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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report:

January 10, 2007
(Date of earliest event reported)

SPECTRUM BRANDS, INC.
(Exact Name of Registrant as Specified in Charter)

Wisconsin	001-13615	22-2423556
(State or other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

Six Concourse Parkway, Suite 3300, Atlanta, Georgia 30328
(Address of principal executive offices, including zip code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 OTHER EVENTS.

On January 10, 2007, Spectrum Brands, Inc. (the "Company") received a purported notice of default (the "Notice") from entities claiming to be the holders of or to have discretionary authority in respect of the Company's 8 1/2% Senior Subordinated Notes due 2013 (the "Notes"). The Notice asserted that the Company's incurrence of indebtedness under the Company's Fourth Amended and Restated Credit Agreement dated as of February 7, 2005 (the "Credit Agreement") gave rise to certain defaults relating to the incurrence of indebtedness, incurrence of liens and delivery of proper notice under the Indenture, dated as of September 30, 2003 (the "Indenture"), between the Company and the U.S. Bank National Association, as trustee (the "Trustee"), governing the Notes. A copy of the Notice is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The Company believes that it is not in default under the terms of the Indenture.

Although the Company is under no obligation under the Indenture to respond, the Company has elected to respond to the Notice and has delivered a letter to the senders of the Notice refuting the assertions in the Notice (the "Response"). A copy of the Response is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The Company believes that all existing indebtedness was incurred in compliance with the provisions of the Indenture and that no default has occurred under the Indenture. The default provisions of the Indenture provide that if the Company had incurred indebtedness other than in compliance with the Indenture and thereafter received written notice of a default from either the Trustee or holders representing 25% or more of the aggregate principal amount of the Notes then outstanding, the failure by the Company for 60 days after such written notice to comply with the agreements set forth in the Indenture would constitute an "Event of Default" under the Indenture. If an "Event of Default" were found to have occurred, the Trustee or holders of at least 25% in aggregate principal amount of the Notes then outstanding would have the contractual right to declare all unpaid principal, and any accrued, default or additional interest, on the Notes then outstanding to be due and payable. Such an "Event of Default" could also result in the acceleration of indebtedness under (i) the Company's 7 3/8% Senior Subordinated Notes due 2015 (the "7 3/8% Notes") by action of the trustee under the indenture governing those notes or the

respective holders of at least 25% in principal amount of those notes outstanding and (ii) the Credit Agreement by action of the requisite lenders under the Credit Agreement. As more fully set forth in the Response, the Company has carefully considered the allegations set forth in the Notice and has concluded that there is no default under the Indenture.

The Credit Agreement, the indebtedness under which ranks senior to the indebtedness under the Notes and the 7 3/8% Notes, includes a revolving credit facility for borrowings of up to $300 million (the "Revolving Credit Facility"); contains customary minimum interest coverage and maximum leverage ratio tests; and contains a customary debt incurrence covenant permitting the indebtedness under the Notes and the

---

7 3/8% Notes, indebtedness necessary to support the Company's ordinary course operations and a general basket for other unsecured indebtedness in the aggregate amount of $50 million. The Company believes that the Company and its subsidiary borrowers are in compliance with the terms and provisions of the Credit Agreement, including those relating to limitations on indebtedness.

As of September 30, 2006, there was (i) approximately $350 million in aggregate principal amount of the Notes outstanding and approximately $15 million of accrued but unpaid interest, (ii) approximately $700 million in aggregate principal amount of the 7 3/8% Notes outstanding and approximately $9 million of accrued but unpaid interest and (iii) approximately $26 million under the Revolving Credit Facility and approximately $1,144 million in other indebtedness was outstanding under the Credit Agreement.

Reference is made to (i) the Indenture filed as Exhibit 4.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on October 15, 2003, (ii) the Supplemental Indenture to the Indenture filed as Exhibit 4.3 to the Registration Statement on Form S-4 filed with the SEC on November 6, 2003, (iii) the Third Supplemental Indenture to the Indenture filed as Exhibit 4.2 to the Current Report on Form 8-K filed with the SEC on February 11, 2005 and (iv) the Fourth Supplemental Indenture to the Indenture filed as Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on May 5, 2005, for more information as to the terms and provisions of the Indenture.

Reference is also made to (i) the Credit Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 11, 2005, (ii) Amendment No. 1 to the Credit Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2005, (iii) Amendment No. 2 to the Credit Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 13, 2005, (iv) Amendment No. 3 to the Credit Agreement 2005 filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 10, 2006 and (v) Amendment No. 4 to the Credit Agreement filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K filed with the SEC on December 14, 2006.

Forward-Looking Statements

This current report on Form 8-K contains forward-looking statements, including, but not limited to, statements regarding the potential consequences of an asserted default under the Indenture, which are based on the Company's current expectations and involve risks and uncertainties, including, but not limited to, risks and uncertainties relating to the final interpretation of the Indenture and the Company's ability to cure any default deemed to have occurred under the Indenture. The Company cautions the reader that actual results could differ materially from the expectations described in the forward-looking statements. The Company also cautions the reader that undue reliance should not be placed on any of the forward-looking statements, which speak only as of the date of this report. The Company undertakes no responsibility to update any of these forward-

---

looking statements to reflect events or circumstances after the date of this report or to reflect actual outcomes.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

99.1 Notice of Default, dated January 10, 2007

99.2 Letter of Response, dated January 15, 2007

SIGNATURES

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

Date: January 16, 2007

SPECTRUM BRANDS, INC.

By: /s/ Randall J. Steward

Name: Randall J. Steward

Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Notice of Default, dated January 10, 2007
99.2	Letter of Response, dated January 15, 2007

January 10, 2007

Via Facsimile and FedEx

Spectrum Brands, Inc., on its own behalf
and
Spectrum Brands, Inc., on behalf of each of the Guarantors
Six Concourse Parkway
Atlanta, GA 30328

Attention: General Counsel
Facsimile: (770) 829-6298

Re: **NOTICE OF DEFAULTS**
Indenture, dated as of September 30, 2003, by and among Spectrum Brands, Inc., f/k/a Rayovac Corporation, the Guarantors party thereto, and U.S. Bank National Association, as Trustee (including all supplements thereto, the "**Indenture**")

Ladies and Gentlemen:

Reference is made to (i) the Fourth Amended and Restated Credit Agreement dated as of February 7, 2005 (as amended, the "**Current Credit Agreement**") and (ii) Sections 4.04, 4.09, 4.12, 4.15, 4.20 and 6.01 (iii) of the Indenture. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Indenture.

The undersigned represents either that (i) it is a Holder of Notes in the principal amount indicated below or (ii) it is the investment manager with discretionary authority in respect of the Notes identified below that are held by the Holder identified below.

The Company's Form 10-K filed December 14, 2006, reports on pages 105-06 that, as of September 30, 2006, approximately $1,170,551,000 was outstanding under the Current Credit Agreement. The Form 10-K reports on page 106 that, as part of such amount, the Company had incurred and there remained outstanding approximately $78,776,000 of Indebtedness under its Revolving Credit Facility (as defined in the Form 10-K), comprised of approximately $26,200,000 in borrowings and approximately $52,576,000 in letters of credit. The Form 10-K further reports on page 49 that, as of September 30, 2006, the Company was not in compliance with the minimum requirement of 2 to 1 for the Fixed Charge Coverage Ratio as relevant for the incurrence of Indebtedness under Section 4.09(a) of the Indenture.

The Current Credit Agreement itself, on page 1, describes the Credit Agreement as an amendment and restatement of the Existing Rayovac Credit Agreement (as defined in the Credit Agreement). Pursuant to the definition of "Credit Agreement" in Section 1.01 of the Indenture, the Existing Rayovac Credit Agreement is the same "Credit Agreement" described in such definition. Such definition also provides that "Credit Agreement" shall include any amendment, modification, renewal, refunding, replacement or refinancing of the Existing Rayovac Credit Agreement. As a result, the Current Credit Agreement is the "Credit Agreement" for purposes of the Indenture, and the Current Credit Agreement also comprises "Credit Facilities" within the meaning of Section 1.01 of the Indenture.

Section 4.09(c) of the Indenture mandates that the Credit Agreement be deemed to have been incurred in reliance on the exception provided by clause (i) of Section 4.09(b) of the Indenture. Thus, when the Current Credit Agreement amended and restated the Existing Rayovac Credit Agreement, the Current Credit Agreement remained subject to Section 4.09(b)(i), including the limitation of $700.0 million in maximum potential liability. Nothing in the Indenture permits the Current Credit Agreement to be reclassified at any time as having been incurred in reliance on Section 4.09(a) of the Indenture.

Communications

On December 11, 2006, Bingham McCutchen (our counsel) sent a letter to the Company (c/o Skadden Arps) on behalf of the undersigned and certain other Holders and/or investment managers (collectively, the "**Noteholders**"). The letter set forth a detailed discussion of the Noteholders' view that, if the Company has been borrowing under the Current Credit Facilities (including intra-quarter revolver borrowings), it would constitute a failure to comply with Section 4.09. The letter invited a response from the Company.

On December 13, 2006, the Company and its counsel (Skadden Arps) called Bingham with the stated purpose of seeking "clarification" as to the matters discussed in Bingham's December 11 letter. At the conclusion of the call, the Company simply stated without elaboration that the Company did not agree with the Noteholders.

On December 20, 2006, Bingham sent a second letter to the Company (c/o Skadden Arps) on behalf of the Noteholders. The letter stated that it appeared to the Noteholders that the Company has been borrowing under the Revolving Credit Facility since the Threshold Date (both as defined in the letter) but requested that the Company advise the Noteholders if, in fact, no such borrowings have occurred. The letter also attached a draft of this Notice of Defaults describing in detail the defaults that Noteholders believe have occurred as a result of, *inter alia*, such borrowings.

On December 27, 2006, the Company responded to Bingham's December 20 letter. The Company's letter did not dispute that Revolving Credit Facility borrowings have occurred since the Threshold Date. Nevertheless, the letter disputed the Noteholders' "alleged interpretation of the relevant provisions." The letter also noted that the Company has discussed the matter with the Current Credit Agreement administrative agent (the "**Agent**") and with underwriter's counsel (Shearman & Sterling), both of whom were copied on the letter.

On January 4, 2007, Bingham sent a letter to the Company responding to the Company's December 27 letter. Bingham's letter noted that the Company's letter did not dispute that Revolving Credit Facility borrowings have occurred since the Threshold Date. Bingham's letter also noted that, because the Company's letter indicated that the Company had discussed the matter with the Agent and with underwriter's counsel and out of an abundance of caution, one of the Noteholders tried to reach the Agent, and Bingham tried to reach Shearman, in order to offer them the opportunity to discuss their perspective. The Agent informed the Noteholder that the Agent's basic position was that it had no comment on the situation. Bingham has informed us that Shearman has not responded to Bingham's telephonic and e-mail attempts to contact Shearman, most recently on January 5.

On January 10, 2007, the Company responded to Bingham's January 4 letter. The Company's letter simply stated that the Company believed that the Noteholders' assertions were "baseless," again without elaboration other than to refer to two telephone conversations.

When one of the Noteholders first contacted the Company to raise its concerns, the Company's stated position was that the Company currently is entitled to borrow up to the full amount of the $700 million basket under Section 4.09(b)(i) without any reduction based on the amounts outstanding under the Current Credit Agreement. Each of the foregoing subsequent communications from the Noteholders or their counsel indicated that the Noteholders were considering whether to issue a notice of default based on the Company's apparent failure to comply with the Indenture but were willing to discuss the matter constructively with the Company. However, notwithstanding those repeated follow-up attempts, the Company has refused to engage in a meaningful dialogue with the Noteholders, the Agent has stated it has no position on the subject, and Shearman has failed to respond at all. To the contrary, the Company's statements evince a clear repudiation of the Company's obligations under Section 4.09, resulting not only in the current Defaults identified below but also foreshadowing that the Company does not intend to comply with Section 4.09 going forward, which could potentially lead to further Defaults under other provisions of the Indenture such as identified in the "Asset Sales" discussion below.

<u>The Section 4.09 Default</u>

Given the foregoing discussion, any borrowings under the Revolving Credit Facility, including any new or renewed letters of credit (collectively, **"Incremental Indebtedness**"), could only be incurred under the Indenture if such incurrence was in reliance on one of the exceptions set forth in Section 4.09(b) of the Indenture. However, even before the incurrence of any Incremental Indebtedness, the Current Credit Agreement by its terms, already consumes all or substantially all of the maximum potential incurrence basket available under Section 4.09(b)(i). Therefore, the Company is not permitted to incur any Incremental Indebtedness under the Revolving Credit Facility at this time. Nevertheless, based on the Company's failure to dispute the statements set forth in Bingham's December 20 letter, or to respond to Bingham's January 4 letter, we understand that the Company has, in fact, incurred Incremental Indebtedness under the Revolving Credit Facility since its internal financial statements confirmed that the Fixed Charge Coverage Ratio dropped below 2 to 1.

The Company's incurrence of Incremental Indebtedness under the Revolving Credit Facility constituted a failure to comply with Section 4.09 of the Indenture, and therefore a Default (the "**Section 4.09 Default**"). Pursuant to Section 6.01(iv) of the Indenture, the undersigned hereby provides written notice of the Section 4.09 Default to the Company and the Guarantors.

The Section 4.15 Default

As set forth in the definition of "Senior Debt" in Section 1.01 of the Indenture, any Indebtedness incurred in violation of the Indenture cannot constitute Senior Debt. Thus, the Incremental Indebtedness under the Revolving Credit Facility is not Senior Debt.

Section 4.15 of the Indenture prohibits the Company from incurring any Indebtedness that is not Senior Debt unless such Indebtedness is pari passu or subordinate in right of payment to the Notes. The Incremental Indebtedness under the Revolving Credit Facility is not Senior Debt, but it is not pari passu or subordinate in right of payment to the Notes.

Therefore, the Company's incurrence of the Incremental Indebtedness under the Revolving Credit Facility constituted a failure to comply with Section 4.15 of the Indenture, and therefore a Default (the "**Section 4.15 Default**"). Pursuant to Section 6.01(iv) of the Indenture, the undersigned hereby provides written notice of the Section 4.15 Default to the Company and the Guarantors.

The Section 4.12 Default

Section 4.12 of the Indenture prohibits the Company and its Restricted Subsidiaries from incurring or suffering to exist any Lien securing any Indebtedness unless the Notes are equally and ratably secured. The only exception to this is for Permitted Liens, but the Liens securing the Incremental Indebtedness do not constitute Permitted Liens because the Incremental Indebtedness is not Senior Debt, as discussed above.

The Company's incurrence and suffering to exist of Liens securing the Incremental Indebtedness under the Revolving Credit Facility, without causing the Notes to be equally and ratably secured, constituted a failure to comply with Section 4.12 of the Indenture, and therefore a Default (the "**Section 4.12 Default**"). Pursuant to Section 6.01(iv) of the Indenture, the undersigned hereby provides written notice of the Section 4.12 Default to the Company and the Guarantors.

The Section 4.04 Defaults

Section 4.04 of the Indenture requires the Company, no later than five Business Days after an Officer becomes aware of any Default, to deliver to the Trustee an Officers' Certificate specifying such Default and what action the Company is taking or proposing to take with respect thereto. The Company did not comply with Section 4.04 as to the Section 4.09 Default, the Section 4.15 Default or the Section 4.12 Default.

Each of the three failures by the Company to comply with Section 4.04 of the Indenture was, therefore, a Default (collectively, the **"Section 4.04 Defaults**"). Pursuant to Sections 6.01(iii) of the Indenture, the undersigned hereby provides written notice of each of the Section 4.04 Defaults to the Company and the Guarantors.

Asset Sales

The Company has publicly referred to the potential for material Asset Sales, including on page 49 of its Form 10-K. The Amendment No. 4 to the Current Credit Agreement, which Amendment is attached as Exhibit 10.12 to the Form 10-K, contemplates the possibility of the Company prepaying the Term Loans (as defined in the Current Credit Agreement) in an amount at least equal to $500,000,000 from the proceeds of Asset Sales.

The undersigned reminds the Company that, to the extent any Asset Sales involve all or substantially all of the assets of any Guarantor, Section 4.20 of the Indenture would prohibit such Asset Sales at any time there exists a Default. The undersigned further reminds the Company that, to the extent any Net Proceeds of Asset Sales are applied to the repayment of Credit Facilities, the amount of such repayment shall be deducted from the maximum potential liability of Indebtedness permitted to be incurred pursuant to the exception set forth in Section 4.09(b)(i) of the Indenture.

Notice of Defaults

This notice, when taken together with notices from other Holders who, together with the undersigned, hold at least 25% in aggregate principal amount of Notes outstanding, shall constitute a separate written notice of the type referred to in Section 6.01(iv) with respect to each of the Section 4.09 Default, the Section 4.15 Default, the Section 4.12 Default and the Section 4.04 Defaults.

[Remainder of page intentionally blank; next page is signature page]

This notice is without prejudice to the right (i) to provide notice of other Defaults or Events of Default in respect of the matters described herein, (ii) to provide notice of any other Defaults or Events of Default that may exist under the Indenture, (iii) to pursue any and all rights in respect of the Notes, or (iv) to pursue any other rights or remedies against the Company and each Guarantor that may exist in law or in equity.

Sincerely,

[IF SIGNED BY HOLDER]

Holder:____

By:____
Name:
Its:

Principal Amount of Securities Held: ___________________________

Held in DTC Participant Code:______________________

[IF SIGNED BY INVESTMENT MANAGER]

Investment Manager: Sandelman Partners, LP

By: /s/ Michael Pascutti
Name: Michael Pascutti
Its: Head of Relative Value

In its capacity as investment manager with discretionary authority in respect of:

Holder: Sandelman Partners Multi-Strategy Master Fund, LTD.

Principal Amount of Securities Held: $66,000,000

Held in DTC Participant Code: 0050

Cc: Skadden, Arps, Slate, Meagher & Flom LLP, attn: Margaret Brown, Esq.

Courtesy cc:
Rossie E. Turman, Esq., Skadden, Arps, Slate, Meagher & Flom LLP
U. S. Bank National Association, attn: Corporate Trust Department

---

Spectrum Brands, Inc.
NOTICE OF DEFAULTS
Page 6 of 6

This notice is without prejudice to the right (i) to provide notice of other Defaults or Events of Default in respect of the matters described herein, (ii) to provide notice of any other Defaults or Events of Default that may exist under the Indenture, (iii) to pursue any and all rights in respect of the Notes, or (iv) to pursue any other rights or remedies against the Company and each Guarantor that may exist in law or in equity.

Sincerely,

[IF SIGNED BY HOLDER]

Holder:____

By:____
Name:
Its:

Principal Amount of Securities Held: ___________________________

Held in DTC Participant Code:______________________

[IF SIGNED BY INVESTMENT MANAGER]

Investment Manager: Sandell Asset Management Corp.

By: /s/ Ken Glassman
Name: Ken Glassman
Its: Senior Managing Director

In its capacity as investment manager with discretionary authority in respect of:

Holder: Castlerigg Master Investments, Ltd.

Principal Amount of Securities Held: 26,000,000

Held in DTC Participant Code: 7378

Cc: Skadden, Arps, Slate, Meagher & Flom LLP, attn: Margaret Brown, Esq.

Courtesy cc:
Rossie E. Turman, Esq., Skadden, Arps, Slate, Meagher & Flom LLP
U. S. Bank National Association, attn: Corporate Trust Department

---

This notice is without prejudice to the right (i) to provide notice of other Defaults or Events of Default in respect of the matters described herein, (ii) to provide notice of any other Defaults or Events of Default that may exist under the Indenture, (iii) to pursue any and all rights in respect of the Notes, or (iv) to pursue any other rights or remedies against the Company and each Guarantor that may exist in law or in equity.

Sincerely,

[IF SIGNED BY HOLDER]

Holder: Xerion Partners II Master Fund Limited

By: /s/ Daniel J. Arbess
Name: Daniel J. Arbess, Xerion Capital Partners, Investment Manager
Its:

Principal Amount of Securities Held: $5,000,000

Held in DTC Participant Code: 0005

[IF SIGNED BY INVESTMENT MANAGER]

Investment Manager:____

By:____

Name:
Its:

In its capacity as investment manager with discretionary authority in respect of:

Holder: ____

Principal Amount of Securities Held: ______________________

Held in DTC Participant Code: ____________

Cc: Skadden, Arps, Slate, Meagher & Flom LLP, attn: Margaret Brown, Esq.

Courtesy cc:
Rossie E. Turman, Esq., Skadden, Arps, Slate, Meagher & Flom LLP
U. S. Bank National Association, attn: Corporate Trust Department

Exhibit 99.2

Spectrum Brands, Inc.
Suite 3300
Six Concourse Parkway
Atlanta, GA 30328
Phone 770.829.6205
Fax 770.829.6298
Email jim.lucke@spectrumbrands.com
www.spectrumbrands.com

James T. Lucke
Senior Vice President, Secretary and General Counsel

January 15, 2007

VIA FACSIMILE (860) 240-2800 and E-Mail
Original Via Next Day Air

Castlerigg Master Investments, Ltd.,
Sandelman Partners, LP, and
Xerion Capital Partners
c/o Evan D. Flaschen, Esq.
Bingham McCutchen
One State Street
Hartford CT 06103-3178

Re: Indenture dated as of September 30, 2003, among Spectrum Brands, Inc. (the "Company"), the Guarantors party thereto and U.S. Bank National Association, as Trustee (the "Indenture")

Ladies and Gentlemen:

The Company is in receipt of your letter, dated January 10, 2006, allegedly constituting a notice of Defaults pursuant to Section 6.01(iv) of the Indenture (the "Purported Notice"). Capitalized terms not otherwise defined are used in this letter as defined in the Indenture.

Section 1.01 of the Indenture clearly defines "Holder" as "a Person in whose name a Note is registered," and paragraph 9 of the Notes states that "[t]he registered Holder of a Note will be treated as its owner for all purposes." All Notes issued pursuant to the Indenture are Global Notes issued to and registered in the name of Depositary Trust Company ("DTC"), as Depositary, and DTC is therefore the only "Holder" of Notes entitled pursuant to Section 6.02 to deliver a notice of an Event of Default and accelerate the Notes. The Indenture does not provide such rights to the beneficial owners of the Notes, and consequently the Purported Notice is ineffective.

Additionally, we note that for any notice under Section 6.01(iv) of the Indenture to be effective, such section requires that such notice be delivered by "Holders representing 25% or more of the aggregate principal amount of Notes" at the time of such notice. Thus, if you continue to proceed in your attempt to issue a notice, the Company will require that any participating Holders demonstrate definitively the principal amount of Notes registered in their name at the time of such notice. We believe the signature pages attached to the Purported Notice are insufficient in this regard.

While the Purported Notice is of no effect under the Indenture, the Company has elected to provide this response to the allegations set forth therein. As we have discussed with you and your counsel on a number of occasions, no Default has occurred under the Indenture and the Company has been, and continues to be, in full compliance with all of its obligations thereunder. We note that we have previously provided an explanation to Sandelman Partners, L.P. on October 2, 2006, and provided further information in a conversation with your counsel at Bingham McCutchen, Evan D. Flaschen, Esq., shortly after our receipt of his letter dated December 11, 2006.

Purported Defaults

Section 4.09. Section 4.09(a) prohibits the incurrence of Indebtedness if the Company does not meet the Fixed Charge Coverage Ratio test set forth therein (the "Ratio Test"). Section 4.09(b) states that Indebtedness of the types described in subclauses (i) - (x) is not prohibited by Section 4.09(a); subclause (i) of

Section 4.09(b) provides for the incurrence of Indebtedness pursuant to Credit Facilities (subject to the limits set forth therein) (the "Section 4.09(b)(i) Exception"). The second sentence of Section 4.09(c) specifies that Indebtedness under Credit Facilities outstanding on the initial issuance date under the Indenture (the "Issuance Date") is deemed to have been incurred on that date pursuant to the Section 4.09(b)(i) Exception.

You have concluded from the foregoing provisions that all Indebtedness under Credit Facilities must be classified as having been incurred pursuant to the Section 4.09(b)(i) Exception, and that "[n]othing in the Indenture permits the . . . Credit Agreement to be reclassified at any time as having been incurred in reliance on section 4.09(a) of the Indenture." Your analysis is flawed in its focus on the term "Credit Facilities" and your erroneous contention there and in prior conversations that "Credit Facilities" is modified by the term "outstanding". This is a patently incorrect reading of the Indenture and is inconsistent with the plain meaning of the term "outstanding" as supported by Barron's Dictionary of Banking Terms, Barron's Dictionary of Finance and Investment Terms, Black's Law Dictionary sixth edition, and Merriam-Webster's Collegiate Dictionary. While Credit Facilities borrowings outstanding on the Issuance Date are classified as having been incurred pursuant to the 4.09(b)(i) Exception, Section 4.09(c) explicitly refers only to the outstanding borrowings *"on the date on which Notes are first issued under [the] Indenture"* [emphasis added] and does not extend to any future borrowings under Credit Facilities. In other words, "outstanding" modifies "Indebtedness".

Thus, contrary to your contention, Indebtedness can be incurred under Credit Facilities pursuant to other provisions of Section 4.09.

The first sentence of Section 4.09(c) provides that "in the event that any proposed Indebtedness . . . is entitled to be incurred pursuant to Section 4.09(a), the Company shall be permitted to classify at the time of its incurrence such item of Indebtedness in any manner that complies with this Section 4.09." Since the Company was within the limits of the Ratio Test from the Issuance Date through May 9, 2006, the Company was permitted by the plain language of Section 4.09(c) to classify draws under Credit Facilities during such period as having been incurred pursuant to the Ratio Test rather than under the Section 4.09(b)(i) Exception.

The definition of Indebtedness reads in part, "[t]he amount of any Indebtedness outstanding as of any date shall be the outstanding balance at such date. . . " In 2005, the Company refinanced Indebtedness outstanding under its Credit Facilities in an amendment and restatement of its credit agreement. At that time the amount of debt under Credit Facilities that had been deemed incurred on the Issuance Date under the Section 4.09(b)(i) Exception was approximately $506 million, and was repaid by, and thereby replaced with, new borrowings permitted under the Ratio Test. As a result, when the Company was no longer able to meet the Ratio Test it had full availability under the 4.09(b)(i) Exception. Borrowings under Credit Facilities after such time (the "4.09(b)(i) Borrowings") have not exceeded the amount allowed, and the Company therefore has not failed to comply with the requirements of Section 4.09 of the Indenture.

Section 4.15. The 4.09(b)(i) Borrowings were permitted by the terms of the Indenture (see analysis of Section 4.09 above), and as such they constitute "Senior Debt" as defined in Section 1.01. The Company therefore has not failed to comply with the requirements of Section 4.15.

Section 4.12. The 4.09(b)(i) Borrowings constitute Senior Debt (see analysis of Section 4.15 above), and the Liens securing them therefore fall within clause (a) of "Permitted Liens" as defined in Section 1.01. The Company therefore has not failed to comply with the requirements of Section 4.12, which allows the creation and existence of Permitted Liens.

Section 4.04. As described above, the Company has not failed to comply with any requirement of the Indenture and there are no Defaults. Therefore, the Company has not been and is not required to deliver a notice of Default under Section 4.04(c).

Asset Sales

With respect to your comment regarding the Company's potential Asset Sales, please note that Section 4.09 (b)(i) only requires the $700 million basket to be reduced by "Net Proceeds of Asset Sales." The definition of Net Proceeds nets out "(c) amounts required to be applied to the repayment of Indebtedness or other

liabilities, secured by a Lien on the asset or assets that were the subject of such Asset Sale, or required to be paid as a result of such sale..." Additionally, Section 4.09(b)(i) only requires reductions to such basket for the repayment of Indebtedness incurred pursuant to such Section. As described above, the term loan Indebtedness incurred under Credit Facilities was incurred pursuant to Section 4.09(a). Pursuant to the aforementioned provisions, the use of proceeds from such Asset Sales to repay Indebtedness under the Credit Facilities would not have an impact on the above mentioned basket. Additionally, we note that since no Default exists, Section 4.20 is not relevant in the context mentioned. We can only conclude that your reading of the Indenture is confused on the Asset Sales point as well.

Conclusion

We remind you that your Purported Notice is ineffective and no Defaults exist under the Indenture. Your allegations of defaults - clearly unsupported by the plain language of the Indenture -- may cause significant damage to the Company. If such a situation occurs, the Company will take all necessary steps to seek redress for any such damages.

Very truly yours,

SPECTRUM BRANDS, INC.

By: /s/ James T. Lucke
James T. Lucke
Senior Vice President, Secretary and General Counsel
Spectrum Brands, Inc.

cc: Margaret Brown, Skadden, Arps, Slate, Meagher & Flom LLP