expense	24,112	12,556	11,556
Other expense (income), net	5,702	(721)	6,423
Income from continuing operations before income taxes	30,383	8,265	22,118
Income tax expense	11,375	4,354	7,021
Income from continuing operations	\$ 19,008	\$ 3,911	\$ 15,097

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

To derive SB Holdings six months ended July 4, 2010 financial information, Spectrum Brands historical financial information for the statement of operations covering the three month period ended January 3, 2010 has been excluded, as follows:

	SB Holdings Nine Months Ended July 4, 2010 (A)	Spectrum Brands Three Months Ended January 3, 2010 (B)	SB Holdings Six Months Ended July 4, 2010 (C) = (A) - (B)
Net sales	\$ 1,778,012	\$ 591,940	\$ 1,186,072
Cost of goods sold	1,125,571	405,827	719,744
Restructuring and related charges	5,530	1,651	3,879
Gross profit	646,911	184,462	462,449
Operating expenses:			
Selling	327,832	111,289	216,543
General and administrative	139,965	43,193	96,772
Research and development	21,346	6,445	14,901
Acquisition and integration related charges	22,472		22,472
Restructuring and related charges	11,132	4,776	6,356
Total operating expenses	522,747	165,703	357,044
Operating income	124,164	18,759	105,405
Interest (income) expense	230,130	49,482	180,648
Other (income) expense, net	8,427	646	7,781
Loss from continuing operations before reorganization items and income taxes	(114,393)	(31,369)	(83,024)
Reorganization items expense, net	3,646	3,646	
Loss from continuing operations before income taxes	(118,039)	(35,015)	(83,024)
Income tax expense	45,016	22,499	22,517
Loss from continuing operations	\$ (163,055)	\$ (57,514)	\$ (105,541)

(2) BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma condensed combined financial statements have been prepared using the historical consolidated financial statements of HGI, Russell Hobbs, Spectrum Brands, Inc. and SB Holdings. To derive the financial statements for SB Holdings, Spectrum Brands historical financial statements for the fourth calendar quarter of 2009 have been excluded. The historical financial statements for Russell Hobbs includes the fourth calendar quarter of 2009 in both the annual 2009 and interim 2010 unaudited pro forma condensed combined financial statements presented herein. The predecessor of the historical financial statements of SB Holdings is Spectrum Brands, Inc. The proposed HGI acquisition of SBH is accounted for as a merger among entities under common control with SBH/SBI as the predecessor and receiving entity of HGI.

(3) SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma condensed combined financial statements of HGI do not assume any differences in accounting policies between HGI and SB Holdings. Upon consummation of the transaction, HGI will review the accounting policies of HGI and SB Holdings to ensure conformity of such accounting policies to those of

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

SB Holdings (as predecessor) and, as a result of that review, HGI may identify differences between the accounting policies of these companies, that when conformed, could have a material impact on the combined financial statements. At this time, HGI is not aware of any differences that would have a material impact on the unaudited pro forma condensed combined financial statements.

(4) ACQUISITION OF RUSSELL HOBBS BY SPECTRUM BRANDS IN SB/RH MERGER

The total purchase price for Russell Hobbs was allocated to the preliminary net tangible and intangible assets of Russell Hobbs by SB Holdings based upon their preliminary fair values at June 16, 2010 and is reflected in SB Holdings' historical condensed consolidated statement of financial position as of July 4, 2010 as set forth below. The excess of the purchase price over the preliminary net tangible assets and intangible assets was recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions that are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets and liabilities acquired, certain legal matters, amounts for income taxes including deferred tax accounts, amounts for uncertain tax positions, and net operating loss carryforwards inclusive of associated limitations, the determination of identifiable intangible assets and the final allocation of goodwill. SB Holdings expects to continue to obtain information to assist it in determining the fair values of the net assets acquired at the acquisition date during the measurement period. The preliminary purchase price allocation for Russell Hobbs is as follows:

Current assets	\$ 307,809
Property, plant and equipment	15,150
Intangible assets	363,327
Goodwill	120,079
Other assets	15,752
Total assets acquired	822,117
Current liabilities	142,046
Total debt	18,970
Long-term liabilities	63,522
Total liabilities assumed	224,538
Net assets acquired	\$ 597,579

(5) PRO FORMA ADJUSTMENT FRESH-START REPORTING

Spectrum Brands emerged from bankruptcy on August 28, 2009 (the Effective Date) and in accordance with ASC 852, adopted fresh-start reporting since the reorganization value of the assets of Spectrum Brands, Inc., prior to

the Effective Date (Predecessor Company) immediately before the date of confirmation of the plan of reorganization (the Plan) was less than the total of all post-petition liabilities and allowed claims, and the holders of the Predecessor Company s voting shares immediately before confirmation of the Plan received less than 50 percent of the voting shares of the emerging entity.

Spectrum Brands analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, and August 30, 2009, the fresh-start reporting date, and concluded that such transactions were not material individually or in the aggregate as such transactions represented less than one-percent of the total net sales for the fiscal year ended September 30, 2009. As a result, Spectrum Brands determined that August 30, 2009, would be an appropriate fresh-start reporting date to coincide with Spectrum

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

Brands' normal financial period close for the month of August 2009. Upon adoption of fresh-start reporting for periods ended prior to August 30, 2009 are not comparable to those of Spectrum Brands, Inc., after the Effective Date (Successor Company).

These pro forma adjustments represents the fresh start adjustments as if Spectrum Brands' fresh start reporting had occurred on October 1, 2008, the beginning of its fiscal year. The adjustments made are as follows:

(a) An adjustment of \$48,762 was recorded to adjust inventory to fair value. As a result of this increase in inventory, \$16,319 was recorded as cost of goods sold within the Spectrum Brands consolidated statement of operations for the year ended September 30, 2009. This cost has been excluded from the unaudited pro forma condensed combined statement of operations as this amount is considered non-recurring.

(b) Spectrum Brands recorded an increase of \$34,699 to adjust the net book value of property, plant and equipment to fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company's property, plant and equipment were a combination of the cost and market approach, depending on whether market data was available. The step up in depreciation expense associated with this increase in book value was \$21,722 for the period from October 1, 2008 to August 30, 2009. This is reflected in the statement of operations as follows:

	11 Month Period Ended August 30, 2009 Step-up Adjustment
Cost of goods sold	\$ 20,506
Selling	335
General and administrative	484
Research and development	398
Restructuring and related charges	
Total	\$ 21,723

(c) Certain indefinite-lived intangible assets which include trade names, trademarks and technology, were valued using a relief from royalty methodology. Customer relationships were valued using a multi-period excess earnings method. Certain intangible assets are subject to sensitive business factors of which only a portion are within control of the Company's management. The total fair value of indefinite and definite lived intangibles was \$1,459,500 as of August 30, 2009. The incremental intangible amortization associated with the increase in indefinite lived intangible assets was \$19,260 for the period from October 1, 2008 to August 30, 2009.

(d) In connection with its emergence from bankruptcy, Spectrum Brands incurred certain expenses and recorded certain income, gains and losses as Reorganization items expense (income), net. Since these items are directly attributable to Spectrum Brands' emergence from bankruptcy and are not expected to have a continuing impact on the

combined entity's results, they have been eliminated from these pro

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

forma financial statements. Reorganization items expense (income), net, for the eleven month period ended August 30, 2009 and the one month period ended September 30, 2009 are summarized as follows:

	Successor Company One Month Ended September 30, 2009	Predecessor Company Eleven Months Ended August 30, 2009
	(Amounts in thousands)	
Legal and professional fees	\$ 3,962	\$ 74,624
Deferred financing costs		10,668
Provision for rejected leases		6,020
Administrative related reorganization items	3,962	91,312
Gain on cancellation of debt		(146,555)
Fresh-start reporting adjustments		(1,087,566)
Reorganization items expense (income), net	\$ 3,962	\$ (1,142,809)

(6) PRO FORMA ADJUSTMENTS OTHER

a) To effect the Spectrum Brands Acquisition, HGI will issue its common stock to its Parent in exchange for the controlling financial interest in SB Holdings. After this issuance of shares, its Parent is expected to own more than 90% of HGI's outstanding common stock. Spectrum Brands as the receiving and predecessor entity and under common ownership of the Harbinger Parties would record HGI assets and liabilities at the Harbinger Parties' basis as of the date common control was established. The carrying value of HGI's assets and liabilities approximated the Harbinger Parties' basis at the date that common control with SB Holdings was established (June 16, 2010). However, adjustments were made to income taxes and pension expense to reflect the effect of rolling back the Harbinger Parties' basis in HGI to the January 1, 2009 assumed transaction date for purposes of the unaudited condensed combined pro forma statements of operations. This results in a decrease in General and administrative expense for pension expense in the amount of \$881 and \$459 for the year ended December 31, 2009 and the six-month period ended June 30, 2010, respectively. Similarly, the tax adjustment is as shown in the unaudited pro forma condensed combined financial statements for the year ended December 31, 2009 and the six-month period ended June 30, 2010 included herein.

The financial statements of SBH/SBI, as predecessor, will replace those of HGI prior to the Spectrum Brands Acquisition and as such, these adjustments eliminate HGI's historical retained earnings and accumulated other comprehensive loss.

b) Adjustment reflects the non-controlling interest in SBH upon the completion of the contemplated Spectrum Brands Acquisition. HGI will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares, subsequent to the Spectrum Brands Acquisition. The carrying value of Spectrum Brands at July 4, 2010 approximates carrying value at June 16, 2010 adjusted for allocations to non-controlling interest for the two weeks. The allocation to non-controlling interest from paid in capital reflects 45.6% of Spectrum Brands stockholders equity at July 4, 2010.

c) Adjustment reflects the 119,909,830 shares of HGI common stock issued as a result of the contemplated Spectrum Brands Acquisition. The adjustment also reflects the elimination of SBH's historical capital structure.

d) The SB/RH Merger resulted in a substantial change to the SB Holdings debt structure, as further discussed within the SBH historical financial statements. The change in interest expense is \$55,534 and

Table of Contents**Harbinger Group Inc. and Subsidiaries****Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

\$98,824 for the year ended December 31, 2009 and the six month period ended June 30, 2010, respectively. The adjustment consists of the following:

\$ in 000s	Assumed Interest Rate	Fiscal Year Ended December 31, 2009	Six Months Ended July 4, 2010
\$750,000 Term loan	8.1%	\$ 60,750	\$ 30,375
\$750,000 Senior secured notes	9.5%	71,250	35,625
\$231,161 Senior subordinated notes	12.0%	27,739	13,870
\$22,000 ABL revolving credit facility	6.0%	1,320	660
Foreign debt, other obligations and capital leases		4,243	2,122
Amortization of debt issuance costs		13,723	6,862
Total pro forma interest expense		179,025	89,514
Less: elimination of interest expense on old debt structure		234,559	188,338
Pro forma adjustment		\$ (55,534)	\$ (98,824)

An assumed increase or decrease of 1/8 percent in the interest rate of the Senior secured asset based revolving credit facility, the Senior secured term facility and the Senior secured notes assumed above would impact total pro forma interest expense by \$2,164 and \$1,082 for the year ended December 31, 2009 and the six-months ended June 30, 2010, respectively.

e) Adjustment reflects increased amortization expense associated with the fair value adjustment of Russell Hobbs intangible assets of \$9,535 and \$4,806 for the year ended December 31, 2009 and the six-month period ended March 31, 2010, respectively.

f) Adjustment reflects an increase in equity awards amortization of \$7,622 for the year ended December 31, 2009 and a decrease in equity awards amortization of \$890 for the six month period ended June 30, 2010, respectively, to reflect equity awards issued in connection with the SB/RH Merger which had a 12 month vesting period. As a result, assuming the transaction was completed on January 1, 2009, these awards would be fully vested in the period ended December 31, 2009. For purposes of this pro forma adjustment, fair value is assumed to be the average of the high and low price of Spectrum Brands common stock at June 16, 2010 of \$28.24 per share, management's most reliable determination of fair value.

g) As a result of Russell Hobbs and Spectrum Brands existing income tax loss carry-forwards in the United States, for which full valuation allowances have been provided, no deferred income taxes have been established, and no income tax has been provided related to the pro forma adjustments related to the SB/RH Merger.

h) Adjustment reflects decreased depreciation expense associated with the fair value adjustment of Russell Hobbs property, plant and equipment of \$983 and \$751 for the year ended December 31, 2009 and the six-month period ended March 31, 2010, respectively. The adjustments have been recorded to General and administrative expense. Pro forma impacts to Cost of goods sold for depreciation associated with the fair value adjustment of Russell Hobbs equipment is considered immaterial.

(7) PRO FORMA ADJUSTMENT ELIMINATION OF DUPLICATE FINANCIAL INFORMATION

This pro forma adjustment represents the elimination of the financial data from June 16, 2010 through July 4, 2010 of Russell Hobbs that is reflected in SB Holdings historical financial statements. These are considered duplicative because a full six-month historical period for Russell Hobbs has been presented for its

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Harbinger Group Inc. and Subsidiaries

**Notes to the Unaudited Pro Forma Condensed Combined
Financial Statements (Continued)**

six-month interim period ending March 31, 2010 included in the unaudited condensed combined pro forma statement of operations for the interim period.

(8) NON-RECURRING COSTS

a) SB Holdings financial results for the six months ended July 4, 2010 include \$22,472 of expenses related to the SB/RH Merger. These costs include fees for legal, accounting, financial advisory, due diligence, tax, valuation, printing and other various services necessary to complete this transaction and have been expensed as incurred. These costs have been excluded from the unaudited pro forma condensed combined statement of operations for the six month period ended June 30, 2010 as these amounts are considered non-recurring.

b) SB Holdings increased Russell Hobbs inventory by \$1,300, to estimated fair value, upon completion of the SB/RH Merger. Cost of sales will increase by this amount during the first inventory turn subsequent to the completion of the SB/RH Merger. These costs are not included in the unaudited pro forma condensed combined statement of operations as they are considered non-recurring.

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WHERE YOU CAN FIND MORE INFORMATION

We, SB Holdings and Spectrum Brands file annual reports, quarterly reports and current reports, proxy statements, information statements and other information with the SEC. You may read and copy any reports, statements or other information that we, SB Holdings and Spectrum Brands file at the SEC's public reference rooms at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, DC 20549 at prescribed rates. Please call the SEC at 1-(800) SEC-0330 for further information on the public reference rooms. The SEC also maintains a web site at <http://www.sec.gov> at which reports, proxy and information statements and other information regarding our company are available. We maintain a website at <http://www.harbingergroupinc.com>. Spectrum Brands and SB Holdings maintain a website at <http://www.spectrumbrands.com>. The material located on such websites is not a part of this information statement.

You can also obtain any of these documents by requesting them in writing or by telephone from the appropriate party at the following addresses:

Harbinger Group Inc.

450 Park Avenue, 27th Floor
New York, New York 10022
Attention: Investor Relations
Telephone: (212) 906-8555

Spectrum Brands Holdings, Inc.

601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Investor Relations
Telephone: (608) 275-3340

Spectrum Brands, Inc.

601 Rayovac Drive
Madison, Wisconsin 53711
Attention: Investor Relations
Telephone: (608) 275-3340

You should rely only on the information contained in or attached to this information statement. We have not authorized any person to provide you with any information that is different from what is contained in this information statement. This information statement is dated _____, 2010. You should not assume that the information contained in this information statement is accurate as of any date other than such date, and the mailing to you of this information statement will not create any implication to the contrary. This information statement does not constitute an offer to sell or a solicitation of any offer to buy any securities in any jurisdiction in which, or to any person to whom, it is unlawful.

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Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Financial Position****July 4, 2010 and September 30, 2009**

	Successor Company	
	July 4,	September 30,
	2010	2009
	(Unaudited)	
	(Amounts in thousands, except per share figures)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,941	\$ 97,800
Receivables:		
Trade accounts receivable, net of allowances of \$8,825 and \$1,011, respectively	378,694	274,483
Other	43,395	24,968
Inventories	514,415	341,505
Deferred income taxes	27,953	28,137
Assets held for sale	12,238	11,870
Prepaid expenses and other	47,354	39,973
Total current assets	1,139,990	818,736
Property, plant and equipment, net	189,333	212,361
Deferred charges and other	33,271	34,934
Goodwill	590,926	483,348
Intangible assets, net	1,754,439	1,461,945
Debt issuance costs	59,390	9,422
Total assets	\$ 3,767,349	\$ 3,020,746
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current liabilities:		
Current maturities of long-term debt	\$ 46,261	\$ 53,578
Accounts payable	257,898	186,235
Accrued liabilities:		
Wages and benefits	79,281	88,443
Income taxes payable	35,287	21,950
Restructuring and related charges	22,099	26,104
Accrued interest	8,086	8,678
Other	124,826	110,080
Total current liabilities	573,738	495,068
Long-term debt, net of current maturities	1,734,746	1,529,957
Employee benefit obligations, net of current portion	66,045	55,855
Deferred income taxes	269,112	227,498

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Other	57,010	51,489
Total liabilities	2,700,651	2,359,867
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.01 par value, authorized 150,000 shares; issued 51,020 and 30,000 shares, respectively; outstanding 51,020 and 30,000 shares, respectively	514	300
Additional paid-in capital	1,312,059	724,796
Accumulated deficit	(236,575)	(70,785)
Accumulated other comprehensive (loss) income	(7,093)	6,568
	1,068,905	660,879
Less treasury stock, at cost, 81 and 0 shares, respectively	(2,207)	
Total shareholders' equity	1,066,698	660,879
Total liabilities and shareholders' equity	\$ 3,767,349	\$ 3,020,746

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

Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Operations
For the Three and Nine Month Periods Ended July 4, 2010 and June 28, 2009**

	Successor Company Three Months Ended 2010	Predecessor Company 2009	Successor Company Nine Months Ended 2010	Predecessor Company 2009
	(Unaudited)			
	(Amounts in thousands, except per share figures)			
Net sales	\$ 653,486	\$ 589,361	\$ 1,778,012	\$ 1,641,126
Cost of goods sold	398,727	358,661	1,125,571	1,022,914
Restructuring and related charges	1,890	403	5,530	13,210
Gross profit	252,869	230,297	646,911	605,002
Selling	112,380	95,039	327,832	301,220
General and administrative	53,821	42,375	139,965	116,822
Research and development	7,078	6,313	21,346	17,638
Acquisition and integration related charges	17,002		22,472	
Restructuring and related charges	2,954	2,829	11,132	27,190
Total operating expenses	193,235	146,556	522,747	462,870
Operating income	59,634	83,741	124,164	142,132
Interest expense	132,238	48,649	230,130	148,559
Other expense (income), net	1,443	(841)	8,427	3,546
(Loss) income from continuing operations before reorganization items and income taxes	(74,047)	35,933	(114,393)	(9,973)
Reorganization items expense, net		62,521	3,646	83,832
Loss from continuing operations before income taxes	(74,047)	(26,588)	(118,039)	(93,805)
Income tax expense	12,460	7,893	45,016	31,842
Loss from continuing operations	(86,507)	(34,481)	(163,055)	(125,647)
Loss from discontinued operations, net of tax		(2,040)	(2,735)	(83,980)
Net loss	\$ (86,507)	\$ (36,521)	\$ (165,790)	\$ (209,627)
Basic earnings per share:				
Weighted average shares of common stock outstanding	34,133	51,397	31,348	51,437
Loss from continuing operations	\$ (2.53)	\$ (0.67)	\$ (5.20)	\$ (2.44)
Loss from discontinued operations		(0.04)	(0.09)	(1.63)
Net loss	\$ (2.53)	\$ (0.71)	\$ (5.29)	\$ (4.07)

Diluted earnings per share:

Weighted average shares and equivalents outstanding	34,133	51,397	31,348	51,437
Loss from continuing operations	\$ (2.53)	\$ (0.67)	\$ (5.20)	\$ (2.44)
Loss from discontinued operations		(0.04)	(0.09)	(1.63)
Net loss	\$ (2.53)	\$ (0.71)	\$ (5.29)	\$ (4.07)

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

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Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Condensed Consolidated Statements of Cash Flows
For the Nine Month Periods Ended July 4, 2010 and June 28, 2009**

	Successor Company Nine Months Ended 2010 (Unaudited)	Predecessor Company Nine Months Ended 2009 (Unaudited)
(Amounts in thousands)		
Cash flows from operating activities:		
Net loss	\$ (165,790)	\$ (209,627)
Loss from discontinued operations	(2,735)	(83,980)
Loss from continuing operations	(163,055)	(125,647)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	39,488	29,859
Amortization of intangibles	31,744	15,560
Amortization of unearned restricted stock compensation	12,273	2,047
Amortization of debt issuance costs	6,657	11,523
Administrative related reorganization items	3,646	83,832
Payments for administrative related reorganization items	(47,173)	
Payments of acquisition related expenses for Russell Hobbs	(22,452)	
Non-cash increase to cost of goods sold due to inventory valuations	34,865	
Non-cash interest expense on 12% Notes	20,317	
Non-cash debt accretion	17,358	
Write off of unamortized discount on retired debt	59,162	
Write off of debt issuance costs	6,551	2,358
Other non-cash adjustments	45,146	40,920
Net changes in assets and liabilities, net of discontinued operations	(88,254)	(88,220)
Net cash used by operating activities of continuing operations	(43,727)	(27,768)
Net cash used by operating activities of discontinued operations	(9,812)	(15,596)
Net cash used by operating activities	(53,539)	(43,364)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,392)	(5,606)
Acquisition of Russell Hobbs, net of cash acquired	(2,577)	
Proceeds from sale of equipment	260	374
Net cash used by investing activities of continuing operations	(19,709)	(5,232)
Net cash used by investing activities of discontinued operations		(860)
Net cash used by investing activities	(19,709)	(6,092)
Cash flows from financing activities:		
Proceeds from new Senior Credit Facilities, excluding new ABL Revolving Credit Facility, net of discount	1,474,755	

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Payment of extinguished senior credit facilities, excluding old ABL revolving credit facility	(1,278,760)	
Debt issuance costs	(55,135)	(8,250)
Proceeds from other debt financing	29,849	155,262
Reduction of debt	(8,366)	(241,027)
New ABL Revolving Credit Facility, net	22,000	
Extinguished old ABL revolving credit facility, net	(33,225)	
Debtor in possession revolving credit facility, net		60,013
(Payments of) proceeds from extinguished supplemental loan	(45,000)	45,000
Refund of debt issuance costs	204	
Treasury stock purchases	(2,207)	(61)
Net cash provided by financing activities	104,115	10,937
Effect of exchange rate changes on cash and cash equivalents	(7,086)	(1,841)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela hyperinflation	(5,640)	
Net decrease in cash and cash equivalents	18,141	(40,360)
Cash and cash equivalents, beginning of period	97,800	104,773
Cash and cash equivalents, end of period	\$ 115,941	\$ 64,413

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

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SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

Spectrum Brands Holdings, Inc., a Delaware corporation (*SB Holdings* or the *Company*), is a global branded consumer products company and was created in connection with the combination of Spectrum Brands, Inc. (*Spectrum Brands*), a global branded consumer products company, and Russell Hobbs, Inc. (*Russell Hobbs*), a small appliance brand company, to form a new combined company (the *SB/RH Merger*). The SB/RH Merger was consummated on June 16, 2010. As a result of the SB/RH Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB Holdings and Russell Hobbs is a wholly-owned subsidiary of Spectrum Brands. SB Holdings trades on the New York Stock Exchange under the symbol *SPB*.

In connection with the SB/RH Merger, Spectrum Brands refinanced its existing senior debt and a portion of Russell Hobbs' existing senior debt through a combination of a new \$750,000 United States (*U.S.*) Dollar Term Loan due June 16, 2016, new 9.5% Senior Secured Notes maturing June 15, 2018 and a new \$300,000 ABL revolving facility due June 16, 2014. (See also Note 8, Debt, for a more complete discussion of the *Company*'s outstanding debt.)

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

Unless the context indicates otherwise, the term *Company* is used to refer to both Spectrum Brands and its subsidiaries prior to the SB/RH Merger and SB Holdings and its subsidiaries subsequent to the SB/RH Merger. The term *Predecessor Company* refers only to the *Company* prior to the *Effective Date* and the term *Successor Company* refers to the *Company* subsequent to the *Effective Date*. The *Company*'s fiscal year ends September 30. References herein to *Fiscal 2010* and *Fiscal 2009* refer to the fiscal years ended September 30, 2010 and 2009, respectively.

Prior to and including August 30, 2009, all operations of the business resulted from the operations of the *Predecessor Company*. In accordance with ASC Topic 852: *Reorganizations*, (*ASC 852*) the *Company* determined that all conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the *Effective Date*. However in light of the proximity of that date to the *Company*'s August accounting period close, which was August 30, 2009, the *Company* elected to adopt a convenience date of August 30, 2009, (the *Fresh-Start Adoption Date*) for recording fresh-start reporting. The *Company* analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the *Effective Date*, and August 30, 2009, the *Fresh-Start Adoption Date*, and concluded that such transactions represented less than one-percent of the total net sales during *Fiscal 2009*. As a result, the *Company* determined that August 30, 2009 would be an appropriate *Fresh-Start Adoption Date* to coincide with the *Company*'s normal financial period close for the month of August 2009. As a result, the fair value of the *Predecessor Company*'s assets and liabilities became the new basis for the *Successor Company*'s Consolidated Statement of Financial Position as of the *Fresh-Start Adoption Date*, and all operations beginning August 31, 2009 are related to the *Successor Company*. Financial information of the *Company*'s financial statements prepared for the *Predecessor Company* will not be comparable to financial information for the *Successor Company*. The *Company* is a global branded consumer products company with positions in seven major product categories: consumer batteries; small appliances; pet supplies; electric shaving and grooming; electric

personal care; portable lighting; and home and garden control.

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

The Company manages its business in four 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); (iii) Home and Garden Business, which consists of the Company's lawn and garden and insect control businesses (the Home and Garden Business); and (iv) Small Appliances, which resulted from the acquisition of Russell Hobbs and consists of small electrical appliances primarily in the kitchen and home product categories (Small Appliances).

The Company's operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health 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 herbicides, insecticides and repellents in North America. With the addition of Russell Hobbs the Company designs, markets and distributes a broad range of branded small appliances and personal care products. The Company's operations utilize manufacturing and product development facilities located in the U.S., Europe, Asia 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, Black & Decker, George Foreman, Russell Hobbs, Farberware and various other brands.

2 VOLUNTARY REORGANIZATION UNDER CHAPTER 11

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

The Bankruptcy Court entered a written order (the Confirmation Order) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan).

Plan Effective Date

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Predecessor Company's existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Spectrum Brands filed a certificate of incorporation authorizing new shares of common stock. Pursuant to and in accordance with the Plan, on the Effective Date, Successor Company issued a total of 27,030 shares of common stock and

\$218,076 of 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes) to holders of allowed claims with respect to Predecessor Company s 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes), 7 3/8% Senior Subordinated Notes due 2015 (the 7 3/8 Notes) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes) (collectively, the Senior Subordinated Notes). (See also Note 8, Debt, for a more complete discussion of the 12% Notes.) Also on the Effective Date, Successor Company issued a total of 2,970 shares of common stock to

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

supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors' debtor-in-possession credit facility.

Reorganization Items

In accordance with ASC 825, reorganization items are presented separately in the accompanying Condensed Consolidated Statements of Operations (Unaudited) and represent expenses, income, gains and losses that the Company has identified as directly relating to the Bankruptcy Cases. Reorganization items expense, net for the three month period ended June 28, 2009 and the nine month periods ended July 4, 2010 and June 28, 2009 are summarized as follows:

	Predecessor Company Three Months Ended 2009	Successor Company Nine Months Ended 2010	Predecessor Company Three Months Ended 2009
Legal and professional fees	\$ 56,881	\$ 3,536	\$ 67,144
Deferred financing costs			10,668
Provision for rejected leases	5,640	110	6,020
Reorganization items expense, net	\$ 62,521	\$ 3,646	\$ 83,832

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 (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 July 4, 2010 and September 30, 2009, and the results of operations for the three and nine month periods ended July 4, 2010 and June 28, 2009 and the cash flows for the nine month periods ended July 4, 2010 and June 28, 2009. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) 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 and any amendments thereto for the fiscal year ended September 30, 2009. 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 SB Holdings and its subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles (GAAP). All intercompany transactions have been eliminated.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP 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: On November 11, 2008, the Predecessor Company board of directors (the Predecessor Board) approved the shutdown of the growing products portion of the Home and Garden Business, which included the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed. The decision to shutdown the growing products portion of the Home and Garden Business was made only after the Predecessor Company was unable to successfully sell this business, in whole or in part. The growing

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

products portion of the Home and Garden Business qualified as a component of an entity, in accordance with U.S. GAAP, of the Home and Garden Business, as operations and cash flows of the growing products portion were clearly distinguished both operationally and for financial reporting purposes from the rest of the Home and Garden Business. The operations and cash flows of the growing products portion of the Home and Garden Business were eliminated from ongoing operations during the second quarter of Fiscal 2009. The Company did not have significant involvement in the operations of the growing products portion of the Home and Garden Business subsequent to the second quarter of Fiscal 2009.

The presentation herein of the results of continuing operations exclude the growing products portion of the Home and Garden Business for all periods presented. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the three month period ended June 28, 2009 and the nine month periods ended July 4, 2010 and June 28, 2009, respectively:

	Predecessor Company Three Months Ended 2009	Successor Company Nine Months Ended 2010	Predecessor Company Nine Months Ended 2009
Net sales	\$	\$	\$ 31,306
Loss from discontinued operations before income taxes	\$ (3,092)	\$ (2,512)	\$ (89,064)
Provision for income tax (benefit) expense	(1,052)	223	(5,084)
Loss from discontinued operations, net of tax	\$ (2,040)	\$ (2,735)	\$ (83,980)

Assets Held for Sale: At July 4, 2010 and September 30, 2009, the Company had \$12,238 and \$11,870, respectively, included in Assets held for sale in its Condensed Consolidated Statements of Financial Position (Unaudited) consisting of certain assets primarily related to a former manufacturing facility in Ningbo, China.

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 4 to 20 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 with such groupings being consistent with the Company's reportable segments. 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. The Company's annual impairment testing is completed at its August financial period end.

ASC Topic 350: *Intangibles-Goodwill and Other*, (ASC 350) 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 and nine month period ended July 4, 2010 and June 28, 2009, respectively, as no event or circumstance arose which indicated that an impairment loss may have been incurred.

Shipping and Handling Costs: The Successor Company incurred shipping and handling costs of \$40,204 and \$111,615 for the three and nine month periods ended July 4, 2010. The Predecessor Company incurred shipping and handling costs of \$35,975 and \$112,314 for the three and nine month periods ended June 28,

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

2009. These costs are included in Selling expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited). 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 24% and 22% of the Successor Company's Net sales during the three and nine month periods ended July 4, 2010, respectively. This customer represented approximately 25% and 23% of the Predecessor Company's Net sales during the three and nine month periods ended June 28, 2009, respectively. This customer also represented approximately 19% and 14% of the Successor Company's Trade accounts receivable, net at July 4, 2010 and September 30, 2009, respectively.

Approximately 37% and 43% of the Successor Company's Net sales during the three and nine month periods ended July 4, 2010, respectively, and 37% and 42% of the Predecessor Company's Net sales during the three and nine month periods ended June 28, 2009, respectively, occurred outside the United States. 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: In 1996, the Predecessor Board approved the Rayovac Corporation 1996 Stock Option Plan (1996 Plan). Under the 1996 Plan, stock options to acquire up to 2,318 shares of common stock, in the aggregate, could be granted to select employees and non-employee directors of the Predecessor Company under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the common stock on the date of grant. The 1996 Plan expired on September 12, 2006.

In 1997, the Predecessor Board adopted the 1997 Rayovac Incentive Plan (1997 Plan). Under the 1997 Plan, the Predecessor Company could grant to employees and non-employee directors stock options, stock appreciation rights (SARs), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting would have occurred in the event of a change in control, as defined in the 1997 Plan. Up to 5,000 shares of common stock could have been issued under the 1997 Plan. The 1997 Plan expired on August 31, 2007.

In 2004, the Predecessor Board adopted the 2004 Rayovac Incentive Plan (2004 Plan). The 2004 Plan supplemented the 1997 Plan. Under the 2004 Plan, the Predecessor Company could grant to employees and non-employee directors stock options, SARs, restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting would occur in the event of a change in control, as defined in the 2004 Plan. Up

to 3,500 shares of common stock, net of forfeitures and cancellations, could have been issued under the 2004 Plan. The 2004 Plan would have expired on July 31, 2014.

Upon the Effective Date, however, by operation of the Plan all the existing common stock of the Predecessor Company was extinguished and deemed cancelled and, in connection with the cancellation of the Predecessor's common stock, any and all equity awards granted under, and understandings with respect to

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SPECTRUM BRANDS HOLDINGS, INC.

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

participation in, the 2004 Plan in effect prior to the Effective Date became null and void as of the Effective Date.

In September 2009, the Successor Company's board of directors (the Board) adopted the 2009 Spectrum Brands Inc. Incentive Plan (the 2009 Plan). In conjunction with the SB/RH Merger the 2009 Plan was assumed by SB Holdings. Up to 3,333 shares of common stock, net of forfeitures and cancellations, may be issued under the 2009 Plan.

In conjunction with the SB/RH Merger, the Company adopted the Spectrum Brands Holdings, Inc. 2007 Omnibus Equity Award Plan (formerly known as the Russell Hobbs, Inc. 2007 Omnibus Equity Award Plan, as amended on June 24, 2008) (the RH Plan). Up to 600 shares of common stock, net of forfeitures and cancellations, may be issued under the RH Plan.

The Company granted approximately 310 shares of restricted stock during the three month period ended July 4, 2010. Of these grants, approximately 271 restricted stock units were granted in conjunction with the consummation of the merger with Russell Hobbs and are time-based and vest over a one year period. The remaining 39 shares are restricted stock grants that are time-based and vest over a three year period. The Company also granted 629 shares of restricted stock grants during the three month period ended January 3, 2010. Of these grants, 18 shares are time-based and vest after a one year period and 611 shares are time-based and vest over a two year period. All vesting dates are subject to the recipient's continued employment with the Company, except as otherwise permitted by the Board or in certain cases if the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately \$23,299.

The Predecessor Company granted approximately 229 shares of restricted stock during the three and nine month period ended June 28, 2009. All shares granted were purely performance based and would have vested only upon achievement of certain performance goals which consisted of reportable segment and consolidated company earnings before interest, taxes, depreciation and amortization and cash flow components, each as defined by the Company for purposes of such awards. All vesting dates were subject to the recipient's continued employment with the Company, except as otherwise permitted by the Predecessor Board. The total market value of the restricted shares on the date of grant was approximately \$150. Upon the Effective Date, by operation of the Plan, the restricted stock granted by the Predecessor Company was extinguished and deemed cancelled.

In connection with the adoption of ASC Topic 718: *Compensation-Stock Compensation*, (ASC 718), the Company is required to recognize expense related to the fair value of its employee stock awards. Total stock compensation expense associated with restricted stock awards recognized by the Successor Company during the three and nine month periods ended July 4, 2010 was \$5,881 or \$3,822, net of taxes and \$12,273, or \$7,978, net of taxes, respectively. Total stock compensation expense associated with restricted stock awards recognized by the Predecessor Company during the three and nine month periods ended June 28, 2009 was \$883 or \$548, net of taxes and \$2,047, or \$1,269, net of taxes, respectively.

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

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 Successor Company's non-vested restricted stock at July 4, 2010 is as follows:

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	Fair Value
Restricted stock at September 30, 2009		\$	\$
Granted	939	24.82	23,299
Vested	(234)	23.40	(5,463)
Restricted stock at July 4, 2010	705	\$ 25.30	\$ 17,836

Derivative Financial Instruments: In accordance with ASC Topic 815: Derivatives and Hedging, (ASC 815) the Company has provided enhanced disclosures about (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under ASC 815; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows.

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 hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure if such criteria are met, and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted 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 forecasted 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. For derivatives that are not designated as cash flow hedges, or do not qualify for hedge accounting treatment, the change in the fair value is also immediately recognized in earnings.

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(Amounts in thousands, except per share figures)

The Successor Company's fair value of outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Asset Derivatives		July 4, 2010	September 30, 2009
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	\$	\$ 2,861
Commodity contracts	Deferred charges and other		554
Foreign exchange contracts	Receivables Other	5,732	295
Foreign exchange contracts	Deferred charges and other	344	
Total asset derivatives designated as hedging instruments under ASC 815		\$ 6,076	\$ 3,710
Derivatives not designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	8	
Foreign exchange contracts	Receivables Other	79	75
Total asset derivatives		\$ 6,163	\$ 3,785

The Successor Company's fair value of outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Liability Derivatives		July 4, 2010	September 30, 2009
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Accounts payable	\$ 3,645	\$
Interest rate contracts	Accrued interest	912	
Interest rate contracts	Other long term liabilities	2,567	
Commodity contracts	Accounts payable	1,332	
Commodity contracts	Other long term liabilities	586	
Foreign exchange contracts	Accounts payable	883	
Foreign exchange contracts	Other long term liabilities	66	1,036
		\$ 9,991	\$ 1,036

Total liability derivatives designated as hedging instruments under ASC 815

Derivatives not designated as hedging instruments under ASC 815:

Foreign exchange contracts	Accounts payable	9,736	131
Total liability derivatives		\$ 19,727	\$ 1,167

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 accumulated other comprehensive income (AOCI) 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.

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

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended July 4, 2010 (Successor Company):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	\$ (4,647)	Cost of goods sold	\$ 155	Cost of goods sold	\$ (73)
Interest rate contracts	(998)	Interest expense	(587)	Interest expense	(5,845)(1)
Foreign exchange contracts	(864)	Net sales	(216)	Net sales	
Foreign exchange contracts	5,820	Cost of goods sold	1,601	Cost of goods sold	
Total	\$ (689)		\$ 953		\$ (5,918)

(1) Includes \$(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 8, Debt, for a more complete discussion of the Company's refinancing of its senior credit facility.)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the nine month period ended July 4, 2010 (Successor Company):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	\$ (2,201)	Cost of goods sold	\$ 1,106	Cost of goods sold	\$ 68
Interest rate contracts	(12,644)	Interest expense	(3,565)	Interest expense	(5,845)(1)
Foreign exchange contracts	(1,214)	Net sales	(402)	Net sales	
Foreign exchange contracts	7,865	Cost of goods sold	1,382	Cost of goods sold	
Total	\$ (8,194)		\$ (1,479)		\$ (5,777)

(1) Includes \$(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 8, Debt, for a more complete discussion of the Company's refinancing of its senior credit facility.)

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

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended June 28, 2009 (Predecessor Company):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives	Location of Gain (Loss) Reclassified from AOCI into Income	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Derivatives in ASC 815	(Effective Portion)	Income (Effective Portion)	Income (Effective Portion)	Effectiveness Testing)	Effectiveness Testing)
Cash Flow Hedging Relationships					
Commodity contracts	\$ 1,930	Cost of goods sold	\$ (2,934)	Cost of goods sold	\$ 197
Interest rate contracts	(777)	Interest expense	(1,274)	Interest expense	(7,369)
Foreign exchange contracts	139	Net sales	302	Net sales	
Foreign exchange contracts	584	Cost of goods sold	2,343	Cost of goods sold	
Total	\$ 1,876		\$ (1,563)		\$ (7,172)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the nine month period ended June 28, 2009 (Predecessor Company):

	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
es in ASC 815 Cash Flow Hedging Relationships					
y contracts	\$ (5,987)	Cost of goods sold	\$ (9,969)	Cost of goods sold	\$
e contracts	(8,130)	Interest expense	(2,096)	Interest expense	
change contracts	1,219	Net sales	321	Net sales	
change contracts	9,313	Cost of goods sold	7,968	Cost of goods sold	
y contracts	(1,313)	Discontinued operations	(2,116)	Discontinued operations	
	\$ (4,898)		\$ (5,892)		\$

Derivative Contracts

For derivative instruments that are used to economically hedge the fair value of the Company's third party and intercompany foreign exchange payments and commodity purchases, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three month period ended

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(Amounts in thousands, except per share figures)

July 4, 2010 (Successor Company) and the three month period ended June 28, 2009 (Predecessor Company), the Company recognized the following respective gains (losses) on derivative contracts:

	Amount of Gain (Loss)		Location of Gain (Loss)
	Recognized in		
Derivatives Not Designated as Hedging Instruments Under ASC 815	Income on Derivatives		Recognized in
	Successor Company 2010	Predecessor Company 2009	Income on Derivatives
Commodity contracts	\$ (53)	\$	Cost of goods sold
Interest rate contracts(A)		(3,841)	Interest expense
Foreign exchange contracts	(9,538)	(2,483)	Other expense, net
Total	\$ (9,591)	\$ (6,324)	

(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.

During the nine month period ended July 4, 2010 (Successor Company) and the nine month period ended June 28, 2009 (Predecessor Company), the Company recognized the following respective gains (losses) on derivative contracts:

	Amount of Gain (Loss)		Location of Gain (Loss)
	Recognized in		
Derivatives Not Designated as Hedging Instruments Under ASC 815	Income on Derivatives		Recognized in
	Successor Company 2010	Predecessor Company 2009	Income on Derivatives
Commodity contracts	\$ 99	\$	Cost of goods sold
Interest rate contracts(A)		(6,191)	Interest expense
Foreign exchange contracts	(11,827)	3,975	Other expense, net
Total	\$ (11,728)	\$ (2,216)	

(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.

Credit Risk

The Company is exposed to the default risk of the counterparties with which the Company transacts. The Company monitors counterparty credit risk on an individual basis by periodically assessing each such counterparty's credit rating exposure. The maximum loss due to credit risk is not significant as the fair value of the gross asset derivatives, which are primarily concentrated with a domestic financial institution counterparty, are offset by gross liability derivative positions held by the Company that are subject to a master netting agreement. The Company considers these exposures when measuring its credit reserves on its derivatives. 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 contingent features 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 July 4, 2010 and September 30, 2009, the Successor Company had posted cash collateral of \$7,097 and \$1,943, respectively, related to such liability positions. In

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addition, at July 4, 2010 and September 30, 2009, the Successor Company had posted standby letters of credit of \$5,000 and \$0, respectively, related to such liability positions. The cash collateral is included in Current Assets Receivables - Other within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited).

Derivative Financial Instruments***Cash Flow Hedges***

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 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. At July 4, 2010, the Successor Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fixes the interest on floating rate debt, exclusive of lender spreads as follows: 2.25% for a notional principal amount of \$300,000 through December 2011 and 2.29% for a notional principal amount of \$300,000 through January 2012 (the U.S. dollar swaps). During both the three and nine month periods ended July 4, 2010, in connection with the refinancing of its senior credit facilities, the Company terminated a portfolio of Euro-denominated interest rate swaps at a cash loss of \$3,499 which was recognized as an adjustment to interest expense for ineffectiveness. The Successor Company had no interest rate swap financial instruments at September 30, 2009. The derivative net loss on these contracts recorded in AOCI by the Successor Company at July 4, 2010 was \$2,960, net of tax benefit of \$1,814. At July 4, 2010, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Successor Company over the next 12 months is 1,369, net of tax.

In connection with the Company's merger with Russell Hobbs and the refinancing of the Company's existing senior credit facilities associated with the closing of the SB/RH Merger, the Company assessed the prospective effectiveness of its interest rate cash flow hedges during the three month period ended July 4, 2010. As a result, during the three and nine month periods ended July 4, 2010, the Company recorded a loss of \$2,346 from ineffectiveness as an adjustment to interest expense as the Company was unable to confirm that all forecasted interest rate swaps transactions were probable of occurring. Upon the refinancing of the existing senior credit facility associated with the closing of the SB/RH Merger, the Company re-designated the U.S. dollar swaps as cash flow hedges of certain scheduled interest rate payments on the new \$750,000 U.S. Dollar Term Loan expiring June 16, 2016. At July 4, 2010, the Company believes that all forecasted interest rate swap transactions designated as cash flow hedges are probable of occurring.

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.

At July 4, 2010 the Successor Company had a series of foreign exchange derivative contracts outstanding through September 2011 with a contract notional value of \$104,650. At September 30, 2009 the Successor Company had a series of foreign exchange derivative contracts outstanding through September 2010 with a contract notional value of \$92,963. The derivative net gain on these contracts recorded in AOCI by the Successor Company at July 4, 2010 was \$3,662, net of tax expense of \$1,464. The derivative net loss on these

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contracts recorded in AOCI by the Successor Company at September 30, 2009 was \$378, net of tax benefit of \$167. At July 4, 2010, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Successor Company over the next 12 months is \$3,466, net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc used in its manufacturing processes. The Company hedges a portion of the risk associated with these materials through the use of commodity 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 affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At July 4, 2010 the Successor Company had a series of such swap contracts outstanding through September 2012 for 16 tons with a contract notional value of \$32,175. At September 30, 2009 the Successor Company had a series of such swap contracts outstanding through September 2011 for 8 tons with a contract notional value of \$11,830. The derivative net loss on these contracts recorded in AOCI by the Successor Company at July 4, 2010 was \$1,814, net of tax benefit of \$963. The derivative net gain on these contracts recorded in AOCI by the Successor Company at September 30, 2009 was \$347, net of tax expense of \$183. At July 4, 2010, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Successor Company over the next 12 months is \$1,442, net of tax.

The Company was also exposed to fluctuating prices of raw materials, specifically urea and di-ammonium phosphates (DAP), used in its manufacturing processes in the growing products portion of the Home and Garden Business. The Successor Company did not have any contracts outstanding and did not record any activity for these raw materials during the three and nine month periods ended July 4, 2010 as the Company completed the shutdown of the growing products portion of the Home and Garden Business during the second quarter of Fiscal 2009. See Note 3, Significant Accounting Policies – Discontinued Operations, for further information on the shutdown of the growing products portion of the Home and Garden Business.

Derivative Contracts

The Predecessor Company periodically enters into forward and swap foreign exchange contracts to economically hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statement of Financial Position (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. At July 4, 2010 and September 30, 2009 the Successor Company had \$347,031 and \$37,478, respectively, of such foreign exchange derivative notional value contracts outstanding.

The Company is indirectly exposed to economic risk from fluctuating prices for underlying raw materials, including nickel, through its purchases of processed parts used in its manufacturing processes. Periodically the Company economically hedges a portion of the risk associated with these parts through swap agreements with the supplier of the parts. The swap agreements are designated as fair value hedges. The swaps effectively fix the floating price on a specified quantity of underlying raw materials through the life of the purchase contract with the supplier. The unrealized change in fair value of the hedge contracts is recorded in earnings and as a hedge asset or liability, as

applicable. The unrealized gains or losses are reversed from earnings as the hedged purchases of processed parts also effects earnings. At July 4, 2010 and September 30, 2009 the Successor Company had \$105 and \$0, respectively, of such commodity derivative notional value contracts outstanding.

Fair Value of Financial Instruments: The Company measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on

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(Amounts in thousands, except per share figures)

the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company uses a three-level hierarchy which prioritizes fair value measurements based on the types of inputs used for the various valuation techniques.

The valuation techniques required by ASC Topic 820: *Fair Value Measurements and Disclosures*, 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 that are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities.

The Successor Company's net derivative portfolio at July 4, 2010 contains Level 2 instruments and represents commodity and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Liabilities:				
Interest rate contracts	\$	\$ (7,124)	\$	\$ (7,124)
Commodity contracts, net		(1,910)	\$	(1,910)
Foreign exchange contracts, net		(4,530)	\$	(4,530)
Total Liabilities	\$	\$ (13,564)	\$	\$ (13,564)

The Successor Company's net derivative portfolio at September 30, 2009 contains Level 2 instruments and represents, commodity and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts	\$	\$ 3,415	\$	\$ 3,415
Total Assets	\$	\$ 3,415	\$	\$ 3,415
Liabilities:				
Foreign exchange contracts, net	\$	\$ (797)	\$	\$ (797)
Total Liabilities	\$	\$ (797)	\$	\$ (797)

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(Amounts in thousands, except per share figures)

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term debt approximate fair value. The fair values of long-term debt and derivative financial instruments are generally based on quoted or observed market prices.

The carrying amounts and fair values of the Successor Company's financial instruments are summarized as follows ((liability)/asset):

	July 4, 2010		September 30, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ (1,781,007)	\$ (1,843,897)	\$ (1,583,535)	\$ (1,592,987)
Interest rate swap agreements	(7,124)	(7,124)		
Commodity swap and option agreements	(1,910)	(1,910)	3,415	3,415
Foreign exchange forward agreements	(4,530)	(4,530)	(797)	(797)

See Note 3, Significant Accounting Policies – Derivative Financial Instruments and Note 8, Debt, for further details of the Company's financial instruments.

Subsequent Events: During Fiscal 2009, the Company adopted ASC 855, Subsequent Events, (ASC 855). ASC 855 establishes general standards of accounting and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of ASC 855 requires the Company to evaluate all subsequent events that occur after the balance sheet date through the date and time the Company's financial statements are issued. The Company has evaluated subsequent events through August 18, 2010, which is the date these financial statements were issued.

4 OTHER COMPREHENSIVE LOSS

Comprehensive loss and the components of other comprehensive loss, net of tax, for the three and nine month periods ended July 4, 2010 and June 28, 2009 are as follows:

	Successor Company Three Months Ended 2010	Predecessor Company 2009	Successor Company Nine Months Ended 2010	Predecessor Company 2009
Net loss	\$ (86,507)	\$ (36,521)	\$ (165,790)	\$ (209,627)
Other comprehensive (loss) income:				
Foreign currency translation	(2,870)	19,495	(9,306)	(8,790)

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Valuation allowance adjustments	668	3,611	(2,453)	4,168
Pension liability adjustments			(52)	
Net unrealized gain (loss) on derivative instruments	1,548	6,841	(1,850)	9,450
Net change to derive comprehensive loss for the period	(654)	29,947	(13,661)	4,828
Comprehensive loss	\$ (87,161)	\$ (6,574)	\$ (179,451)	\$ (204,799)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the AOCI section of Shareholders' equity. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments.

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

The changes in accumulated foreign currency translation for the three and nine month periods ended July 4, 2010 and June 28, 2009 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 nine month periods ended July 4, 2010 and June 28, 2009 is calculated based upon the following number of shares:

	Successor Company Three Months Ended 2010	Predecessor Company Three Months Ended 2009	Successor Company Nine Months Ended 2010	Predecessor Company Nine Months Ended 2009
Basic	34,133	51,397	31,348	51,437
Effect of restricted stock				
Diluted	34,133	51,397	31,348	51,437

For the three and nine month periods ended July 4, 2010 and June 28, 2009 the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

On June 16, 2010, the Company issued 20,433 shares of its common stock in conjunction with the SB/RH Merger. Additionally, all shares of its wholly owned subsidiary Spectrum Brands, were converted to shares of SB Holdings on June 16, 2010. (See also Note 15, Acquisition, for a more complete discussion of the SB/RH Merger.)

6 INVENTORIES

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

	July 4, 2010	September 30, 2009
Raw materials	\$ 72,175	\$ 64,314
Work-in-process	29,473	27,364
Finished goods	412,767	249,827
	\$ 514,415	\$ 341,505

Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**
(Amounts in thousands, except per share figures)**7 GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets for the Successor Company consist of the following:

	Global Batteries & Personal Care	Home and Garden	Global Pet Supplies	Small Appliances	Total
Goodwill:					
Balance at September 30, 2009	\$ 152,293	\$ 170,807	\$ 160,248	\$	\$ 483,348
Additions due to Russell Hobbs combination				120,079	120,079
Effect of translation	(6,932)		(6,821)	1,252	(12,501)
Balance at July 4, 2010	\$ 145,361	\$ 170,807	\$ 153,427	\$ 121,331	\$ 590,926
Intangible Assets:					
<i>Trade names Not Subject to Amortization</i>					
Balance at September 30, 2009	\$ 401,983	\$ 76,000	\$ 212,253	\$	\$ 690,236
Additions due to Russell Hobbs combination				170,930	170,930
Effect of translation	(8,331)		(14,866)	3,528	(19,669)
Balance at July 4, 2010	\$ 393,652	\$ 76,000	\$ 197,387	\$ 174,458	\$ 841,497
<i>Intangible Assets Subject to Amortization</i>					
Balance at September 30, 2009, net	\$ 354,433	\$ 172,271	\$ 245,005	\$	\$ 771,709
Additions due to Russell Hobbs combination				192,397	192,397
Amortization during period	(13,349)	(6,563)	(11,180)	(652)	(31,744)
Effect of translation	(10,965)		(8,751)	296	(19,420)
Balance at July 4, 2010, net	\$ 330,119	\$ 165,708	\$ 225,074	\$ 192,041	\$ 912,942
Total Intangible Assets, net at July 4, 2010	\$ 723,771	\$ 241,708	\$ 422,461	\$ 366,499	\$ 1,754,439

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The carrying value of technology assets was \$62,443, net of accumulated amortization of \$4,655 at July 4, 2010 and \$62,985, net of accumulated amortization of \$515 at September 30, 2009. The carrying value of these trade names was \$149,078, net of accumulated amortization of \$613, at July 4, 2010 and \$490, net of accumulated amortization of \$10, at September 30, 2009. Remaining intangible assets subject to amortization include customer relationship intangibles. The carrying value of customer relationships was \$701,421, net of accumulated amortization of \$26,476, at July 4, 2010 and \$708,234, net of accumulated amortization of \$2,988, at September 30, 2009. The useful life of the Company's intangible assets subject to amortization are 8 years for technology assets related to the Global Pet Supplies segment, 9 to 11 years for technology assets related to the Small Appliances segment, 17 years for technology assets associated with the Global Batteries & Personal Care segment, 20 years for customer relationships of Global Batteries & Personal Care, Home and Garden and Global Pet Supplies, 15 years for Small Appliances customer relationships, 12 years for a trade name within the Small Appliances segment and 4 years for a trade name within the Home and Garden segment.

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(Amounts in thousands, except per share figures)

Amortization expense for the three and nine month periods ended July 4, 2010 and June 28, 2009 is as follows:

	Successor Company Three Months Ended 2010	Predecessor Company Three Months Ended 2009	Successor Company Nine Months Ended 2010	Predecessor Company Nine Months Ended 2009
Proprietary technology amortization	\$ 1,563	\$ 944	\$ 4,655	\$ 2,813
Customer relationships amortization	8,767	4,081	26,476	12,163
Trade names amortization	549	221	613	583
	\$ 10,879	\$ 5,246	\$ 31,744	\$ 15,559

The Company estimates annual amortization expense for the next five fiscal years will approximate \$55,000 per year.

8 DEBT

Debt of the Company consists of the following:

	July 4, 2010		September 30, 2009	
	Amount	Rate	Amount	Rate
Term Loan, U.S. Dollar, expiring June 16, 2016	750,000	8.1%		
9.5% Senior Secured Notes, due June 15, 2018	750,000	9.5%		
Term Loan B, U.S. Dollar, expiring June 30, 2012			973,125	8.1%
Term Loan, Euro, expiring June 30, 2012			371,874	8.6%
12% Senior Subordinated Notes, due August 28, 2019	231,161	12.0%	218,076	12.0%
ABL Revolving Credit Facility, expiring June 16, 2014	22,000	6.0%		
ABL Revolving Credit Facility, expiring March 31, 2012			33,225	6.6%
Supplemental Loan, expiring March 31, 2012			45,000	17.7%
Other notes and obligations	44,380	8.3%	5,919	6.2%
Capitalized lease obligations	10,969	5.1%	12,924	4.9%
	1,808,510		1,660,143	
Original issuance discounts on debt	(27,355)			
Adjustments resulting from fresh-start reporting valuation	(148)		(76,608)	
Less current maturities	46,261		53,578	
Long-term debt, net of current maturities	\$ 1,734,746		\$ 1,529,957	

In connection with the combination of Spectrum Brands and Russell Hobbs, Spectrum Brands (i) entered into a new senior secured term loan pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a \$750,000 U.S. Dollar Term Loan due June 16, 2016 (the Term Loan), (ii) issued \$750,000 in aggregate principal amount of 9.5% Senior Secured Notes maturing June 15, 2018 (the 9.5% Notes) and (iii) entered into a \$300,000 U.S. Dollar asset based revolving loan facility due June 16, 2014 (the ABL Revolving Credit Facility and together with the Senior Credit Agreement, the Senior Credit Facilities and the Senior Credit Facilities together with the 9.5% Notes, the Senior Secured Facilities). The proceeds from the Senior Secured Facilities were used to repay Spectrum Brands then-existing senior term credit facility (the Prior Term Facility) and Spectrum Brands then-existing asset based revolving loan facility, to pay fees and expenses in connection with the refinancing and for general corporate purposes.

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SPECTRUM BRANDS HOLDINGS, INC.

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

The 9.5% Notes and 12% Notes were issued by Spectrum Brands. SB/RH Holdings, LLC, a wholly-owned subsidiary of SB Holdings, and the wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 9.5% Notes. The wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 12% Notes. SB Holdings is not an issuer or guarantor of the 9.5% Notes or the 12% Notes. SB Holdings is also not a borrower or guarantor under the Company's Term Loan or the ABL Revolving Credit Facility. Spectrum Brands is the borrower under the Term Loan and its wholly owned domestic subsidiaries along with SB/RH Holdings, LLC are the guarantors under that facility. Spectrum Brands and its wholly owned domestic subsidiaries are the borrowers under the ABL Revolving Credit Facility and SB/RH Holdings, LLC is a guarantor of that facility.

Senior Term Credit Facility

The Term Loan has a maturity date of June 16, 2016. Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Among other things, the Term Loan provides for a minimum Eurodollar interest rate floor of 1.5% and interest spreads over market rates of 6.5%.

The Senior Credit Agreement contains financial covenants with respect to debt, including, but not limited to, a maximum leverage ratio and a minimum interest coverage 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. The Senior Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

The Term Loan was issued at a 2.00% discount and was recorded net of the \$15,000 amount incurred. The discount will be amortized as an adjustment to the carrying value of principal with a corresponding charge to interest expense over the remaining life of the Senior Credit Agreement. During both the three and nine month periods ended July 4, 2010, the Company recorded \$25,968 of fees in connection with the Senior Credit Agreement. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the Senior Credit Agreement.

At July 4, 2010, the aggregate amount outstanding under the Term Loan totaled \$750,000.

At September 30, 2009, the aggregate amount outstanding under the Prior Term Facility totaled a U.S. Dollar equivalent of \$1,391,459, consisting of principal amounts of \$973,125 under the U.S. Dollar Term B Loan, 254,970 under the Euro Facility (USD \$371,874 at September 30, 2009) as well as letters of credit outstanding under the L/C Facility totaling \$46,460.

At July 4, 2010, the Company was in compliance with all covenants under the Senior Credit Agreement.

9.5% Notes

At July 4, 2010, Company had outstanding principal of \$750,000 under the 9.5% Notes maturing June 15, 2018.

The Company may redeem all or a part of the 9.5% Notes, upon not less than 30 or more than 60 days notice at specified redemption prices. Further, the indenture governing the 9.5% Notes (the 2018 Indenture)

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SPECTRUM BRANDS HOLDINGS, INC.

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requires the Company to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indenture.

The 2018 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2018 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2018 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 9.5% Notes. If any other event of default under the 2018 Indenture occurs and is continuing, the trustee for the 2018 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 9.5% Notes may declare the acceleration of the amounts due under those notes.

At July 4, 2010, the Company was in compliance with all covenants under the 2018 Indenture. The Company, however, is subject to certain limitations as a result of the Company's Fixed Charge Coverage Ratio under the 2018 Indenture being below 2:1. Until the test is satisfied, the Company and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. The Successor Company does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

The 9.5% Notes were issued at a 1.37% discount and were recorded net of the \$10,245 amount incurred. The discount will be amortized as an adjustment to the carrying value of principal with a corresponding charge to interest expense over the remaining life of the 9.5% Notes. During both the three and nine month periods ended July 4, 2010, the Company recorded \$20,810 of fees in connection with the issuance of the 9.5% Notes. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the 9.5% Notes.

12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 and pursuant to the Plan, the Company issued \$218,076 in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at its option, the Company may elect to pay interest on the 12% Notes in cash or as payment in kind, or PIK. PIK interest would be added to principal upon the relevant semi-annual interest payment date. Under the Prior Term Facility, the Company agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. As a result of the refinancing of the Prior Term Facility the Company is no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010. During both the three and nine month periods ended July 4, 2010, the Company reclassified \$13,085 of accrued interest from Other long term liabilities to principal in connection with the PIK provision of the

12% Notes. At July 4, 2010, the Company had \$9,632 of accrued interest included in Other long term liabilities in the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) that will be reclassified to principal upon the next semi-annual interest payment date of August 28, 2010.

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SPECTRUM BRANDS HOLDINGS, INC.

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

At July 4, 2010 and September 30, 2009, the Company had outstanding principal of \$231,161 and \$218,076, respectively, under the 12% Notes.

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

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

At July 4, 2010, the Company was in compliance with all covenants under the 12% Notes. The Company, however, is subject to certain limitations as a result of the Company's Fixed Charge Coverage Ratio under the 2019 Indenture being below 2:1. Until the test is satisfied, Spectrum Brands and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. The Company does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

In connection with the SB/RH Merger, the Company obtained the consent of the note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture became effective upon the closing of the SB/RH Merger. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger Capital Partners Master Fund I, Ltd. (Harbinger Master Fund) and Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger Special Fund) and, together with Harbinger Master Fund, the HCP Funds) and Global Opportunities Breakaway Ltd. (together with the HCP Funds, the Harbinger Parties) and increased the Company's ability to incur indebtedness up to \$1,850,000.

During the nine month period ended July 4, 2010, the Company recorded \$2,950 of fees in connection with the consent. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the SB/RH Merger.

ABL Revolving Credit Facility

The ABL Revolving Credit Facility is governed by a credit agreement (the ABL Credit Agreement) with Bank of America as administrative agent (the Agent). The ABL Revolving Credit Facility consists of

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SPECTRUM BRANDS HOLDINGS, INC.

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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.

The Revolving Loans may be drawn, repaid and reborrowed without premium or penalty. The proceeds of borrowings under the ABL Revolving Credit Facility are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, for working capital requirements of the Company and its subsidiaries , restructuring costs, and other general corporate purposes.

The ABL Revolving Credit Facility carries an interest rate, at the Company s option, which is subject to change based on availability under the facility, of either: (a) the base rate plus currently 2.75% per annum or (b) the reserve-adjusted LIBOR rate (the Eurodollar Rate) plus currently 3.75% per annum. No amortization will be required with respect to the ABL Revolving Credit Facility. The ABL Revolving Credit Facility will mature on June 16, 2014.

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

At July 4, 2010, the Company was in compliance with all covenants under the ABL Credit Agreement.

During both the three and nine month periods ended July 4, 2010, the Company recorded \$9,759 of fees in connection with the ABL Revolving Credit Facility. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statement of Financial Position (Unaudited) as of July 4, 2010 and will be amortized as an adjustment to interest expense over the remaining life of the ABL Revolving Credit Facility.

As a result of borrowings and payments under the ABL Revolving Credit Facility at July 4, 2010, the Company had aggregate borrowing availability of approximately \$208,108, net of lender reserves of \$28,972.

At July 4, 2010, the Company had an aggregate amount outstanding under the ABL Revolving Credit Facility of \$62,920 which includes loans outstanding of \$22,000 and letters of credit of \$40,920.

At September 30, 2009, the Company had an aggregate amount outstanding under its then-existing asset based revolving loan facility of \$84,225 which included a supplemental loan of \$45,000 and \$6,000 in outstanding letters of credit.

9 EMPLOYEE BENEFIT PLANS

Pension Benefits

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 96 percent current liability funded status. At January 1, 2010, 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 96 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 government-sponsored plans, which are not significant in the aggregate and therefore are not included in the information presented below.

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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.

Other Benefits

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's results of operations for the three and nine month periods ended July 4, 2010 and June 28, 2009 reflect the following pension and deferred compensation benefit costs:

Components of Net Periodic Pension Benefit and Deferred Compensation Benefit Cost	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months Ended 2010	2009	Nine Months Ended 2010	2009
Service cost	\$ 725	\$ 601	\$ 2,174	\$ 1,803
Interest cost	1,932	1,727	5,558	5,179
Expected return on assets	(1,382)	(1,147)	(3,926)	(3,442)
Amortization of prior service cost	1	55	4	165
Recognized net actuarial loss	22	39	25	118
Employee contributions	(88)	(29)	(265)	(86)
Net periodic benefit cost	\$ 1,210	\$ 1,246	\$ 3,570	\$ 3,737

Pension and Deferred Compensation Contributions	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Three Months Ended 2010	2009	Nine Months Ended 2010	2009
Contributions made during period	\$ 1,711	\$ 2,475	\$ 3,714	\$ 3,724

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. Prior to April 1, 2009 the Company contributed annually from 3% to 6% of participants' compensation based on age or

service, and had the ability to make additional discretionary contributions. The Company suspended all contributions to its U.S. subsidiaries defined contribution pension plans effective April 1, 2009 through December 31, 2009. Effective January 1, 2010 the Company reinstated its annual contribution as described above. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Successor Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended July 4, 2010 were \$933 and \$2,408, respectively. Predecessor Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended June 28, 2009 were \$134 and \$2,583, respectively.

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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., U.K., and Germany. In the U.S. federal tax filings for years prior to and including Spectrum Brands fiscal year ended September 30, 2006 are closed. However, the federal net operating loss carryforward from Spectrum Brands fiscal year ended September 30, 2006 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. Spectrum Brands fiscal years ended September 30, 2007, 2008, and 2009 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.

In the U.S. federal tax filings for years prior to and including Russell Hobbs fiscal year ended June 30, 2008 are closed. However, the federal net operating loss carryforward from Russell Hobbs fiscal year ended June 30, 2008 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. Russell Hobbs fiscal year ended June 30, 2009 remains 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.

During Fiscal 2010, certain of the Company's German legal entities are undergoing audits for the fiscal years ended 2003 through 2006. 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 four vertically integrated, product-focused reporting segments; (i) Global Batteries & Personal Care; (ii) Global Pet Supplies; (iii) the Home and Garden Business; and (iv) Small Appliances.

On June 16, 2010, the Company completed the SB/RH Merger with Russell Hobbs. The results of Russell Hobbs operations since June 16, 2010 are included in the Company's Condensed Consolidated Statement of Operations (Unaudited). The financial results are reported as a separate business segment, Small Appliances.

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, acquisition and integration related charges, interest expense, interest income, impairment charges and income tax expense. 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.

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

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Segment information for the three and nine month periods ended July 4, 2010 and June 28, 2009 is as follows:

	Successor Company Three Months Ended 2010	Predecessor Company 2009	Successor Company Nine Months Ended 2010	Predecessor Company 2009
<i>Net sales from external customers</i>				
Global Batteries & Personal Care	\$ 318,931	\$ 296,759	\$ 1,055,867	\$ 973,594
Global Pet Supplies	135,216	144,594	420,388	419,085
Home and Garden Business	163,584	148,008	266,002	248,447
Small Appliances	35,755		35,755	
Total segments	\$ 653,486	\$ 589,361	\$ 1,778,012	\$ 1,641,126

	Successor Company Three Months Ended 2010	Predecessor Company 2009	Successor Company Nine Months Ended 2010	Predecessor Company 2009
<i>Segment profit (loss)</i>				
Global Batteries & Personal Care	\$ 31,874	\$ 37,316	\$ 111,570	\$ 124,406
Global Pet Supplies	17,229	19,221	37,325	45,799
Home and Garden Business	40,058	38,645	41,446	36,870
Small Appliances	2,137		2,137	
Total segments	91,298	95,182	192,478	207,075
Corporate expense	9,818	8,209	29,180	24,543
Acquisition and integration related charges	17,002		22,472	
Restructuring and related charges	4,844	3,232	16,662	40,400
Interest expense	132,238	48,649	230,130	148,559
Other expense, net	1,443	(841)	8,427	3,546
Income (loss) from continuing operations before reorganization items and income taxes	\$ (74,047)	\$ 35,933	\$ (114,393)	\$ (9,973)

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

	Successor Company	
	July 4, 2010	September 30, 2009
<i>Segment total assets</i>		
Global Batteries & Personal Care	\$ 1,538,227	\$ 1,630,139
Global Pet Supplies	809,963	866,901
Home and Garden	533,153	505,586
Small Appliances	820,691	
Total segments	3,702,034	3,002,626
Corporate	65,315	18,120
Total assets at period end	\$ 3,767,349	\$ 3,020,746

The Global Batteries & Personal Care segment does business in Venezuela through a Venezuelan subsidiary. At January 4, 2010, the beginning of the Company's second quarter of Fiscal 2010, the Company determined that Venezuela meets the definition of a highly inflationary economy under GAAP. As a result, beginning January 4, 2010, the U.S. dollar is the functional currency for the Company's Venezuelan subsidiary. Accordingly, going forward, currency remeasurement adjustments for this subsidiary's financial statements and other transactional foreign exchange gains and losses are reflected in earnings. Through January 3, 2010, prior to being designated as highly inflationary, translation adjustments related to our Venezuelan subsidiary were reflected in Shareholders' equity as a component of other comprehensive income.

In addition, on January 8, 2010, the Venezuelan government announced its intention to devalue its currency, the Bolivar fuerte, relative to the U.S. dollar. The official exchange rate for imported goods classified as essential, such as food and medicine, changed from 2.15 to 2.6 to the U.S. dollar, while payments for other non-essential goods moved to an exchange rate of 4.3 to the U.S. dollar. Some of the Company's imported products fall into the essential classification and qualify for the 2.6 rate; however, the Company's overall results in Venezuela will be reflected at the 4.3 rate expected to be applicable to dividend repatriations. As a result, the Company remeasured the local statement of financial position of its Venezuela entity during the second quarter of Fiscal 2010 to reflect the impact of the devaluation. There is also an ongoing impact related to measuring the Company's Venezuelan statement of operations at the new exchange rate of 4.3 to the U.S. dollar.

The designation of the Company's Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a \$150 and \$1,306 reduction to the Company's operating income during the three and nine month periods ended July 4, 2010, respectively. The Company also reported a foreign exchange loss in Other expense (income), net, of \$5,823 for the nine month period ended July 4, 2010.

12 ACQUISITION AND INTEGRATION RELATED CHARGES

Acquisition and integration related charges reflected in Operating expenses include, but are not limited to transaction costs such as banking, legal and accounting professional fees directly related to the acquisition, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination related expenses associated with the SB/RH Merger of Russell Hobbs.

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

The following table summarizes acquisition and integration related charges incurred by the Company for the three and nine month periods ended July 4, 2010:

	Three Months Ended	Nine Months Ended
Legal and professional fees	\$ 15,512	\$ 20,982
Integration costs	103	103
Employee termination charges	1,387	1,387
Total Acquisition and integration related charges	\$ 17,002	\$ 22,472

13 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, compensation 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.

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 Predecessor 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 nine month periods ended July 4, 2010 and June 28, 2009:

	Successor Company Three Months Ended 2010	Predecessor Company Three Months Ended 2009	Successor Company Nine Months Ended 2010	Predecessor Company Nine Months Ended 2009
Cost of goods sold:				
Global Batteries & Personal Care	\$ 1,185	\$ 171	\$ 2,638	\$ 12,447
Global Pet Supplies	705	232	2,854	763
Home and Garden Business			38	
Total restructuring and related charges in cost of goods sold	1,890	403	5,530	13,210

Operating expenses:

Global Batteries & Personal Care	51	797	(155)	8,106
Global Pet Supplies	222	(20)	724	3,939
Home and Garden Business	(220)	1,168	7,805	2,949
Corporate	2,901	884	2,758	12,196
Total restructuring and related charges in operating expenses	2,954	2,829	11,132	27,190
Total restructuring and related charges	\$ 4,844	\$ 3,232	\$ 16,662	\$ 40,400

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Table of Contents**SPECTRUM BRANDS HOLDINGS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**
(Amounts in thousands, except per share figures)***2009 Restructuring Initiatives***

The Predecessor Company implemented a series of initiatives within the Global Batteries & Personal Care segment, the Global Pet Supplies segment and the Home and Garden Business 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 each of the Company's segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies and Home and Garden Business segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of the Predecessor Company's capital structure. The Successor Company recorded \$2,553 and \$13,942 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, and the Predecessor Company recorded \$2,423 and \$12,515 of pretax restructuring and related charges during both the three and nine month periods ended June 28, 2009 related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected at approximately \$55,000.

Global Cost Reduction Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2009 initiatives and the activity during the nine month period ended July 4, 2010:

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	\$ 4,180	\$ 84	\$ 4,264
Provisions	2,938	4,885	7,823
Cash expenditures	(2,861)	(848)	(3,709)
Non-cash items	(131)	(56)	(187)
Accrual balance at July 4, 2010	\$ 4,126	\$ 4,065	\$ 8,191
Expensed as incurred(A)	\$ 1,302	\$ 4,817	\$ 6,119

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

The following table summarizes the expenses as incurred during the nine month period ended July 4, 2010, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Cost Reduction Initiatives by operating segment:

Global

	Batteries and Personal Care	Global Pet Supplies	Home and Garden	Corporate	Total
Restructuring and related charges during the nine month period ended July 4, 2010	\$ 1,913	\$ 3,578	\$ 8,451	\$	\$ 13,942
Restructuring and related charges since initiative inception	\$ 6,515	\$ 7,034	\$ 13,203	\$ 7,591	\$ 34,343
Total remaining restructuring and related charges expected	\$	\$ 20,300	\$ 200	\$	\$ 20,500

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

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(Amounts in thousands, except per share figures)

plan to exit the Company's Ningbo, China battery manufacturing facility (the Ningbo Exit Plan). The Successor Company recorded \$193 and \$1,526 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, and the Predecessor Company recorded \$193 and \$12,455 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, in connection with the Ningbo Exit Plan. The Company has recorded pretax restructuring and related charges of \$28,481 since the inception of the Ningbo Exit Plan, which are substantially complete.

Ningbo Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2008 initiatives and the activity during the nine month period ended July 4, 2010:

	Other Costs
Accrual balance at September 30, 2009	\$ 308
Provisions	446
Cash expenditures	(237)
Non-cash items	(10)
Accrual balance at July 4, 2010	\$ 507
Expensed as incurred(A)	\$ 1,080

(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 Successor Company recorded no pretax restructuring and related charges during the three month period ended July 4, 2010 and \$79 of pretax restructuring and related charges during the nine month period ended July 4, 2010. The Predecessor Company recorded \$(32) and \$54 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, in connection with the Latin American Initiatives. The Company has recorded pretax restructuring and related charges of \$11,526 since the inception of the Latin American Initiatives, which are substantially complete.

The following table summarizes the remaining accrual balance associated with the Latin American Initiatives and the activity during the nine month period ended July 4, 2010:

Latin American Initiatives Summary

	Other Costs
Accrual balance at September 30, 2009	\$ 331
Non-cash items	(331)
Accrual balance at July 4, 2010	\$
Expensed as incurred(A)	\$ 79

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

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(Amounts in thousands, except per share figures)

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 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 Successor Company recorded \$2,098 and \$1,115 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, and the Predecessor Company recorded \$1,448 and \$12,499 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2009, respectively, in connection with the Global Realignment Initiatives. Costs associated with these initiatives, which are expected to be incurred through June 30, 2011, relate primarily to severance and are projected at approximately \$86,300, the majority of which are cash costs.

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and the activity during the nine month period ended July 4, 2010:

Global Realignment Initiatives Summary

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	\$ 14,581	\$ 3,678	\$ 18,259
Provisions	(31)	(1,101)	(1,132)
Cash expenditures	(5,612)	(76)	(5,688)
Non-cash items	(496)	454	(42)
Accrual balance at July 4, 2010	\$ 8,442	\$ 2,955	\$ 11,397
Expensed as incurred(A)	\$ 2,616	\$ (369)	\$ 2,247

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

The following table summarizes the expenses as incurred during the nine month period ended July 4, 2010, the cumulative amount incurred to date and the total future costs expected to be 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 the nine month period ended July 4, 2010	\$ (1,034)	\$ (795)	\$ 2,944	\$ 1,115
Restructuring and related charges since initiative inception	\$ 46,606	\$ 6,763	\$ 32,718	\$ 86,087
Total remaining restructuring and related charges expected	\$	\$	\$ 220	\$ 220

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

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(Amounts in thousands, except per share figures)

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 Successor Company recorded no pretax restructuring and related charges during the three and nine month periods ended July 4, 2010 and the Predecessor Company also recorded no pretax restructuring and related charges during the three and nine month periods ended June 28, 2009 in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of \$27,057 since the inception of the European Initiatives.

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and the activity during the nine month period ended July 4, 2010:

European Initiatives Summary

	Termination and Compensation Benefits	Other Costs	Total
Accrual balance at September 30, 2009	\$ 2,623	\$ 319	\$ 2,942
Cash expenditures	(450)	(151)	(601)
Non-cash items	(353)	16	(337)
Accrual balance at July 4, 2010	\$ 1,820	\$ 184	\$ 2,004

14 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 \$9,626, 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.

In December 2009, San Francisco Technology, Inc. filed an action in the Federal District Court for the Northern District of California against the Company, as well as a number of unaffiliated defendants, claiming that each of the defendants had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such claimed violations. This matter is currently stayed pending resolution of a similar case in which the Company is not a party. The Company is reviewing the claims but is unable to estimate any possible losses at this time.

In May 2010, Herengrucht Group, LLC filed an action in the U.S. District Court for the Southern District of California against the Company claiming that the Company had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such

claimed violations. The Company is reviewing the claims but is unable to estimate any possible losses at this time.

A subsidiary of the Company is a defendant in NACCO Industries, Inc. et al. v. Applica Incorporated et al., Case No. C.A. 2541-VCL, which was filed in the Court of Chancery of the State of Delaware in November 2006.

The original complaint in this action alleged a claim for, among other things, breach of contract against Applica and a number of tort claims against certain entities affiliated with the Harbinger Master Fund and Harbinger Special Fund and, together with Harbinger Master Fund, the HCP Funds. The claims against Applica related to the alleged breach of the merger agreement between Applica and NACCO Industries, Inc.

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(Amounts in thousands, except per share figures)

(NACCO) and one of its affiliates, which agreement was terminated following Applica's receipt of a superior merger offer from the HCP Funds. On October 22, 2007, the plaintiffs filed an amended complaint asserting claims against Applica for, among other things, breach of contract and breach of the implied covenant of good faith relating to the termination of the NACCO merger agreement and asserting various tort claims against Applica and the HCP Funds. The original complaint was filed in conjunction with a motion preliminarily to enjoin the HCP Funds' acquisition of Applica. On December 1, 2006, plaintiffs withdrew their motion for a preliminary injunction. In light of the consummation of Applica's merger with affiliates of the HCP Funds in January 2007 (Applica is currently a subsidiary of Russell Hobbs), the Company believes that any claim for specific performance is moot. Applica filed a motion to dismiss the amended complaint in December 2007. Rather than respond to the motion to dismiss the amended complaint, NACCO filed a motion for leave to file a second amended complaint, which was granted in May 2008. Applica moved to dismiss the second amended complaint, which motion was granted in part and denied in part in December 2009.

The trial is currently scheduled for February 2011. The Company may be unable to resolve the disputes successfully or without incurring significant costs and expenses. As a result, Russell Hobbs and Harbinger Master Fund have entered into an indemnification agreement, dated as of February 9, 2010, by which Harbinger Master Fund has agreed, effective upon the consummation of the SB/RH Merger, to indemnify Russell Hobbs, its subsidiaries and any entity that owns all of the outstanding voting stock of Russell Hobbs against any out-of-pocket losses, costs, expenses, judgments, penalties, fines and other damages in excess of \$3,000 incurred with respect to this litigation and any future litigation or legal action against the indemnified parties arising out of or relating to the matters which form the basis of this litigation.

Applica Consumer Products, Inc., a subsidiary of the Company, is a defendant in three asbestos lawsuits in which the plaintiffs have alleged injury as the result of exposure to asbestos in hair dryers distributed by that subsidiary over 20 years ago. Although Applica never manufactured such products, asbestos was used in certain hair dryers distributed by it prior to 1979. Russell Hobbs, another subsidiary, is a defendant in one asbestos lawsuit in which the plaintiff has alleged injury as the result of exposure to asbestos in toasters and/or toaster ovens. There are numerous defendants named in these lawsuits, many of whom, unlike Russell Hobbs or Applica, actually manufactured asbestos containing products. The Company believes that these actions are without merit, but may be unable to resolve the disputes successfully without incurring significant expenses. At this time, the Company does not believe it has coverage under its insurance policies for the asbestos lawsuits.

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

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

15 ACQUISITION

On June 16, 2010, the Company merged with Russell Hobbs. Headquartered in Miramar, Florida, Russell Hobbs is a designer, marketer and distributor of a broad range of branded small household appliances. Russell Hobbs markets and distributes small kitchen and home appliances, pet and pest products and personal care products. Russell Hobbs

has a broad portfolio of recognized brand names, including Black & Decker, George Foreman, Russell Hobbs, Toastmaster, LitterMaid, Farberware, Breadman and Juiceman. Russell Hobbs customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, South America, Europe and Australia.

The results of Russell Hobbs operations since June 16, 2010 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited). The financial results of Russell Hobbs are reported as a

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separate business segment, Small Appliances. Russell Hobbs contributed \$35,755 in Net sales, and recorded Operating income of \$647 for the period from June 16, 2010 through the period ended July 4, 2010, which includes \$1,490 of Acquisition and integration related charges.

In accordance with ASC Topic 805, *Business Combinations* (ASC 805), the Company accounted for the SB/RH Merger by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition. After consummation of the Merger, the stockholders of Spectrum Brands, inclusive of Harbinger, own approximately 60% of SB Holdings and the stockholders of Russell Hobbs own approximately 40% of SB Holdings. Inasmuch as Russell Hobbs is a private company and its common stock was not publicly traded, the closing market price of the Spectrum Brands common stock at June 15, 2010 was used to calculate the purchase price. The total purchase price of Russell Hobbs was approximately \$597,579 determined as follows:

Spectrum Brands closing price per share on June 15, 2010	\$ 28.15
Purchase price Russell Hobbs allocation 20,704 shares(1)(2)	\$ 575,203
Cash payment to pay off Russell Hobbs north american credit facility	22,376
Total purchase price of Russell Hobbs	\$ 597,579

- (1) Number of shares calculated based upon conversion formula, as defined in the Merger Agreement, using balances as of June 16, 2010.
- (2) The fair value of 271 shares of unvested restricted stock units as they relate to post combination services will be recorded as operating expense over the remaining service period and were assumed to have no fair value for the purchase price.

Preliminary Purchase Price Allocation

The total purchase price for Russell Hobbs was allocated to the preliminary net tangible and intangible assets based upon their preliminary fair values at June 16, 2010 as set forth below. The excess of the purchase price over the preliminary net tangible assets and intangible assets was recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions that are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible assets and liabilities acquired, certain legal matters, amounts for income taxes including deferred tax accounts, amounts for uncertain tax positions, and net operating loss carryforwards inclusive of associated limitations, the determination of identifiable intangible assets and the final allocation of goodwill. The Company expects to continue to obtain information to assist it in determining the fair values of the net

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assets acquired at the acquisition date during the measurement period. The preliminary purchase price allocation for Russell Hobbs is as follows:

Current assets	\$ 307,809
Property, plant and equipment	15,150
Intangible assets	363,327
Goodwill	120,079
Other assets	15,752
Total assets acquired	\$ 822,117
Current liabilities	142,046
Total debt	18,970
Long-term liabilities	63,522
Total liabilities assumed	\$ 224,538
Net assets acquired	\$ 597,579

Preliminary Pre-Acquisition Contingencies Assumed

The Company has evaluated and continues to evaluate pre-acquisition contingencies relating to Russell Hobbs that existed as of the acquisition date. Based on the evaluation to date, the Company has preliminarily determined that certain pre-acquisition contingencies are probable in nature and estimable as of the acquisition date. Accordingly, the Company has preliminarily recorded its best estimates for these contingencies as part of the preliminary purchase price allocation for Russell Hobbs. The Company continues to gather information relating to all pre-acquisition contingencies that it has assumed from Russell Hobbs. Any changes to the pre-acquisition contingency amounts recorded during the measurement period will be included in the purchase price allocation. Subsequent to the end of the measurement period any adjustments to pre-acquisition contingency amounts will be reflected in the Company's results of operations.

Certain estimated values are not yet finalized and are subject to change, which could be significant. The Company will finalize the amounts recognized as it obtains the information necessary to complete its analysis during the measurement period. The following items are provisional and subject to change:

tangible assets and liabilities acquired;

amounts for legal contingencies, pending the finalization of the Company's examination and evaluation of the portfolio of filed cases;

amounts for income taxes including deferred tax accounts, amounts for uncertain tax positions, and net operating loss carryforwards inclusive of associated limitations; and

the determination of identifiable intangible assets and the final allocation of Goodwill.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Accordingly, the Company performed a preliminary valuation of the assets and liabilities of Russell Hobbs at June 16, 2010. Significant adjustments as a result of that preliminary valuation are summarized as followed:

Inventories An adjustment of \$1,721 was recorded to adjust inventory to fair value. Finished goods were valued at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort.

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Deferred tax liabilities, net An adjustment of \$43,086 was recorded to adjust deferred taxes for the preliminary fair value allocations.

Property, plant and equipment, net An adjustment of \$(455) was recorded to adjust the net book value of property, plant and equipment to fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company's property, plant and equipment were based on the cost approach.

Certain indefinite-lived intangible assets were valued using a relief from royalty methodology. Customer relationships and certain definite-lived intangible assets were valued using a multi-period excess earnings method. Certain intangible assets are subject to sensitive business factors of which only a portion are within control of the Company's management. The total fair value of indefinite and definite lived intangibles was \$363,327 as of June 16, 2010. A summary of the significant key inputs were as follows:

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationship, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used which included an expected growth rate of 3%. The Company assumed a customer retention rate of approximately 93% which was supported by historical retention rates. Income taxes were estimated at 36% and amounts were discounted using a rate of 15.5%. The customer relationships were valued at \$38,000 under this approach.

The Company valued trade names and trademarks using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade name was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Russell Hobbs related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trademarks and trade names. Royalty rates used in the determination of the fair values of trade names and trademarks ranged from 2.0% to 5.5% of expected net sales related to the respective trade names and trademarks. The Company anticipates using the majority of the trade names and trademarks for an indefinite period as demonstrated by the sustained use of each subjected trademark. In estimating the fair value of the trademarks and trade names, net sales were estimated to grow at a rate of 1%-12% annually with a terminal year growth rate of 3%. Income taxes were estimated at a range of 30%-38% and amounts were discounted using rates between 15.5%-16.5%. Trade name and trademarks were valued at \$170,930 under this approach.

The Company valued a trade name license agreement using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the trade name license agreement, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the trade name license agreement after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted

to their present value. In estimating the fair value of the trade name license agreement net sales were estimated to grow at a rate of 1% annually. The Company assumed a twelve year useful life of the trade name license agreement. Income taxes were estimated at 37% and amounts were discounted using a rate of 15.5%. The trade name license agreement was valued at \$149,200 under this approach.

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The Company valued technology using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors including prior transactions of Russell Hobbs related licensing agreements and the importance of the technology and profit levels, among other considerations. Royalty rates used in the determination of the fair values of technologies were 2% of expected net sales related to the respective technology. The Company anticipates using these technologies through the legal life of the underlying patent and therefore the expected life of these technologies was equal to the remaining legal life of the underlying patents ranging from 9 to 11 years. In estimating the fair value of the technologies, net sales were estimated to grow at a rate of 3%-12% annually. Income taxes were estimated at 37% and amounts were discounted using the rate of 15.5%. The technology assets were valued at \$4,100 under this approach.

Supplemental Pro Forma Information

The following reflects the Company's pro forma results had the results of Russell Hobbs been included for all periods beginning after September 30, 2008.

	Three Months Ended		Nine Months Ended	
	2010	2009	2010	2009
Net sales:				
Reported Net sales	\$ 653,486	\$ 589,361	\$ 1,778,012	\$ 1,641,126
Russell Hobbs adjustment	137,540	167,059	543,952	570,242
Pro forma Net sales	\$ 791,026	\$ 756,420	\$ 2,321,964	\$ 2,211,368
Loss from continuing operations:				
Reported Loss from continuing operations	\$ (86,507)	\$ (34,481)	\$ (163,055)	\$ (125,647)
Russell Hobbs adjustment	(20,547)	(8,466)	(5,504)	(31,308)
Pro forma Loss from continuing operations	\$ (107,054)	\$ (42,947)	\$ (168,559)	\$ (156,955)
Basic and Diluted earnings per share(A):				
Reported Basic and Diluted earnings per share	\$ (2.53)	\$ (0.67)	\$ (5.20)	\$ (2.44)
Russell Hobbs adjustment	(0.61)	(0.17)	(0.18)	(0.61)
Pro forma basic earnings per share	\$ (3.14)	\$ (0.84)	\$ (5.38)	\$ (3.05)

(A) The Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive.

16 NEW ACCOUNTING PRONOUNCEMENTS

Employers Disclosures About Postretirement Benefit Plan Assets

In December 2008, the Financial Accounting Standards Board (FASB) issued new accounting guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the

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SPECTRUM BRANDS HOLDINGS, INC.

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

period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for the Company's annual financial statements for the period that began after December 15, 2009. The adoption of this guidance is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

Accounting for Transfers of Financial Assets

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

Variable Interest Entities

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Spectrum Brands, Inc.:

We have audited the accompanying consolidated statements of financial position of Spectrum Brands, Inc. and subsidiaries (the Company) as of September 30, 2009 (Successor Company) and September 30, 2008 (Predecessor Company), and the related consolidated statements of operations, shareholders' equity (deficit) and comprehensive income (loss), and cash flows for the period August 31, 2009 to September 30, 2009 (Successor Company), the period October 1, 2008 to August 30, 2009, and the years ended September 30, 2008 and 2007 (Predecessor Company). In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spectrum Brands, Inc. and subsidiaries as of September 30, 2009 (Successor Company) and September 30, 2008 (Predecessor Company) and the results of their operations and their cash flows for the period August 31, 2009 to September 30, 2009 (Successor Company), the period October 1, 2008 to August 30, 2009, and the years ended September 30, 2008 and 2007 (Predecessor Company) in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code on February 3, 2009. The Company's plan of reorganization became effective and the Company emerged from bankruptcy protection on August 28, 2009. In connection with their emergence from bankruptcy, the Successor Company Spectrum Brands, Inc. adopted fresh-start reporting in conformity with ASC Topic 852, *Reorganizations* formerly American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*, effective as of August 30, 2009. Accordingly, the Successor Company's consolidated financial statements prior to August 30, 2009 are not comparable to its consolidated financial statements for periods on or after August 30, 2009.

As discussed in Note 11 to the consolidated financial statements, effective September 30, 2007, the Company changed their method of accounting for defined benefit pension and other postretirement plans due to the adoption of the recognition and disclosure provisions of ASC 715, *Compensation - Retirement Benefits* formerly FAS 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans*. Also discussed in Note 11 to

the consolidated financial statements, effective September 30, 2009, the Company adopted the measurement date provision of ASC 715.

/s/ KPMG LLP

Atlanta, Georgia
December 29, 2009

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Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Consolidated Statements of Financial Position
September 30, 2009 and 2008**

	Successor Company 2009	Predecessor Company 2008
	(In thousands, except per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,800	\$ 104,773
Receivables:		
Trade accounts receivable, net of allowances of \$1,011 and \$18,102, respectively	274,483	353,949
Other	24,968	40,756
Inventories	341,505	383,260
Deferred income taxes	28,137	13,957
Assets held for sale	11,870	7,452
Prepaid expenses and other	39,973	49,450
Total current assets	818,736	953,597
Property, plant and equipment, net	212,361	234,805
Deferred charges and other	34,934	44,129
Goodwill	483,348	235,468
Intangible assets, net	1,461,945	742,809
Debt issuance costs	9,422	36,671
Total assets	\$ 3,020,746	\$ 2,247,479
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 53,578	\$ 48,637
Accounts payable	186,235	278,126
Accrued liabilities:		
Wages and benefits	88,443	72,299
Income taxes payable	21,950	10,272
Restructuring and related charges	26,203	34,559
Accrued interest	8,678	50,514
Other	109,981	87,672
Total current liabilities	495,068	582,079
Long-term debt, net of current maturities	1,529,957	2,474,782
Employee benefit obligations, net of current portion	55,855	47,694
Deferred income taxes	227,498	114,674

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Other	51,489	55,488
Total liabilities	2,359,867	3,274,717
Commitments and contingencies		
Shareholders' deficit:		
New Common Stock (as of September 30, 2009), \$.01 par value, authorized 150,000 shares; issued 30,000 shares; outstanding 30,000 shares		
Old Common stock (as of September 30, 2008), \$.01 par value, authorized 150,000 shares; issued 69,202 shares; outstanding 52,775 shares	300	692
Additional paid-in capital	724,796	674,370
Accumulated deficit	(70,785)	(1,694,915)
Accumulated other comprehensive income	6,568	69,445
	660,879	(950,408)
Less treasury stock, at cost, 0 and 16,297 shares, respectively		(76,830)
Total shareholders' equity (deficit)	660,879	(1,027,238)
Total liabilities and shareholders' equity (deficit)	\$ 3,020,746	\$ 2,247,479

See accompanying notes to consolidated financial statements.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Consolidated Statements of Operations**

	Successor Company	Predecessor Company		
	One Month Ended	Eleven Months Ended	Year Ended	
	September 30, 2009	August 30, 2009	2008	September 30, 2007
	(In thousands, except per share amounts)			
Net sales	\$ 219,888	\$ 2,010,648	\$ 2,426,571	\$ 2,332,676
Cost of goods sold	155,310	1,245,640	1,489,971	1,424,710
Restructuring and related charges	178	13,189	16,499	31,315
Gross profit	64,400	751,819	920,101	876,651
Operating expenses:				
Selling	39,136	363,106	506,365	510,242
General and administrative	20,578	145,235	188,934	162,251
Research and development	3,027	21,391	25,315	26,816
Restructuring and related charges	1,551	30,891	22,838	66,711
Goodwill and intangibles impairment		34,391	861,234	362,452
	64,292	595,014	1,604,686	1,128,472
Operating income (loss)	108	156,805	(684,585)	(251,821)
Interest expense	16,962	172,940	229,013	255,765
Other (income) expense, net	(816)	3,320	1,220	(331)
Loss from continuing operations before reorganization items and income taxes	(16,038)	(19,455)	(914,818)	(507,255)
Reorganization items expense (income), net	3,962	(1,142,809)		
(Loss) income from continuing operations before income taxes	(20,000)	1,123,354	(914,818)	(507,255)
Income tax expense (benefit)	51,193	22,611	(9,460)	55,769
(Loss) income from continuing operations	(71,193)	1,100,743	(905,358)	(563,024)
Income (loss) from discontinued operations, net of tax	408	(86,802)	(26,187)	(33,689)
Net (loss) income	\$ (70,785)	\$ 1,013,941	\$ (931,545)	\$ (596,713)
Basic net (loss) income per common share:				
(Loss) income from continuing operations	\$ (2.37)	\$ 21.45	\$ (17.78)	\$ (11.06)
Income (loss) from discontinued operations	0.01	(1.69)	(0.51)	(0.66)

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Net (loss) income	\$ (2.36)	\$ 19.76	\$ (18.29)	\$ (11.72)
Weighted average shares of common stock outstanding	30,000	51,306	50,921	50,909
Diluted net (loss) income per common share:				
(Loss) income from continuing operations	\$ (2.37)	\$ 21.45	\$ (17.78)	\$ (11.06)
Income (loss) from discontinued operations	0.01	(1.69)	(0.51)	(0.66)
Net (loss) income	\$ (2.36)	\$ 19.76	\$ (18.29)	\$ (11.72)
Weighted average shares of common stock and equivalents outstanding	30,000	51,306	50,921	50,909

See accompanying notes to consolidated financial statements.

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Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss)**

	Common Stock		Additional	Accumulated	Accumulated Other Comprehensive Income, Net of Tax	Treasury	Total Shareholders Equity (Deficit)
	Shares	Amount	Paid-in Capital	Deficit (In thousands)		Stock	
Balances at September 30, 2006, Predecessor Company	51,491	\$ 674	\$ 651,644	\$ (166,657)	\$ 39,639	\$ (73,083)	\$ 452,217
Net loss				(596,713)			(596,713)
Adjustment of additional minimum pension liability					5,954		5,954
Valuation allowance adjustment					(4,938)		(4,938)
Translation adjustment					44,489		44,489
Other unrealized gains and losses					(17,580)		(17,580)
Comprehensive loss							(568,788)
Adoption of FAS 158, net of tax					(1,900)		(1,900)
Issuance of restricted stock	1,689	15	(15)				
Forfeiture of restricted stock	(199)						
Exercise of stock options	149	1	690				691
Stock option expense			115				115
Adjustment for tax benefit realized			(4,374)				(4,374)
Treasury shares surrendered	(365)					(3,003)	(3,003)
Amortization of unearned compensation			21,214				21,214
Balances at September 30, 2007, Predecessor Company	52,765	\$ 690	\$ 669,274	\$ (763,370)	\$ 65,664	\$ (76,086)	\$ (103,828)
Net loss				(931,545)			(931,545)
Adjustment of additional minimum					2,459		2,459

pension liability					
Valuation allowance adjustment				(4,060)	(4,060)
Translation adjustment				5,236	5,236
Other unrealized gains and losses				146	146
Comprehensive loss					(927,764)
Issuance of restricted stock	408	4	(4)		
Forfeiture of restricted stock	(268)	(2)	2		
Treasury shares surrendered	(130)			(744)	(744)
Amortization of unearned compensation			5,098		5,098

See accompanying notes to consolidated financial statements.

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Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Consolidated Statements of Shareholders Equity (Deficit) and Comprehensive Income (Loss) (Continued)**

	Common Stock		Additional	Accumulated	Accumulated Other Comprehensive Income, Net of Tax	Treasury	Total Shareholders Equity (Deficit)
	Shares	Amount	Paid-in Capital	Deficit (In thousands)		Stock	
Balances at September 30, 2008, Predecessor Company	52,775	\$ 692	\$ 674,370	\$ (1,694,915)	\$ 69,445	\$ (76,830)	\$ (1,027,238)
Net income				1,013,941			1,013,941
Adjustment of additional minimum pension liability					(1,160)		(1,160)
Valuation allowance adjustment					5,104		5,104
Translation adjustment					(2,650)		(2,650)
Other unrealized gains and losses					9,817		9,817
Comprehensive income							1,025,088
Issuance of restricted stock	230	(1)	1				
Forfeiture of restricted stock	(82)						
Treasury shares surrendered	(185)					(61)	(61)
Amortization of unearned compensation			2,636				2,636
Cancellation of Predecessor Company common stock	(52,738)	(691)	(677,007)			76,891	(600,807)
Elimination of Predecessor Company accumulated deficit and accumulated other comprehensive income				680,974	(80,556)		600,418
Issuance of new common stock in connection with emergence from Chapter 11 of the Bankruptcy Code	30,000	300	724,796				725,096

Balances at August 30, 2009, Successor Company	30,000	\$ 300	\$ 724,796	\$	\$	\$	\$ 725,096
Balances at August 30, 2009, Successor Company	30,000	\$ 300	\$ 724,796	\$	\$	\$	\$ 725,096
Net loss				(70,785)			(70,785)
Adjustment of additional minimum pension liability					576		576
Valuation allowance adjustment					(755)		(755)
Translation adjustment					5,896		5,896
Other unrealized gains and losses					851		851
Comprehensive loss							(64,217)
Balances at September 30, 2009, Successor Company	30,000	\$ 300	\$ 724,796	\$ (70,785)	\$ 6,568	\$	\$ 660,879

See accompanying notes to consolidated financial statements.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

	Successor Company One Month Ended September 30, 2009	Predecessor Company Eleven Months Ended August 30, 2009	Years Ended September 30, 2008 2007	
	(In thousands)			
Cash flows from operating activities:				
Net (loss) income	\$ (70,785)	\$ 1,013,941	\$ (931,545)	\$ (596,713)
Income (loss) from discontinued operations	408	(86,802)	(26,187)	(33,689)
(Loss) income from continuing operations	(71,193)	1,100,743	(905,358)	(563,024)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	5,158	36,745	52,236	42,365
Amortization of intangibles	3,513	19,099	27,687	13,846
Amortization of debt issuance costs	314	13,338	8,387	11,855
Amortization of unearned restricted stock compensation		2,636	5,098	21,214
Impairment of goodwill and intangibles		34,391	861,234	362,452
Non cash goodwill adjustment due to release of valuation allowance	47,443			
Fresh-start reporting adjustments		(1,087,566)		
Gain on cancelation of debt		(146,555)		
Administrative related reorganization items	3,962	91,312		
Deferred income taxes	3,498	22,046	(37,237)	57,145
Writeoff of debt issuance costs		2,358		24,576
Non-cash restructuring and related charges	1,299	28,368	29,726	62,408
Non-cash debt accretion	2,861			
Changes in assets and liabilities:				
Accounts receivable	5,699	68,203	8,655	(41,485)
Inventories	48,995	9,004	12,086	31,350
Prepaid expenses and other current assets	1,256	5,131	13,738	(14,418)
Accounts payable and accrued liabilities	22,438	(80,463)	(62,165)	(5,641)
Other assets and liabilities	(6,565)	(88,996)	(18,990)	(30,440)
Net cash provided (used) by operating activities of continuing operations	68,678	29,794	(4,903)	(27,797)
Net cash provided (used) by operating activities of discontinued operations	6,273	(28,187)	(5,259)	(4,832)
Net cash provided (used) by operating activities	74,951	1,607	(10,162)	(32,629)

Cash flows from investing activities:

Purchases of property, plant and equipment	(2,718)	(8,066)	(18,928)	(23,177)
Proceeds from sale of property, plant and equipment	71	379	285	1,572
Payments for acquisitions, net of cash acquired		(8,460)		

Net cash used by investing activities of continuing operations	(2,647)	(16,147)	(18,643)	(21,605)
Net cash (used) provided by investing activities of discontinued operations		(855)	12,376	(1,477)

Net cash used by investing activities	(2,647)	(17,002)	(6,267)	(23,082)
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Cash flows from financing activities:

Reduction of debt	(4,603)	(40,583)	(425,073)	(2,037,278)
Proceeds from debt financing			477,759	2,176,623
Debt issuance costs	(287)	(17,199)	(152)	(43,969)

Proceeds from Revolving Credit Facility		149,195		
Payments on Revolving Credit Facility		(229,195)		

Proceeds from DIP Revolving Credit Facility		854,341		
Payments on DIP Revolving Credit Facility		(854,341)		

Proceeds from ABL Revolving Credit Facility	57,800	65,000		
Payments on ABL Revolving Credit Facility	(89,575)			

Proceeds from supplemental loan		90,000		
Payments on supplemental loan		(45,000)		

Proceeds from exercise of stock options				655
Stock option income tax benefit				37

Treasury stock purchases		(61)	(744)	(3,003)
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Net cash (used) provided by financing activities	(36,665)	(27,843)	51,790	93,065
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Effect of exchange rate changes on cash and cash equivalents	1,002	(376)	(441)	4,069
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Net increase (decrease) in cash and cash equivalents	36,641	(43,614)	34,920	41,423
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Cash and cash equivalents, beginning of period	61,159	104,773	69,853	28,430
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Cash and cash equivalents, end of period	\$ 97,800	\$ 61,159	\$ 104,773	\$ 69,853
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Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 5,828	\$ 158,380	\$ 227,290	\$ 200,635
Cash paid for income taxes, net	1,336	18,768	16,999	20,596

See accompanying notes to consolidated financial statements.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(1) Description of Business

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

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

Prior to and including August 30, 2009, all operations of the business resulted from the operations of the Predecessor Company. All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However in light of proximity of that date to the Company's August accounting period close, which was August 30, 2009, the Company elected to adopt a convenience date of August 30, 2009, (the Fresh-Start Adoption Date) for recording fresh-start reporting. As a result, the fair value of the Predecessor Company's assets became the new basis for the Successor Company's Consolidated Statement of Financial Position as of the Fresh-Start Adoption Date, and all operations beginning August 31, 2009, are related to the Successor Company.

The Company and its subsidiaries 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 control.

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 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 health 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 herbicides, insecticides and repellents in North America. The Company's operations utilize manufacturing and product development facilities located in the 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.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except per share amounts)

In the third quarter of the Predecessor Company's fiscal year ended September 30, 2006, the Predecessor Company engaged advisors to assist it in exploring possible strategic options, including divesting certain assets, in order to reduce its outstanding indebtedness. In connection with this undertaking, during the first quarter of the Predecessor Company's fiscal year ended September 30, 2007 the Predecessor 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 and was engaged in the manufacturing and marketing of lawn and garden and insect control products as well as growing media products. As a result, the Predecessor 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. On November 1, 2007, the Predecessor Company sold the Canadian division of the Home and Garden Business. See Note 10, Discontinued Operations, for further details on the sale of the Canadian division of the Home and Garden Business.

During the second quarter of the Predecessor Company's fiscal year ended September 30, 2008 the Predecessor 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 under U.S. generally accepted accounting principles (GAAP), necessary to classify the Home and Garden Business as discontinued operations were no longer met. As a result, effective December 31, 2007, the Predecessor 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.

On May 20, 2008, the Predecessor 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 agreement was subject to a number of closing conditions, including, without limitation, consent of the Predecessor Company's lenders under its senior credit facilities. The Predecessor Company was unable to obtain the consent of the lenders under its senior credit facilities, and, on July 13, 2008, the Predecessor 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 Predecessor Company paid Salton and Applica \$3,000 as a reimbursement of expenses.

In November 2008, the Predecessor 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 of the growing product portion of the Home and Garden Business for the Predecessor Company's fiscal year ended 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. During the second quarter of Fiscal 2009, the Predecessor Company completed the shutdown of the growing products portion of the Home and Garden Business. See Note 10, Discontinued Operations, for further details on the shutdown of the growing products portion of the Home and Garden Business.

On December 15, 2008, the Predecessor Company was notified that the Predecessor 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 Predecessor Company was advised that the decision to suspend the Predecessor Company's common stock was reached in view of the fact that the Predecessor Company had recently fallen below the NYSE's

continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than \$25,000, the minimum threshold for listing on the NYSE. The Predecessor Company's common stock was delisted from the NYSE effective January 23, 2009.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except per share amounts)

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

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

(2) Voluntary Reorganization Under Chapter 11

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

Confirmation of the Proposed Plan

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

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

On June 24, 2009, during the pendency of such hearing, the Predecessor Company publicly disclosed that it had reached a settlement (the Settlement) with the senior term lenders under its senior secured term credit facility agreement and amended the Proposed Plan to reflect the terms of the Settlement. The Bankruptcy Court thereafter

overruled the Equity Committee's objections to the Proposed Plan, as amended, and on June 25, 2009, approved such plan on the record at the conclusion of the confirmation hearing. The Bankruptcy Court entered a written order (the Confirmation Order) on July 15, 2009 confirming the Proposed Plan (as so confirmed, the Plan).

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Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(In thousands, except per share amounts)***Equity Committee Appeal***

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

Plan Effective Date

On the Effective Date the Plan became effective, and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to and by operation of the Plan, on the Effective Date, all of Predecessor Company's existing equity securities, including the existing common stock and stock options, were extinguished and deemed cancelled. Spectrum Brands filed a certificate of incorporation authorizing new shares of the common stock. Pursuant to and in accordance with the Plan, on the Effective Date, Successor Company issued a total of 27,030 shares of common stock to holders of allowed claims with respect to Predecessor Company's 8 1/2% Senior Subordinated Notes due 2013 (the 8 1/2 Notes), 7 3/8% Senior Subordinated Notes due 2015 (the 7 3/8 Notes) and Variable Rate Toggle Senior Subordinated Notes due 2013 (the Variable Rate Notes) (collectively, the Senior Subordinated Notes). Also on the Effective Date, Successor Company issued a total of 2,970 shares of common stock to supplemental and sub-supplemental debtor-in-possession facility participants in respect of the equity fee earned under the Debtors' debtor-in-possession credit facility. The common stock is currently quoted on the over-the-counter (OTC) Bulletin Board and the Pink Sheet Electronic Quotation Service.

On the Effective Date, pursuant to the Plan, the Company entered into Amendment No. 1 to the senior secured term credit facility agreement reflecting the terms of the Settlement as authorized by the Confirmation Order, including a new covenant restricting the Company from paying cash interest on its 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes) until the date that is 18 months from the Effective Date, or February 28, 2011. In addition, on the Effective Date, the Company entered into Amendment No. 2 to the senior secured term credit facility agreement to give effect to certain technical amendments to the senior secured term credit facility agreement. (See also Note 8, Debt, for a more complete discussion of the amendments.)

In order to consummate the Plan, the Debtors obtained a \$242,000 asset-based exit loan facility pursuant to a credit agreement among the Debtors, General Electric Capital Corporation, as the administrative agent, co-collateral agent, swingline lender and supplemental loan lender, Bank of America, N.A., as co-collateral agent and L/C Issuer, RBS

Asset Finance, Inc., through its division RBS Business Capital, as syndication agent and the lenders party thereto.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except per share amounts)

Accounting for Reorganization

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

On the four column consolidated statement of financial position as of August 30, 2009, which is included in this Note 2, Voluntary Reorganization Under Chapter 11, separated liabilities that are subject to compromise from liabilities that are not subject to compromise;

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

On the accompanying Consolidated Statements of Cash Flows, separately disclosed Reorganization items expense (income), net, consisting of the following: (i) Fresh-start reporting adjustments; (ii) Gain on cancelation of debt; and (iii) Administrative related reorganization items;

Ceased accruing interest on the Predecessor Company's then outstanding senior subordinated notes; and

Presented Consolidating Financial Statements of entities not in Chapter 11 proceedings in Note 17, Consolidating Financial Statements. These Consolidating Financial Statements of the Company's entities not in Chapter 11 proceedings have been prepared on the same basis as the Company's accompanying Consolidated Financial Statements.

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 the Company has recorded.

Since the Petition Date, and in accordance with ASC 852, the Company ceased accruing interest on its senior subordinated notes, as such debt and interest would be an allowed claim by the Bankruptcy Court. The Predecessor Company's contractual interest on the Senior Subordinated Notes in excess of reported interest was approximately \$55,654 for the eleven month period ended August 30, 2009.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(In thousands, except per share amounts)

Liabilities subject to compromise as of August 30, 2009 for the Predecessor Company were as follows:

	August 30, 2009
Senior Subordinated Notes	\$ 1,049,885
Accrued interest on Senior Subordinated Notes	40,497
Other accrued liabilities	15,580(A)
Predecessor Company Balance	\$ 1,105,962
Effects of Plan	(1,105,962)
Successor Company Balance	\$

(A) As discussed below in the four column consolidated statement of financial position as of August 30, 2009 Effects of Plan Adjustments, note (f), the \$15,500 relates to rejected lease obligations that are to be paid by the Successor Company in subsequent periods.

Reorganization Items

In accordance with ASC 852, Reorganization items expense (income), net, are presented separately in the accompanying Consolidated Statements of Operations and represent expenses, income, gains and losses that the Company has identified as directly relating to the Bankruptcy Cases. As required by ASC 852, the Company recorded the pre-petition debt instruments at the allowed claim amount as defined in the Proposed Plan. Accordingly, the Predecessor Company accelerated the amortization of the deferred debt issuance costs associated with the Senior Subordinated Notes and recorded a non-cash charge of \$10,668 during the second quarter ended March 29, 2009 to Reorganization items expense (income), net. Reorganization items expense (income), net, for the eleven month period ended August 30, 2009 are summarized as follows:

	Successor Company One Month Ended September 30, 2009	Predecessor Company Eleven Months Ended August 30, 2009
Legal and professional fees	\$ 3,962	\$ 74,624
Deferred financing costs		10,668
Provision for rejected leases		6,020

Administrative related reorganization items	\$	3,962	\$	91,312
Gain on cancellation of debt				(146,555)
Fresh-start reporting adjustments				(1,087,566)
Reorganization items expense (income), net	\$	3,962	\$	(1,142,809)

Fresh-Start Reporting

The Company, in accordance with ASC 852, adopted fresh-start reporting as of the close of business on August 30, 2009 since the reorganization value of the assets of Predecessor Company immediately before the date of confirmation of the Plan was less than the total of all post-petition liabilities and allowed claims, and the holders of the Predecessor Company's voting shares immediately before confirmation of the Plan received less than 50 percent of the voting shares of the emerging entity. The four-column consolidated statement of financial position as of August 30, 2009, included herein, applies effects of the Plan and fresh-start reporting to the carrying values and classifications of assets or liabilities that were necessary.

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(In thousands, except per share amounts)

The Company analyzed the transactions that occurred during the two-day period from August 29, 2009, the day after the Effective Date, and August 30, 2009, the fresh-start reporting date, and concluded that such transactions were not material individually or in the aggregate as such transactions represented less than one-percent of the total net sales for the fiscal year ended September 30, 2009. As a result, the Company determined that August 30, 2009, would be an appropriate fresh-start reporting date to coincide with the Company's normal financial period close for the month of August 2009. Upon adoption of fresh-start reporting, the recorded amounts of assets and liabilities were adjusted to reflect their estimated fair values. Accordingly, the reported historical financial statements of the Predecessor Company prior to the adoption of fresh-start reporting for periods ended prior to August 30, 2009 are not comparable to those of the Successor Company.

The four-column consolidated statement of financial position as of August 30, 2009 reflects the implementation of the Plan as if the Plan had been effective on August 30, 2009. Reorganization adjustments have been recorded within the consolidated statement of financial position as of August 30, 2009 to reflect effects of the Plan, including the discharge of Liabilities subject to compromise and the adoption of fresh-start reporting in accordance with ASC 852. The Bankruptcy Court confirmed the Plan based upon a reorganization value of the Company between \$2,200,000 and \$2,400,000, which was estimated using various valuation methods including: (i) publicly traded company analysis, (ii) discounted cash flow analysis; and (iii) a review and analysis of several recent transactions of companies in similar industries to the Company. These three valuation methods were equally weighted in determining the final range of reorganization value as confirmed by the Bankruptcy Court. Based upon the factors used in determining the range of reorganization value, the Company concluded that \$2,275,000 should be used for fresh-start reporting purposes as it most closely approximated fair value.

The basis of the discounted cash flow analysis used in developing the reorganization value was based on Company prepared projections which included a variety of estimates and assumptions. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control and, therefore, may not be realized. Changes in these estimates and assumptions may have had a significant effect on the determination of the Company's reorganization value. The assumptions used in the calculations for the discounted cash flow analysis included projected revenue, costs, and cash flows, for the fiscal years ending September 30, 2009, 2010, 2011, 2012 and 2013 and represented the Company's best estimates at the time the analysis was prepared. The Company's estimates implicit in the cash flow analysis included net sales growth of approximately 1.5% for the fiscal year ending September 30, 2010 and 4.0% per year for each of the fiscal years ending September 30, 2011, 2012 and 2013. In addition, selling, general and administrative expenses, excluding depreciation and amortization, were projected to grow at rates relative to net sales, however, certain expense categories for each of the fiscal years ending September 30, 2010, 2011, 2012 and 2013 were reduced for the projected impact of various cost reduction initiatives implemented by the Company during Fiscal 2009 which included lower trade spending, salary freezes, reduced marketing expenses, furloughs, suspension of the Company's match to its 401(k) and reductions in salaries of certain members of management. The analysis also included anticipated levels of reinvestment in the Company's operations through capital expenditures of approximately \$25,000 per year. The Company did not include in its estimates the potential effects of litigation, either on the Company or the industry. The foregoing estimates and assumptions are inherently subject to uncertainties and contingencies beyond the control of the Company. Accordingly, there can be no assurance that the estimates, assumptions, and values reflected in the valuations will be realized, and actual results could vary materially.

The publicly traded company analysis identified a group of comparable companies giving consideration to lines of business, business risk, scale and capitalization and leverage. This analysis involved the selection of the appropriate earnings before interest, taxes, depreciation and amortization (EBITDA) market multiples by

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands, except per share amounts)

segment deemed to be the most relevant when analyzing the peer group. A range of valuation multiples was then identified and applied to the Company's Fiscal 2009 and the fiscal year ending September 30, 2010 (Fiscal 2010) projections by segment to determine an estimate of reorganization values. The market multiple ranges used by segment were as follows: (i) Global Batteries and Personal Care used a range of 7.0x-8.0x for Fiscal 2009 and 6.5x-7.5x for Fiscal 2010; (ii) Global Pet Supplies used a range of 7.5x-8.5x for Fiscal 2009 and 7.0x-8.0x for Fiscal 2010; and (iii) the Home and Garden Business used a range of 9.0x-10.0x for Fiscal 2009 and 8.0x-9.0x for Fiscal 2010. These multiples were based on estimated EBITDA adjusted for certain non-recurring initiatives, as mentioned above.

The recent transactions of companies in similar industries analysis identified transactions of similar companies giving consideration to lines of business, business risk, scale and capitalization and leverage. The analysis considered the business, financial and market environment for which the transactions took place, circumstances surrounding the transaction including the financial position of the buyers and the perceived synergies and benefits that the buyers could obtain from the transaction. This analysis involved the determination of historical acquisition EBITDA multiples by examining public merger and acquisition transactions. A range of valuation multiples was then identified and applied to historical EBITDA by segment to determine an estimate of reorganization values. The multiple ranges used by segment were as follows: (i) Global Batteries and Personal Care used a range of 6.5x-7.5x; (ii) Global Pet Supplies used a range of 9.5x-10.5x; and (iii) the Home and Garden Business used a range of 8.0x-9.0x. These multiples were based on Fiscal 2009 estimated EBITDA adjusted for certain non-recurring initiatives, as mentioned above.

Fresh-start adjustments reflect the allocation of fair value to the Successor Company's long-lived assets and the present value of liabilities to be paid as calculated by the Company.

These estimates of fair values of assets and liabilities have been reflected in the Successor Company's consolidated statement of financial position as of August 30, 2009. However, as these estimates are finalized, the allocations of fair value in the Successor's statement of financial position could result in additional adjustments to the fair value of assets or present value of estimated liabilities during the allocation period while the Company continues to obtain information necessary to complete its final allocation. These adjustments could result from additional information related to the assumptions and estimates used in determining the fair value of long-lived assets and liabilities.

In applying fresh-start reporting, the Company followed these principles:

The reorganization value of the entity was allocated to the entity's assets in conformity with the procedures specified by SFAS No. 141, *Business Combinations* (SFAS 141). The reorganization value exceeded the sum of the amounts assigned to assets and liabilities. This excess was recorded as Successor Company goodwill as of August 30, 2009.

Each liability existing as of the fresh-start reporting date, other than deferred taxes, has been stated at the present value of the amounts to be paid, determined at appropriate risk adjusted interest rates.

Deferred taxes were reported in conformity with applicable income tax accounting standards, principally ASC Topic 740: *Income Taxes*, formerly SFAS No. 109, *Accounting for Income Taxes* (ASC 740). Deferred

tax assets and liabilities have been recognized for differences between the assigned values and the tax basis of the recognized assets and liabilities.

Adjustment of all of the property, plant and equipment assets to fair value and eliminating all of the accumulated depreciation.

Adjustment of the Company's pension plans projected benefit obligation by recognition of all previously unamortized actuarial gains and losses.

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Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(In thousands, except per share amounts)

The following four-column consolidated statement of financial position table identifies the adjustments recorded to the Predecessor Company's August 30, 2009 consolidated statement of financial position as a result of implementing the Plan and applying fresh-start reporting:

	Predecessor Company August 30, 2009	Effects of Plan	Fresh-Start Valuation	Successor Company August 30, 2009
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 86,710	\$ (25,551)(a)	\$	\$ 61,159
Receivables:				
Trade accounts receivable	270,657			270,657
Other	34,594			34,594
Inventories	341,738		48,762(m)	390,500
Deferred income taxes	12,644	1,707(h)	9,330(n)	23,681
Assets held for sale	10,813		1,978(m)	12,791
Prepaid expenses and other	40,448		(116)(m)	40,332
Total current assets	797,604	(23,844)	59,954	833,714
Property, plant and equipment, net	178,786		34,699(m)	213,485
Deferred charges and other	42,068		(6,046)(m)	36,022
Goodwill	238,905		289,155(o)	528,060
Intangible assets, net	677,050		782,450(o)	1,459,500
Debt issuance costs	18,457	8,949(b)	(17,957)(p)	9,449
Total assets	\$ 1,952,870	\$ (14,895)	\$ 1,142,255	\$ 3,080,230
LIABILITIES AND SHAREHOLDERS DEFICIT				
Current liabilities:				
Current maturities of long-term debt	\$ 93,313	\$ (3,445)(c)	\$ (4,329)(m)	\$ 85,539
Accounts payable	159,370	(204)(d)		159,166
Accrued liabilities:				
Wages and benefits	80,247			80,247
Income taxes payable	20,059			20,059
Restructuring and related charges	26,100			26,100
Accrued interest	59,724	(59,581)(e)		143
Other	118,949	9,133(f)	(3,503)(m)	124,579

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Total current liabilities	557,762	(54,097)	(7,832)	495,833
Long-term debt, net of current maturities	1,329,047	271,806(g)	(75,329)(m)	1,525,524
Employee benefit obligations, net of current portion	41,385		18,712(m)	60,097
Deferred income taxes	106,853	1,707(h)	114,211(n)	222,771
Other	45,982		4,927(m)	50,909
Total liabilities	2,081,029	219,416	54,689	2,355,134
Liabilities subject to compromise	1,105,962	(1,105,962)(i)		
Commitments and contingencies				
Shareholders' (deficit) equity:				
Common stock-Old (Predecessor Company)	691	(691)(j)		
Common stock-New (Successor Company)		300(j)		300
Additional paid-in capital	677,007	47,789(j)		724,796
Accumulated (deficit) equity	(1,915,484)	747,362(k)	1,168,122(q)	
Accumulated other comprehensive income	80,556		(80,556)(q)	
	(1,157,230)	794,760	1,087,566	725,096
Less treasury stock	(76,891)	76,891(l)		
Total shareholders' (deficit) equity	(1,234,121)	871,651	1,087,566	725,096
Total liabilities and shareholders' deficit	\$ 1,952,870	\$ (14,895)	\$ 1,142,255	\$ 3,080,230

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(In thousands, except per share amounts)***Effects of Plan Adjustments***

(a) The Plan's impact resulted in a net decrease of \$25,551 on cash and cash equivalents. The significant sources and uses of cash were as follows:

Sources:

Amounts borrowed under the exit facility	\$ 65,000
Amounts borrowed under new supplemental loan agreement	45,000
Total Sources	\$ 110,000

Uses:

Repayment of un-reimbursed letters of credit	\$ 20,005
Repayment of supplemental loans	45,000
Repayment of certain amounts under the term loan agreement, current portion	3,440
Repayment of certain amounts under the term loan agreement, net of current portion	3,440
Payment of pre-petition foreign exchange contracts recorded in accounts payable	204
Payment of lender cure payments, terminated derivative contracts and other	48,066
Payment of debt issuance costs on exit facility	8,949
Payment of other accrued liabilities	6,447
Total Uses	\$ 135,551
Net Cash Uses	\$ (25,551)

(b) The Company incurred \$8,949 of debt issuance costs under the exit facility. These debt issuance costs are classified as long-term assets and will be amortized over the life of the exit facility.

(c) The adjustment to current maturities of long-term debt reflects the \$20,005 payment of the Predecessor Company's un-reimbursed letters of credit, the \$45,000 repayment of the Predecessor Company's supplemental loan, and the \$3,440 payment of certain amounts under the term loan agreement. The adjustment to current maturities of long-term debt also reflects the \$65,000 funding from the exit facility. The adjustment to the current maturities of long-term debt are:

Repayment of unreimbursed letters of credit	\$ 20,005
Repayment of supplemental loan	45,000
Repayment of certain amounts under the term loan agreement, current portion	3,440
Amounts borrowed under the exit facility	(65,000)
	\$ 3,445

- (d) Reflects payment of \$204 related to pre-petition foreign exchange derivative contracts.
- (e) Total adjustment of \$59,581 reflects term lender cure payments of \$33,995, terminated interest rate swap derivative contract payments of \$12,068 and other accrued interest of \$2,003. Additionally, this adjustment includes \$11,515 of accrued default interest as provided in the August 2009 amendment of the Senior Term Credit Facility, which was assumed by the Successor Company and included in the principal balance of the loans at emergence (See Note 8, Debt, for additional information).
- (f) Reflects the payment of professional fees related to the reorganization in the amount of \$6,447 offset by the reclassification of \$15,580 related to rejected lease obligations previously recorded as liabilities subject to compromise (see note(i)). These rejected lease obligations are to be paid by the Successor Company in

Table of Contents**SPECTRUM BRANDS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
(In thousands, except per share amounts)

subsequent periods. As of September 30, 2009, the Company's rejected lease obligation was reduced to \$6,181.

- (g) The adjustment to long-term debt represents the issuance of the 12% Notes at a fair value of \$218,731 (face value of \$218,076) used, in part, to extinguish the Senior Subordinated Notes of the debtors that were recorded in liabilities subject to compromise (see note (i)), the issuance of the new supplemental loan in the amount of \$45,000, offset by the payment of the non-current portion of the term loan in the amount of \$3,440 (see note (a)). The excess of fair value over face value of the 12% Notes is recorded in long-term debt and will be accreted as a reduction to interest expense over the life of the note.

Issuance of the 12% Notes (fair value)	\$ 218,731
Amounts borrowed under the new supplemental loan agreement	45,000
Accrued default interest	11,515
Repayment of certain amounts under the term loan agreement, net of current portion	(3,440)
	\$ 271,806

- (h) Gain on the cancellation of debt from the extinguishment of the senior subordinated notes as well as the modification of the senior term credit facility, for tax purposes, resulted in a \$124,054 reduction in the U.S. net deferred tax asset, exclusive of indefinite-lived intangibles. Due to the Company's full valuation allowance position as of August 30, 2009 on the U.S. net deferred tax asset, exclusive of indefinite-lived intangibles, the tax effect of these items is offset by a corresponding adjustment to the valuation allowance of \$124,054. Due to changes in the relative current versus non-current deferred tax asset balances and the corresponding allocation of the domestic valuation allowance, a net \$1,707 deferred tax balance reclassification occurred between current and non-current as a result of the effects of the Plan.
- (i) The adjustment to liabilities subject to compromise relates to the extinguishment of the Senior Subordinated Notes balance of \$1,049,885 and the accrued interest of \$40,497 associated with the Senior Subordinated Notes. Additionally, rejected lease obligations of \$15,580 were reclassified to other current liabilities (see note (f)).
- (j) Pursuant to the Plan, the debtor's common stock was canceled and new common stock of the reorganized debtors was issued. The adjustments eliminated Predecessor Company's common stock and additional paid-in capital of \$691 and \$677,007, respectively, and recorded Successor Company's common stock and additional paid-in capital of \$300 and \$724,796, respectively, which represents the fair value of the newly issued common stock. The Company issued 30,000 shares at emergence, consisting of 27,030 shares to holders of the Senior Subordinated Notes allowed note holder claims and 2,970 shares in accordance with the terms of the Debtors debtor-in-possession credit facility.
- (k) As a result of the Plan, the adjustment to accumulated (deficit) equity recorded the elimination of the Predecessor Company's common stock, additional paid in capital and treasury stock in the amount of \$600,807 and recorded the pre-tax gain on the cancellation of debt in the amount of \$146,555. The elimination of the Predecessor Company's common stock, additional paid in capital and treasury stock was calculated as follows::

Elimination of Predecessor Company s common stock (see note(j))	\$ 691
Elimination of Predecessor Company s additional paid in capital (see note(j))	677,007
Elimination of Predecessor Company s treasury stock (see note(l))	(76,891)
Elimination of Predecessor Company s common stock	\$ 600,807

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(In thousands, except per share amounts)

The pre-tax gain on the cancellation of debt was calculated as follows:

Extinguishment of Predecessor Company senior subordinated notes	\$ 1,049,885
Extinguishment of Predecessor Company accrued interest on senior subordinated notes	40,497
Issuance of Successor Company 12% Notes (fair value)	(218,731)
Issuance of Successor Company common stock	(725,096)
Pre-tax gain on the cancellation of debt	\$ 146,555

(l) Pursuant to the Plan, the adjustment eliminates treasury stock of \$76,891 of the Predecessor Company.

Fresh-Start Valuation Adjustments

(m) Reflects the adjustment of assets and liabilities to estimated fair value, or other measurement specified by SFAS 141, in conjunction with the adoption of fresh-start reporting. Significant adjustments are summarized as followed:

Inventories An adjustment of \$48,762 was recorded to adjust inventory to fair value. Raw materials were valued at current replacement cost, work-in-process was valued at estimated selling prices of finished goods less the sum of costs to complete, cost of disposal and a reasonable profit allowance for completing and selling effort based on profit for similar finished goods. Finished goods were valued at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort.

Property, plant and equipment, net An adjustment of \$34,699 was recorded to adjust the net book value of property, plant and equipment to fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company's property, plant and equipment were based on a combination of the cost or market approach, depending on whether market data was available.

Current maturities of long-term debt and Long-term debt, net of current maturities An adjustment of \$79,658 (\$4,329 to Current maturities of long-term debt and \$75,329 to Long-term debt, net of current maturities) was recorded to adjust the book value of debt to fair value. This adjustment included a decrease of \$84,001 which was based on quoted market prices of certain debt instruments as of the Effective Date, offset by an increase of \$4,343 related to debt instruments not traded which was calculated giving consideration to the terms of the underlying agreements, using a risk adjusted interest rate of 12%.

Employee benefit obligations, net of current portion An adjustment of \$18,712 was recorded to measure the employee benefit obligations as of the Effective Date. This adjustment primarily reflects the difference between the expected return on plan assets as compared to the fair value of the plan assets as of the Effective Date and the change in the duration weighted discount rate associated with the payment of the benefit obligations from the prior measurement date and the Effective Date. The weighted average discount rate change from 6.75% at September 30, 2008 to 5.75% at August 30, 2009.

- (n) Reflects the tax effects of the fresh-start adjustments at statutory tax rates applicable to such adjustments, net of adjustments to the valuation allowance.
- (o) Adjustment eliminated the balance of goodwill and other unamortized intangible assets of the Predecessor Company and records Successor Company intangible assets, including reorganization value in excess of amounts allocated to identified tangible and intangible assets, also referred to as Successor Company goodwill. (See Note 7, Goodwill and Intangible Assets, for additional information regarding the

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Company's goodwill and other intangible assets). The Successor Company's August 30, 2009 statement of financial position reflects the allocation of the business enterprise value to assets and liabilities immediately following emergence as follows:

Business enterprise value	\$ 2,275,000
Add: Fair value of non-interest bearing liabilities (non-debt liabilities)	744,071
Less: Fair value of tangible assets, excluding cash	(1,031,511)
Less: Fair value of identified intangible assets	(1,459,500)
Reorganization value of assets in excess of amounts allocated to identified tangible and intangible assets (Successor Company goodwill)	\$ 528,060

The following represent the methodologies and significant assumptions used in determining the fair value of intangible assets, other than goodwill.

Certain indefinite-lived intangible assets which include trade names, trademarks and technology, were valued using a relief from royalty methodology. Customer relationships were valued using a multi-period excess earnings method. Certain intangible assets are subject to sensitive business factors of which only a portion are within control of the Company's management. A summary of the key inputs used in the valuation of these assets are as follows:

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationship, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used which included an expected growth rate of 3%. The Company assumed a customer retention rate of 95% which was supported by historical retention rates. Income taxes were estimated at a rate 35% and amounts were discounted using rates between 12%-14%. The customer relationships were valued at \$708,000 under this approach.

The Company valued trade names and trademarks using the income approach, specifically the relief from royalty method. Under this method, the asset values were determined by estimating the hypothetical royalties that would have to be paid if the trade name was not owned. Royalty rates were selected based on consideration of several factors, including consumer product industry practices, the existence of licensing agreements (licensing in and licensing out), and importance of the trademark and trade name and profit levels, among other considerations. Royalty rates used in the determination of the fair values of trade names and trademarks ranged from 1% to 5% of expected net sales related to the respective trade names and trademarks. The Company anticipates using the majority of the trade names and trademarks for an indefinite period. In estimating the fair value of the trademarks and trade names, net sales were estimated to grow at a rate of (7)%-10% annually with a terminal year growth rate of 2%-6%. Income taxes were estimated at a rate of 35% and amounts were discounted using rates between 12%-14%. Trade name and trademarks were valued at \$688,000 under this

approach.

The Company valued technology using the income approach, specifically the relief from royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors including industry practices, the existence of licensing agreements (licensing in and licensing out), and importance of the technology and profit levels, among other considerations. Royalty rates used in the determination of the fair values of technologies ranged from 7%-8% of expected net sales related to the respective technology. The Company anticipates using these technologies through the

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legal life of the underlying patent and therefore the expected life of these technologies was equal to the remaining legal life of the underlying patents ranging from 8 to 17 years. In estimating the fair value of the technologies, net sales were estimated to grow at a rate of 0%-14% annually. Income taxes were estimated at 35% and amounts were discounted using rates between 12%-13%. The technology assets were valued at \$63,500 under this approach.

- (p) The fresh-start adjustment of \$17,957 eliminates the debt issuance costs related to assumed debt, that is, the (senior secured term credit facility).
- (q) The Predecessor Company's accumulated deficit and accumulated other comprehensive income is eliminated in conjunction with the adoption of fresh-start reporting. The Predecessor Company recognized a gain of \$1,087,566 related to the fresh-start reporting adjustments as follows:

	Gain on fresh-start reporting adjustments
Establishment of Successor Company's goodwill	\$ 528,060
Elimination of Predecessor Company's goodwill	(238,905)
Establishment of Successor Company's other intangible assets	1,459,500
Elimination of Predecessor Company's other intangible assets	(677,050)
Debt fair value adjustments	79,658
Elimination of debt issuance costs	(17,957)
Property, plant and equipment fair value adjustment	34,699
Deferred tax adjustment	(104,881)
Inventory fair value adjustment	48,762
Employee benefit obligations fair value adjustment	(18,712)
Other fair value adjustments	(5,608)
	\$ 1,087,566

(3) Significant Accounting Policies and Practices**(a) Principles of Consolidation and Fiscal Year End**

The consolidated financial statements include the financial statements of Spectrum Brands, Inc. and its subsidiaries and are prepared in accordance with GAAP. All intercompany transactions have been eliminated. The Company's fiscal year ends September 30. References herein to Fiscal 2009, 2008 and 2007 refer to the fiscal years ended September 30, 2009, 2008 and 2007, respectively.

(b) Revenue Recognition

The Company recognizes revenue from product sales generally upon delivery to the customer or the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; there is persuasive evidence that an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. The Company is not obligated to allow for, and the Company's general policy is not to accept, product returns associated with battery sales. The Company does accept returns in specific instances related to its shaving, grooming, personal care, home and garden and pet products. The provision for customer returns is based on

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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historical sales and returns and other relevant information. The Company estimates and accrues the cost of returns, which are treated as a reduction of Net sales.

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

The Company also enters into promotional arrangements that target the ultimate consumer. Such arrangements are treated as either a reduction of Net sales or an increase of Cost of goods sold, based on the type of promotional program. The income statement presentation of the Company's promotional arrangements complies with ASC Topic 605: *Revenue Recognition*, formerly the Emerging Issues Task Force (EITF) No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.

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

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

(c) Use of Estimates

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

(d) Cash Equivalents

For purposes of the accompanying Consolidated Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(e) Concentrations of Credit Risk, Major Customers and Employees

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, but generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make adjustments to credit policies as required. Provision for losses on uncollectible trade receivables are determined principally on the basis of past collection experience applied to ongoing evaluations of the Company's receivables and evaluations of the risks of nonpayment for a given customer.

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

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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 major customer represented approximately 23% of the Successor Company's Net sales during the one month ended September 30, 2009 and approximately 23%, 20% and 20%, of Net sales during the Predecessor Company's eleven months ended August 30, 2009, Fiscal 2008 and 2007, respectively. This major customer also represented approximately 14% of the Successor Company's Trade account receivables, net as of September 30, 2009 and 22% of the Predecessor Company's Trade account receivables, net as of September 30, 2008.

Approximately 48% of the Successor Company's Net sales during the one month period ended September 30, 2009 occurred outside of the United States and approximately 42%, 48% and 51% of the Predecessor's Company's Net sales during the eleven month period ended August 30, 2009, Fiscal 2008 and 2007, respectively, occur outside of the United States. These sales and related receivables are subject to varying degrees of credit, currency, and political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

(f) Displays and Fixtures

Temporary displays are generally disposable cardboard displays shipped to customers to facilitate display of the Company's products. Temporary displays are generally disposed of after a single use by the customer.

Permanent fixtures are permanent in nature, generally made from wire or other permanent racking, which are shipped to customers for display of the Company's products. These permanent fixtures are restocked with the Company's product multiple times over the fixture's useful life.

The costs of both temporary and permanent displays are capitalized as a prepaid asset and are included in Prepaid expenses and other in the accompanying Consolidated Statements of Financial Position. The costs of temporary displays are expensed in the period in which they are shipped to customers and the costs of permanent fixtures are amortized over an estimated useful life of one to two years once they are shipped to customers and are reflected in Deferred charges and other in the accompanying Consolidated Statements of Financial Position.

(g) Inventories

The Company's inventories are valued at the lower of cost or market. Cost of inventories is determined using the first-in, first-out (FIFO) method.