

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 28, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34757

**Spectrum Brands Holdings, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

27-2166630  
(I.R.S. Employer  
Identification Number)

3001 Deming Way  
Middleton, Wisconsin  
(Address of principal executive offices)

53562  
(Zip Code)

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No   
The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of August 3, 2015, was 59,517,728.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR QUARTER ENDED June 28, 2015**  
**INDEX**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Condensed Consolidated Statements of Financial Position**  
**June 28, 2015 and September 30, 2014**  
**(Amounts in millions, except per share figures)**

Assets	June 28, 2015 (Unaudited)	September 30, 2014
Current assets:		
Cash and cash equivalents	\$ 107.2	\$ 194.6
Receivables:		
Trade accounts receivable, net of allowances \$45.7 and \$48.6, respectively	619.8	439.0
Other	101.6	76.3
Inventories	903.7	624.5
Deferred income taxes	34.9	36.7
Prepaid expenses and other	80.7	63.5
Total current assets	1,847.9	1,434.6
Property, plant and equipment, net of accumulated depreciation of \$310.6 and \$264.5, respectively	500.1	428.9
Deferred charges and other	38.6	37.3
Goodwill	2,488.0	1,469.6
Intangible assets, net	2,528.1	2,091.5
Debt issuance costs	69.5	51.1
Total assets	\$ 7,472.2	\$ 5,513.0
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 51.4	\$ 96.7
Accounts payable	453.6	519.7
Accrued liabilities:		
Wages and benefits	80.7	88.1
Income taxes payable	15.5	18.5
Accrued interest	17.4	35.4
Other	186.9	157.3
Total current liabilities	805.5	915.7
Long-term debt, net of current maturities	4,294.3	2,894.1
Employee benefit obligations, net of current portion	74.5	82.0
Deferred income taxes	599.1	513.2
Other	27.4	21.2
Total liabilities	5,800.8	4,426.2
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value, authorized 200.0 shares; issued 61.0 and 54.1 shares, respectively; outstanding 59.5 and 52.7 shares, respectively	0.6	0.5
Additional paid-in capital	2,029.4	1,433.4
Accumulated deficit	(212.1)	(283.1)
Accumulated other comprehensive loss	(137.5)	(63.1)
	1,680.4	1,087.7
Less treasury stock, at cost, 1.5 and 1.4 shares, respectively	(52.7)	(44.3)
Total shareholders' equity	1,627.7	1,043.4
Noncontrolling interest	43.7	43.4
Total equity	1,671.4	1,086.8
Total liabilities and equity	\$ 7,472.2	\$ 5,513.0

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

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Condensed Consolidated Statements of Operations**  
**For the three and nine month periods ended June 28, 2015 and June 29, 2014**  
**(Unaudited)**  
**(Amounts in millions, except per share figures)**

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2015	2014	2015	2014
Net sales	\$ 1,247.5	\$ 1,128.5	\$ 3,382.3	\$ 3,250.8
Cost of goods sold	789.5	710.9	2,179.0	2,089.6
Restructuring and related charges	—	0.6	0.4	3.3
Gross profit	458.0	417.0	1,202.9	1,157.9
Selling	184.8	171.8	517.7	501.8
General and administrative	89.9	78.5	242.5	227.4
Research and development	12.9	12.2	36.9	35.2
Acquisition and integration related charges	24.2	2.7	44.2	14.5
Restructuring and related charges	10.5	3.1	21.9	12.7
Total operating expenses	322.3	268.3	863.2	791.6
Operating income	135.7	148.7	339.7	366.3
Interest expense	112.9	47.3	206.5	151.7
Other expense, net	1.7	2.8	5.6	4.4
Income from operations before income taxes	21.1	98.6	127.6	210.2
Income tax expense (benefit)	(23.8)	20.6	4.8	43.8
Net income	44.9	78.0	122.8	166.4
Less: Net income attributable to non-controlling interest	—	—	0.3	0.2
Net income attributable to controlling interest	\$ 44.9	\$ 78.0	\$ 122.5	\$ 166.2
<b>Basic earnings per share:</b>				
Weighted average shares of common stock outstanding	56.5	52.7	54.2	52.6
Net income per share attributable to controlling interest	\$ 0.79	\$ 1.48	\$ 2.26	\$ 3.16
<b>Diluted earnings per share:</b>				
Weighted average shares and equivalents outstanding	56.5	53.0	54.3	52.9
Net income per share attributable to controlling interest	\$ 0.79	\$ 1.47	\$ 2.26	\$ 3.14
Cash dividends declared per common share	\$ 0.33	\$ 0.30	\$ 0.96	\$ 0.85

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

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**For the three and nine month periods ended June 28, 2015 and June 29, 2014**  
**(Unaudited)**  
**(Amounts in millions)**

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2015	2014	2015	2014
Net income	\$ 44.9	\$ 78.0	\$ 122.8	\$ 166.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	9.5	8.4	(68.6)	5.6
Unrealized (loss) on derivative hedging instruments	(12.0)	(1.4)	(8.6)	(1.6)
Defined benefit pension gain (loss)	(0.6)	0.4	2.8	0.5
Other comprehensive income (loss), net of tax	(3.1)	7.4	(74.4)	4.5
Comprehensive income	41.8	85.4	48.4	170.9
Less: Comprehensive income attributable to non-controlling interest	—	—	0.3	0.5
Comprehensive income attributable to controlling interest	<u>\$ 41.8</u>	<u>\$ 85.4</u>	<u>\$ 48.1</u>	<u>\$ 170.4</u>

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

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**For the nine month periods ended June 28, 2015 and June 29, 2014**  
**(Unaudited)**  
**(Amounts in millions)**

	<b>NINE MONTHS ENDED</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 122.8	\$ 166.4
Adjustments to reconcile net income to net cash used by operating activities, net of effects of acquisitions:		
Depreciation	58.7	56.4
Amortization of intangibles	64.0	61.2
Amortization of unearned restricted stock compensation	36.3	27.5
Amortization of debt issuance costs	7.7	8.2
Non-cash increase to cost of goods sold due to acquisitions inventory step up	7.7	—
Write off unamortized discount on retired debt	1.7	2.8
Write off of debt issuance costs	11.2	6.4
Other non-cash adjustments	16.4	4.0
Net changes in operating assets and liabilities	(485.7)	(382.1)
Net cash used by operating activities	(159.2)	(49.2)
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(49.5)	(50.9)
Acquisition of Tell Manufacturing, net of cash acquired	(29.2)	—
Acquisition of European IAMS and Eukanuba, net of cash acquired	(115.7)	—
Acquisition of Salix Animal Health, net of cash acquired	(147.8)	—
Acquisition of Armored AutoGroup, net of cash acquired	(900.5)	—
Acquisition of Liquid Fence, net of cash acquired	—	(25.3)
Proceeds from sales of property, plant and equipment	1.3	9.1
Other investing activities	(0.9)	(0.3)
Net cash used by investing activities	(1,242.3)	(67.4)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of Term Loan, net of discount	1,444.9	523.7
Proceeds from issuance of 6.125% Notes	250.0	—
Proceeds from issuance of 5.75% Notes	1,000.0	—
Proceeds from Euro Term Loan	340.2	—
Proceeds from CAD Term Loan	60.9	—
Payment of debt instruments, excluding ABL revolving credit facility	(2,275.2)	(567.5)
Debt issuance costs	(37.3)	(5.4)
Other debt financing, net	(5.4)	9.4
Revolving credit facility, net	47.5	110.0
Cash dividends paid	(51.0)	(44.8)
Treasury stock purchases	(8.4)	(4.5)
Net proceeds from issuance of common stock	562.8	—
Share based tax withholding payments, net of proceeds upon vesting	(1.9)	(26.5)
Net cash provided (used) by financing activities	1,327.1	(5.6)
Effect of exchange rate changes on cash and cash equivalents	(13.0)	—
Net decrease in cash and cash equivalents	(87.4)	(122.2)
Cash and cash equivalents, beginning of period	194.6	207.3
Cash and cash equivalents, end of period	<u>\$ 107.2</u>	<u>\$ 85.1</u>

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

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**1 DESCRIPTION OF BUSINESS**

Spectrum Brands Holdings, Inc., a Delaware corporation (“SB Holdings” or the “Company”), is a diversified global branded consumer products company. SB Holdings' common stock trades on the New York Stock Exchange (the “NYSE”) under the symbol “SPB.”

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 insect repellents in North America. The Company also designs, markets and distributes a broad range of branded small appliances and personal care products. The Company also designs, markets, distributes and sells certain hardware, home improvement and plumbing products. The Company’s operations utilize manufacturing and product development facilities located in the United States (“U.S.”), Europe, Latin America and Asia.

On May 21, 2015, the Company acquired Armored AutoGroup Parent, Inc. (“AAG”). AAG is a consumer products company consisting primarily of Armor All and STP products, two of the most recognizable brands in the automotive aftermarket appearance products and performance chemicals categories, respectively, and the AC/PRO brand of do-it-yourself automotive air conditioner recharge products. For information pertaining to the AAG acquisition, see Note 14, “Acquisitions.”

The Company sells its products in approximately 160 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, 8-in-1, Dingo, Nature's Miracle, IAMS, Eukanuba, Healthy-Hide, Digest-eeze, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs, Farberware, Black Flag, FURminator, Kwikset, Weiser, Baldwin, National Hardware, Stanley, Pfister and the previously mentioned AAG brands.

The Company’s global branded consumer products have positions in seven major product categories: consumer batteries, small appliances, personal care, hardware and home improvement, pet supplies, home and garden controls and auto care, which consists of the recently acquired AAG business.

The Company manages the businesses in five vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company’s worldwide battery, personal care and small appliances primarily in the kitchen and home product categories (“Global Batteries & Appliances”); (ii) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing business (“Hardware & Home Improvement”); (iii) Global Pet Supplies, which consists of the Company’s worldwide pet supplies business (“Global Pet Supplies”); (iv) Home and Garden, which consists of the Company’s home and garden and insect control business (“Home and Garden”); and (v) Global Auto Care, which consists of the Company’s automotive aftermarket appearance products, performance chemicals/additives and do-it-yourself automotive air conditioner recharge (“Global Auto Care”). Management reviews the performance of the Company based on these segments, which also reflect the manner in which the Company’s management monitors performance and allocates resources. For information pertaining to our business segments, see Note 12, “Segment Results.”

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation:** The condensed consolidated financial statements include the accounts 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.

These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the 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 June 28, 2015, the results of operations for the three and nine month periods ended June 28, 2015 and June 29, 2014, the comprehensive income (loss) for the three and nine month periods ended June 28, 2015 and June 29, 2014 and the cash flows for the nine month periods ended June 28, 2015 and June 29, 2014. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with 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 for the fiscal year ended September 30, 2014.

**Use of Estimates:** The preparation of financial statements in conformity with 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.

**Intangible Assets:** Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer relationships and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives. Excess of cost over fair value of net assets acquired (goodwill) and indefinite lived trade name intangibles are not amortized. GAAP 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. Goodwill is tested for impairment at the reporting unit level, with such groupings being consistent with the Company’s reportable segments. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Indefinite lived 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 the August financial period end. 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.

**Shipping and Handling Costs:** The Company incurred shipping and handling costs of \$68.3 and \$199.1 for the three and nine month periods ended June 28, 2015, respectively, and \$66.2 and \$194.5 for the three and nine months periods ended June 29, 2014, respectively. 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. Provisions for losses on uncollectible trade receivables are determined based on ongoing evaluations of the Company’s receivables, principally on the basis of historical collection experience and evaluations of the risks of nonpayment for a given customer.



**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

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 15% of the Company's Net sales during both the three and nine month periods ended June 28, 2015, and 15% and 16% of the Company's Net sales for the three and nine month periods ended June 29, 2014, respectively. This customer also represented approximately 13% and 14% of the Company's Trade accounts receivable, net at June 28, 2015 and September 30, 2014, respectively.

Approximately 33% and 39% of the Company's Net sales during the three and nine month periods ended June 28, 2015, respectively, and 37% and 41% of the Company's Net sales during the three and nine month periods ended June 29, 2014, respectively, occurred outside the U.S. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for ability to collect based on an assessment of the risks present.

**Stock-Based Compensation:** The Company measures the cost of its stock-based compensation plans based on the fair value of its employee stock awards and recognizes these costs over the requisite service period of the awards.

Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 28, 2015 was \$16.9 and \$36.3, respectively. Total stock compensation expense associated with restricted stock units recognized by the Company during the three and nine month periods ended June 29, 2014 was \$9.6 and \$27.5, respectively. The remaining unrecognized pre-tax compensation cost related to restricted stock units at June 28, 2015 was \$38.6.

The Company granted approximately 0.02 million and 0.55 million restricted stock units during the three and nine month periods ended June 28, 2015, respectively. The 0.55 million restricted stock units granted during the nine months ended June 28, 2015 include 0.13 million restricted stock units that vested immediately and 0.14 million time-based restricted stock units that vest over a period ranging from one to three years. The remaining 0.28 million restricted stock units are performance and time-based and vest over a period ranging from one to two years. The total market value of the restricted stock units on the dates of the grants was approximately \$49.8.

The Company granted approximately 0.01 million and 0.44 million restricted stock units during the three and nine month periods ended June 29, 2014. The 0.44 million restricted units granted during the nine months ended June 29, 2014, include 0.09 million restricted stock units that vested immediately and 0.06 million time-based restricted stock units that vest over a one year period. The remaining 0.29 million restricted stock units are performance and time-based and vest over a two year period. The total market value of the restricted stock units on the dates of the grants was approximately \$30.6.

The fair value of restricted stock units is determined based on the market price of the Company's shares of common stock on the grant date. A summary of the activity in the Company's non-vested restricted stock units during the nine months ended June 28, 2015 is as follows:

Restricted Stock Units	Shares (in millions)	Weighted Average Share Price at Grant Date	Fair Value at Grant Date
Non-vested restricted stock units at September 30, 2014	0.83	\$ 67.66	\$ 56.0
Granted	0.55	90.44	49.8
Forfeited	(0.03)	85.39	(2.5)
Vested	(0.71)	68.29	(48.1)
Non-vested restricted stock units at June 28, 2015	0.64	\$ 85.65	\$ 55.2

**Acquisition and Integration Related Charges:** Acquisition and integration related charges reflected in Operating expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited) include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to acquisitions, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination expenses associated with mergers and acquisitions.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The following table summarizes acquisition and integration related charges incurred by the Company during the three and nine month periods ended June 28, 2015 and June 29, 2014:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Salix Animal Health	\$ 3.3	\$ —	\$ 8.4	\$ —
European IAMS and Eukanuba	1.0	—	6.0	—
HHI Business	2.1	3.3	8.3	11.2
Tell	0.5	—	1.6	—
Liquid Fence	(0.8)	0.7	0.5	2.4
Armored AutoGroup	17.8	—	17.8	—
Other	0.3	(1.3)	1.6	0.9
<b>Total Acquisition and integration related charges</b>	<b>\$ 24.2</b>	<b>\$ 2.7</b>	<b>\$ 44.2</b>	<b>\$ 14.5</b>

SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)  
(Amounts in millions of dollars, except per share figures or as otherwise specified)

3 COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes foreign currency translation gains and losses on assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as a hedge of a net investment in a foreign subsidiary, deferred gains and losses on derivative financial instruments designated as cash flow hedges and amortization of deferred gains and losses associated with the Company's pension plans. The foreign currency translation gains and losses for the three and nine month periods ended June 28, 2015 and June 29, 2014 were principally attributable to the impact of translation of the net assets of the Company's European and Latin American operations, which primarily have functional currencies in Euros, Pounds Sterling and Brazilian Real.

For information pertaining to the reclassification of unrealized gains and losses on derivative instruments, see Note 8, "Derivative Financial Instruments."

The components of Other comprehensive income (loss), net of tax, for the three and nine month periods ended June 28, 2015 and June 29, 2014 are as follows:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
<b>Foreign Currency Translation Adjustments:</b>				
Net change after reclassification adjustment	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.6
Deferred tax effect	—	—	—	—
Other Comprehensive Income (Loss)	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.6
Non-controlling interest	—	—	—	0.2
Comprehensive Income (Loss) attributable to controlling interest	\$ 9.5	\$ 8.4	\$ (68.6)	\$ 5.4
<b>Derivative Hedging Instruments:</b>				
Gross change before reclassification adjustment	\$ (7.8)	\$ (3.0)	\$ 9.3	\$ (3.9)
Net reclassification adjustment for (gains) losses included in earnings	(8.1)	1.3	(19.9)	2.2
Gross change after reclassification adjustment	\$ (15.9)	\$ (1.7)	\$ (10.6)	\$ (1.7)
Deferred tax effect	3.9	0.3	2.0	0.1
Other Comprehensive (Loss)	\$ (12.0)	\$ (1.4)	\$ (8.6)	\$ (1.6)
<b>Defined Benefit Pension Plans:</b>				
Gross change before reclassification adjustment	\$ (1.1)	\$ 0.2	\$ 2.6	\$ (0.4)
Net reclassification adjustment for losses included in Cost of goods sold	0.2	0.1	0.5	0.4
Net reclassification adjustment for losses included in Selling expenses	—	0.1	0.2	0.2
Net reclassification adjustment for losses included in General and administrative expenses	0.1	0.2	0.4	0.5
Gross change after reclassification adjustment	\$ (0.8)	\$ 0.6	\$ 3.7	\$ 0.7
Deferred tax effect	0.2	(0.2)	(0.9)	(0.2)
Other Comprehensive Income (Loss)	\$ (0.6)	\$ 0.4	\$ 2.8	\$ 0.5
<b>Total Other Comprehensive Income (Loss), net of tax</b>	<b>\$ (3.1)</b>	<b>\$ 7.4</b>	<b>\$ (74.4)</b>	<b>\$ 4.3</b>

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**4 NET INCOME PER COMMON SHARE**

Net income per common share of the Company for the three and nine month periods ended June 28, 2015 and June 29, 2014 is calculated based upon the following number of shares:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Basic	56.5	52.7	54.2	52.6
Effect of common stock equivalents	—	0.3	0.1	0.3
Diluted	56.5	53.0	54.3	52.9

**5 INVENTORIES**

Inventories consist of the following:

	June 28, 2015	September 30, 2014
Raw materials	\$ 149.7	\$ 104.1
Work-in-process	58.3	35.3
Finished goods	695.7	485.1
	\$ 903.7	\$ 624.5

**6 GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets of the Company consist of the following:

	Global Batteries & Appliances	Hardware & Home Improvement	Global Pet Supplies	Global Auto Care	Home and Garden	Total
<b>Goodwill:</b>						
Balance at September 30, 2014	\$ 327.4	\$ 709.8	\$ 235.9	\$ —	\$ 196.5	\$ 1,469.6
Additions	—	7.1	73.6	965.7	—	1,046.4
Effect of translation	(12.0)	(7.6)	(7.4)	(1.0)	—	(28.0)
Balance at June 28, 2015	\$ 315.4	\$ 709.3	\$ 302.1	\$ 964.7	\$ 196.5	\$ 2,488.0
<b>Intangible Assets:</b>						
<b>Trade Names Not Subject to Amortization</b>						
Balance at September 30, 2014	\$ 544.6	\$ 330.6	\$ 210.5	\$ —	\$ 88.6	\$ 1,174.3
Additions	—	4.0	46.7	299.0	—	349.7
Effect of translation	(8.8)	(1.0)	(12.4)	—	—	(22.2)
Balance at June 28, 2015	\$ 535.8	\$ 333.6	\$ 244.8	\$ 299.0	\$ 88.6	\$ 1,501.8
<b>Intangible Assets Subject to Amortization</b>						
Balance at September 30, 2014, net	\$ 400.3	\$ 130.5	\$ 222.3	\$ —	\$ 164.1	\$ 917.2
Additions	0.9	8.5	52.3	130.0	—	191.7
Amortization during period	(25.6)	(11.5)	(18.0)	(0.9)	(8.0)	(64.0)
Effect of translation	(11.2)	(1.1)	(6.3)	—	—	(18.6)
Balance at June 28, 2015, net	\$ 364.4	\$ 126.4	\$ 250.3	\$ 129.1	\$ 156.1	\$ 1,026.3
Total Intangible Assets, net at June 28, 2015	\$ 900.2	\$ 460.0	\$ 495.1	\$ 428.1	\$ 244.7	\$ 2,528.1

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

During the nine month period ended June 28, 2015, the Company recorded additions to goodwill and intangible assets related to the acquisitions of Tell Manufacturing, Inc. (“Tell”), Proctor & Gamble’s European pet food business consisting of the IAMS and Eukanuba brands (“European IAMS and Eukanuba”), Salix Animal Health LLC (“Salix”) and AAG. AAG is reported as a stand alone reporting segment under “Global Auto Care”. See Note 12 “Segment Results,” and Note 14 “Acquisitions,” for further information.

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The useful lives for proprietary technology assets associated with the Global Batteries & Appliances segment, the Hardware & Home Improvement segment, the Global Pet Supplies segment and the Global Auto Care segment range from 9 to 17 years, 8 to 9 years, 4 to 9 years and 8 to 10 years, respectively. The useful lives of customer relationships range from 15 to 20 years within the Global Batteries & Appliances segment, are 20 years within both the Hardware & Home Improvement and Home and Garden segments, range from 2 to 20 years within the Global Pet Supplies segment and range from 13 to 15 years within the Global Auto Care segment. The useful lives for trade names are up to 12 years within the Global Batteries & Appliances segment, range from 5 to 8 years within the Hardware & Home Improvement segment, and range from 3 to 13 years within the Global Pet Supplies segment.

The carrying value and accumulated amortization for intangible assets subject to amortization are as follows:

	June 28, 2015	September 30, 2014
<b>Technology Assets Subject to Amortization:</b>		
Gross balance	\$ 242.6	\$ 192.2
Accumulated amortization	(72.3)	(57.6)
Carrying value, net	\$ 170.3	\$ 134.6
<b>Trade Names Subject to Amortization:</b>		
Gross balance	\$ 171.6	\$ 171.0
Accumulated amortization	(73.2)	(61.0)
Carrying value, net	\$ 98.4	\$ 110.0
<b>Customer Relationships Subject to Amortization:</b>		
Gross balance	\$ 992.0	\$ 877.2
Accumulated amortization	(234.4)	(204.6)
Carrying value, net	\$ 757.6	\$ 672.6
<b>Total Intangible Assets, net Subject to Amortization</b>	<b>\$ 1,026.3</b>	<b>\$ 917.2</b>

Amortization expense for the three and nine month periods ended June 28, 2015 and June 29, 2014 is as follows:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Proprietary technology amortization	\$ 5.3	\$ 4.7	\$ 14.7	\$ 13.9
Trade names amortization	4.1	4.1	12.3	12.3
Customer relationships amortization	12.9	11.7	37.0	35.0
	<b>\$ 22.3</b>	<b>\$ 20.5</b>	<b>\$ 64.0</b>	<b>\$ 61.2</b>

The Company estimates annual amortization expense of intangible assets for the next five fiscal years will approximate \$90.0 per year.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**7 DEBT**

Debt consists of the following:

	June 28, 2015		September 30, 2014		Interest Terms
	Amount	Rate	Amount	Rate	
Term Loan, due September 4, 2017 (Tranche A)	\$ —	—%	\$ 648.4	3.0 %	Variable rate, see below
Term Loan, due September 4, 2019 (Tranche C)	—	—%	509.9	3.6 %	Variable rate, see below
Term Loan, due June 23, 2022	1,450.0	3.8 %	—	—%	Variable rate, see below
CAD Term Loan, due December 17, 2019	—	—%	34.2	5.1 %	Variable rate, see below
CAD Term Loan, due June 23, 2022	60.9	4.5 %	—	—%	Variable rate, see below
Euro Term Loan, due September 4, 2019	—	—%	283.3	3.8 %	Variable rate, see below
Euro Term Loan, due June 23, 2022	336.2	3.5 %	—	—%	Variable rate, see below
6.375% Notes, due November 15, 2020	520.0	6.4 %	520.0	6.4 %	Fixed rate
6.625% Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %	Fixed rate
6.75% Notes, due March 15, 2020	—	—%	300.0	6.8 %	Fixed rate
6.125% Notes, due December 15, 2024	250.0	6.1 %	—	—%	Fixed rate
5.75% Notes, due July 15, 2025	1,000.0	5.8 %	—	—%	Fixed rate
Revolver Facility, expiring June 23, 2020	47.5	5.3 %	—	—%	Variable rate, see below
Other notes and obligations	31.0	13.6 %	36.6	8.8 %	Various
Capitalized lease obligations	88.7	5.9 %	94.7	6.1 %	Various
	\$ 4,354.3		\$ 2,997.1		
Original issuance discounts on debt	(8.6)		(6.3)		
Less: current maturities	(51.4)		(96.7)		
Long-term debt	\$ 4,294.3		\$ 2,894.1		

The Company has the following debt instruments outstanding at June 28, 2015: (i) senior secured term loan facilities pursuant to a senior credit agreement (the “Senior Credit Agreement”) which consist of a \$1,450.0 U.S dollar denominated term loan facility (“USD Term Loan”), a \$60.9 Canadian dollar (“CAD”) denominated term loan facility (“CAD Term Loan”), a \$336.2 Euro denominated term loan facility (“Euro Term Loan”) (together, the “Term Loan”); (ii) \$520.0 6.375% unsecured notes due 2020 (the “6.375% Notes”); (iii) \$570.0 6.625% unsecured notes due 2022 (the “6.625% Notes”); (iv) \$250.0 6.125% unsecured notes due 2024 (the “6.125% Notes”); (v) \$1,000.0 5.75% unsecured notes due 2025 (the “5.75% Notes”); and (vi) a \$500.0 cash flow revolving credit facility pursuant to the Senior Credit Agreement (the “Revolver Facility”).

**Interest Terms**

Certain of the Company’s debt instruments are subject to variable interest rates. The variable rates disclosed in the table above are weighted averages based on outstanding debt balances and corresponding rates in effect as of the period end. At June 28, 2015, the Company’s variable interest rate terms are as follows: in the case of the USD Term Loan, either adjusted LIBOR (International Exchange London Interbank Offered Rate), subject to a 0.75% floor, plus 3.0% per annum, or base rate plus 2.0% per annum; in the case of the CAD Term Loan, either CDOR (Canadian Dollar Offered Rate), subject to a 0.75% floor (0.99% at June 28, 2015) plus 3.5% per annum, or base rate plus 2.5% per annum; in the case of the Euro Term Loan, EURIBOR (Euro Interbank Offered Rate), subject to a 0.75% floor, plus 2.75% per annum, with no base rate option available; and in the case of the Revolver Facility, either adjusted LIBOR plus 3.0% per annum, or base rate plus 2.0% per annum.

**Term Loan**

On June 23, 2015, Spectrum Brands, Inc., a subsidiary of the Company (“SBI”), entered into term loan facilities pursuant to a Senior Credit Agreement consisting of a \$1,450.0 USD Term Loan due June 23, 2022, a \$75.0 CAD Term Loan due June 23, 2022 and a €300.0 Euro Term Loan due June 23, 2022, and entered into a \$500.0 Revolver Facility due June 23, 2020. The proceeds from the Term Loan facilities and draws on the Revolver Facility were used to repay SBI’s then-existing senior term credit facility, repay SBI’s outstanding 6.75% senior unsecured notes due 2020, repay and replace SBI’s then-existing asset based revolving loan facility, and to pay fees and expenses in connection with the refinancing and for general corporate purposes.

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to scheduled amortizations, with the final payments of all amounts outstanding, plus accrued and unpaid interest, due at maturity. The Senior Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on SBI and its restricted subsidiaries' ability to incur indebtedness, create liens, make investments, pay dividends or make certain other distributions, and merge or consolidate or sell assets, in each case subject to certain exceptions set forth in the Senior Credit Agreement. Pursuant to a guarantee agreement, SB/RH Holdings, LLC and the material wholly-owned domestic subsidiaries of SBI have guaranteed SBI's obligations under the Senior Credit Agreement and related loan documents. Pursuant to a security agreement, SBI and such subsidiary guarantors have pledged substantially all of their respective assets to secure such obligations and, in addition, SB/RH Holdings, LLC has pledged the capital stock of SBI to secure such obligations. The Senior Credit Agreement also provides for customary events of default including payment defaults and cross-defaults to other material indebtedness.

In addition, the Senior Credit Agreement, solely with respect to the Revolver Facility, contains a financial covenant on the maximum net total leverage ratio that is tested on the last day of each fiscal quarter commencing with the fiscal quarter ending September 30, 2015.

The USD Term Loan was issued at a 0.25% discount and was recorded net of the \$3.6 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 USD Term Loan. In connection with the issuance of the USD Term Loan, the Company recorded \$12.4 of fees of which \$4.5 are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the USD Term Loan with the remainder of \$7.9 reflected as an increase to interest expense during both the three and nine month periods ended June 28, 2015. The Company recorded accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs related to the refinancing of the USD Term Loan totaling \$5.1 as an increase to interest expense during both the three and nine month periods ended June 28, 2015.

The CAD Term Loan was issued at a 1.0% discount and was recorded net of the \$0.8 CAD 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 CAD Term Loan. In connection with the issuance of the CAD Term Loan, the Company recorded \$0.6 of fees of which \$0.4 are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the CAD Term Loan with the remainder \$0.2 reflected as an increase to interest expense during both the three and nine month periods ended June 28, 2015. The Company recorded accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs related to the refinancing of the CAD Term Loan totaling \$0.4 as an increase to interest expense during both the three and nine month periods ended June 28, 2015.

The Euro Term Loan was issued at a 0.25% discount and was recorded net of the €0.8 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 Euro Term Loan. SBI previously issued €150.0 of term debt in the three month period ended December 28, 2014 and repaid the same term debt in the three month period ended June 28, 2015 in connection with the issuance of the Euro Term Loan. During the three and nine month periods ended June 28, 2015, the Company recorded \$2.6 and \$4.9 USD of fees, respectively, related to these Euro denominated debt transactions, of which \$2.6 are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the Euro Term Loan with the remainder of \$2.3 reflected as an increase to interest expense during both the three and nine month periods ended June 28, 2015. The Company recorded accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs related to the refinancing of the Euro Term Loan totaling \$2.3 as an increase to interest expense during both the three and nine month periods ended June 28, 2015.

**6.125% Notes**

On December 4, 2014, SBI issued \$250.0 aggregate principal amount of 6.125% Notes at par value, due December 15, 2024. The 6.125% Notes are guaranteed by the Company's wholly owned subsidiary, SB/RH Holdings, LLC, as well as by the SBI's existing and future domestic subsidiaries.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

SBI may redeem all or a part of the 6.125% Notes, at any time on or after December 15, 2019, at specified redemption prices. In addition, prior to December 15, 2019, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a “make-whole” premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before December 15, 2017 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 6.125% Notes (the “2024 Indenture”) requires SBI 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 SBI, as defined in the 2024 Indenture.

The 2024 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 2024 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 when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2024 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.125% Notes. If any other event of default under the 2024 Indenture occurs and is continuing, the trustee for the 2024 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.125% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded \$4.6 of fees in connection with the offering of the 6.125% Notes during the nine month periods ended June 28, 2015. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 6.125% Notes.

**5.75% Notes**

On May 20, 2015, in connection with the acquisition of the AAG Business, SBI issued \$1,000.0 aggregate principal amount of 5.75% Notes at par value, due July 15, 2025. The 5.75% Notes are guaranteed by the Company’s wholly owned subsidiary, SB/RH Holdings, LLC, as well as by the SBI’s existing and future domestic subsidiaries.

SBI may redeem all or a part of the 5.75% Notes, at any time on or after July 15, 2020, at specified redemption prices. In addition, prior to July 15, 2020, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a “make-whole” premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before July 15, 2018 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 5.75% Notes (the “2025 Indenture”) requires SBI 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 SBI, as defined in the 2025 Indenture.

The 2025 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 2025 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 when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2025 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 5.75% Notes. If any other event of default under the 2025 Indenture occurs and is continuing, the trustee for the 2025 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 5.75% Notes, may declare the acceleration of the amounts due under those notes.



**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company recorded \$19.5 of fees in connection with the offering of the 5.75% Notes during both the three and nine month periods ended June 28, 2015. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 5.75% Notes.

**6.75% Notes**

On June 23, 2015 SBI called the \$300.0 outstanding aggregate principal amount of 6.75% senior unsecured notes due 2020 (the "6.75% Notes"). In connection with the call, SBI paid the trustee principal, interest and a call premium sufficient to redeem the \$300.0 of 6.75% Notes outstanding. The trustee under the indenture governing the 6.75% Notes accepted those funds in trust for the benefit of the holders of the 6.75% Notes and has acknowledged the satisfaction and discharge of the 6.75% Notes and the indenture governing the 6.75% Notes. On July 23, 2015, the Trustee redeemed the 6.75% Notes.

In connection with the call, the Company recorded \$15.2 of fees and expenses as a cash charge to interest expense in the Condensed Consolidated Statements of Operations (unaudited) during both the three and nine month periods ended June 28, 2015. In connection with the satisfaction and discharge process, the Company recorded cash charges of \$1.7 to interest expense in the Condensed Consolidated Statements of Operations (unaudited) during both the three and nine month periods ended June 28, 2015. In addition, \$4.1 of debt issuance costs related to the 6.75% Notes were written off as a non-cash charge to interest expense in the Condensed Consolidated Statements of Operations (unaudited) in both the three and nine month periods ended June 28, 2015.

**Revolver Facility**

As noted above, on June 23, 2015, SBI entered into a new Revolver Facility under the Senior Credit Agreement for \$500.0 of aggregate commitment maturing June 23, 2020. In connection with the new Revolver Facility, the Company incurred \$5.7 of fees all of which are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the Revolver Facility. The Company recorded accelerated amortization of portions of the unamortized Debt Issuance costs related to the refinancing of the Prior Revolver Facility totaling \$1.1 as an increase to interest expense during both the three and nine month periods ended June 28, 2015.

As a result of borrowings and payments under the Revolver Facility, at June 28, 2015, the Company had aggregate borrowing availability of approximately \$419.3, net of outstanding letters of credit of \$33.2.

**8 DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. Derivative instruments are reported at fair value in the Condensed Consolidated Statements of Financial Position (Unaudited). When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses both at the inception of the hedging instrument 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 recognized in earnings in the period incurred. 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 recognized in earnings in the period incurred.

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**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 Accumulated Other Comprehensive Income (Loss) (“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 both June 28, 2015 and September 30, 2014, the Company had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads, at 1.36% for a notional principal amount of \$300.0 through April 2017. The derivative net loss on these contracts recorded in AOCI by the Company at June 28, 2015 was \$1.8, net of tax benefit of \$0.0. At June 28, 2015, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$1.4, net of tax.

The Company’s interest rate swap derivative financial instruments at June 28, 2015 and September 30, 2014 are summarized as follows:

	June 28, 2015		September 30, 2014	
	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	\$ 300.0	1.8	\$ 300.0	2.5

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign currency 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, Mexican Pesos, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales of 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 June 28, 2015, the Company had a series of foreign exchange derivative contracts outstanding through September 2016 with a contract value of \$293.8. The derivative net gain on these contracts recorded in AOCI by the Company at June 28, 2015 was \$3.8, net of tax expense of \$1.6. At June 28, 2015, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$4.2, net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc and brass used in its manufacturing processes. The Company hedges a portion of the risk associated with the purchase of 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 June 28, 2015, the Company had a series of zinc swap contracts outstanding through September 2016 for 7.8 thousand metric tons with a contract value of \$17.0. At June 28, 2015, the Company had a series of brass swap contracts outstanding through March 2017 for 1.7 thousand metric tons with a contract value of \$8.1. The derivative net loss on these contracts recorded in AOCI by the Company at June 28, 2015 was \$1.4, net of tax benefit of \$0.2. At June 28, 2015, the portion of derivative net loss estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is \$1.3, net of tax.

*Derivative Contracts Not Designated as Hedges for Accounting Purposes*

The 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, Canadian 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 Statements 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 June 28, 2015 and September 30, 2014, the Company had \$139.2 and \$108.9, respectively, of notional value of such foreign exchange derivative contracts outstanding.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. The Company hedges a portion of the risk associated with these materials through the use of commodity swaps. The swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The swaps effectively fix the floating price on a specified quantity of silver through a specified date. At June 28, 2015, the Company had a series of such swap contracts outstanding through September 2015 for 10.0 thousand troy ounces with a contract value of \$0.2. At September 30, 2014, the Company had a series of such swap contracts outstanding through September 30, 2015 for 25.0 thousand troy ounces with a contract value of \$0.4.

**Fair Value of Derivative Instruments**

The Company discloses its derivative instruments and hedging activities in accordance with ASC Topic 815: “*Derivatives and Hedging*” (“ASC 815”).

The fair value of the Company’s outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) are as follows:

<b>Asset Derivatives</b>	<b>June 28, 2015</b>	<b>September 30, 2014</b>
Derivatives designated as hedging instruments under ASC 815:		
Interest rate contracts	\$ —	\$ 0.6
Commodity contracts	—	1.3
Foreign exchange contracts	0.3	—
Foreign exchange contracts	5.9	12.0
Foreign exchange contracts	—	0.3
<b>Total asset derivatives designated as hedging instruments under ASC 815</b>	<b>6.2</b>	<b>14.2</b>
Derivatives not designated as hedging instruments under ASC 815:		
Foreign exchange contracts	—	0.5
<b>Total asset derivatives</b>	<b>\$ 6.2</b>	<b>\$ 14.7</b>

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The fair value of the Company's outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) are as follows:

<b>Liability Derivatives</b>	<b>June 28, 2015</b>	<b>September 30, 2014</b>
Derivatives designated as hedging instruments under ASC 815:		
Interest rate contracts	\$ 1.4	\$ 1.3
Interest rate contracts	0.4	0.4
Interest rate contracts	0.4	—
Commodity contracts	1.5	0.2
Commodity contracts	0.1	—
Foreign exchange contracts	0.4	—
Foreign exchange contracts	0.4	—
<b>Total liability derivatives designated as hedging instruments under ASC 815</b>	<b>\$ 4.6</b>	<b>\$ 1.9</b>
Derivatives not designated as hedging instruments under ASC 815:		
Commodity contract	\$ —	\$ 0.1
Foreign exchange contracts	0.2	0.1
<b>Total liability derivatives</b>	<b>\$ 4.8</b>	<b>\$ 2.1</b>

**Changes in AOCI from Derivative Instruments**

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 AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. See Note 3, "Comprehensive Income (Loss)" for further information.

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended June 28, 2015, pretax:

	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	Location of Gain (Loss)	Amount of Gain (Loss)
				Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<b>Derivatives in ASC 815 Cash Flow Hedging Relationships</b>	<b>(Effective Portion)</b>	<b>(Effective Portion)</b>	<b>(Effective Portion)</b>	<b>Testing)</b>	<b>Testing)</b>
Interest rate contracts	\$ (0.5)	Interest expense	\$ (0.5)	Interest expense	\$ —
Commodity contracts	(0.7)	Cost of goods sold	—	Cost of goods sold	—
Foreign exchange contracts	0.2	Net sales	—	Net sales	—
Foreign exchange contracts	(6.8)	Cost of goods sold	8.6	Cost of goods sold	—
<b>Total</b>	<b>\$ (7.8)</b>		<b>\$ 8.1</b>		<b>\$ —</b>

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the nine month period ended June 28, 2015, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	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)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Interest rate contracts	\$ (2.4)	Interest expense	\$ (1.4)	Interest expense	\$ —
Commodity contracts	(2.4)	Cost of goods sold	0.3	Cost of goods sold	—
Foreign exchange contracts	0.1	Net sales	—	Net sales	—
Foreign exchange contracts	14.0	Cost of goods sold	21.0	Cost of goods sold	—
<b>Total</b>	<b>\$ 9.3</b>		<b>\$ 19.9</b>		<b>\$ —</b>

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended June 29, 2014, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	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)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	\$ 1.3	Cost of goods sold	\$ 0.1	Cost of goods sold	\$ —
Interest rate contracts	(1.9)	Interest expense	(0.4)	Interest expense	—
Foreign exchange contracts	—	Net sales	0.1	Net sales	—
Foreign exchange contracts	(2.4)	Cost of goods sold	(1.1)	Cost of goods sold	—
<b>Total</b>	<b>\$ (3.0)</b>		<b>\$ (1.3)</b>		<b>\$ —</b>

SPECTRUM BRANDS HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)  
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The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the nine month period ended June 29, 2014, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	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)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	\$ 1.4	Cost of goods sold	\$ 0.1	Cost of goods sold	\$ —
Interest rate contracts	(1.9)	Interest expense	(0.4)	Interest expense	—
Foreign exchange contracts	0.1	Net sales	0.1	Net sales	—
Foreign exchange contracts	(3.5)	Cost of goods sold	(2.0)	Cost of goods sold	—
<b>Total</b>	<b>\$ (3.9)</b>		<b>\$ (2.2)</b>		<b>\$ —</b>

**Other Changes in Fair Value of Derivative Contracts**

For derivative instruments that are used to economically hedge the fair value of the Company's third party and intercompany foreign currency payments, commodity purchases and interest rate payments, but are not designated as hedging instruments under ASC 815, the gain (loss) associated with the derivative contract is recognized in earnings in the period of change. During the three month periods ended June 28, 2015 and June 29, 2014, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives		Location of Gain (Loss) Recognized in Income on Derivatives
	2015	2014	
Commodity contracts	\$ —	\$ 0.1	Cost of goods sold
Foreign exchange contracts	5.0	(0.3)	Other expense, net
<b>Total</b>	<b>\$ 5.0</b>	<b>\$ (0.2)</b>	

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

During the nine month periods ended June 28, 2015 and June 29, 2014, the Company recognized the following gains (losses) on these derivative contracts:

<u>Derivatives Not Designated as Hedging Instruments Under ASC 815</u>	Amount of Gain (Loss) Recognized in		Location of Gain (Loss) Recognized in
	Income on Derivatives		
	2015	2014	
Foreign exchange contracts	\$ (2.4)	\$ 0.4	Other expense, net

**9 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's net derivative portfolio as of June 28, 2015, contains Level 2 instruments and consists of commodity, interest rate and foreign exchange contracts. The fair values of these instruments as of June 28, 2015 were as follows asset/(liability):

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Interest rate contracts	\$ —	\$ —	\$ —	\$ —
Commodity contracts	—	—	—	—
Foreign exchange contracts	—	6.2	—	6.2
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ 6.2</b>	<b>\$ —</b>	<b>\$ 6.2</b>
<b>Liabilities:</b>				
Interest rate contracts	\$ —	\$ (2.2)	\$ —	\$ (2.2)
Commodity contracts	—	(1.6)	—	(1.6)
Foreign exchange contracts	—	(1.0)	—	(1.0)
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ (4.8)</b>	<b>\$ —</b>	<b>\$ (4.8)</b>

The Company's net derivative portfolio as of September 30, 2014, contains Level 2 instruments and consists of commodity and foreign exchange contracts. The fair values of these instruments as of September 30, 2014 were as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Interest rate contracts	\$ —	\$ 0.6	\$ —	\$ 0.6
Commodity contracts	—	1.3	—	1.3
Foreign exchange contracts	—	12.8	—	12.8
<b>Total Assets</b>	<b>\$ —</b>	<b>\$ 14.7</b>	<b>\$ —</b>	<b>\$ 14.7</b>
<b>Liabilities:</b>				
Interest rate contracts	\$ —	\$ (1.7)	\$ —	\$ (1.7)
Commodity contracts	—	(0.3)	—	(0.3)
Foreign exchange contracts	—	(0.1)	—	(0.1)
<b>Total Liabilities</b>	<b>\$ —</b>	<b>\$ (2.1)</b>	<b>\$ —</b>	<b>\$ (2.1)</b>

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and non-publicly traded debt approximate fair value. The fair values of long-term publicly traded debt are based on unadjusted quoted market prices (Level 1) and derivative financial instruments are generally based on quoted or observed market prices (Level 2).

The carrying values of goodwill, intangible assets and other long-lived assets are tested annually, or more frequently if an event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3).

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The carrying amounts and fair values of the Company's financial instruments are summarized as follows asset/(liability):

	June 28, 2015		September 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	\$ (4,345.7)	\$ (4,474.4)	\$ (2,990.8)	\$ (3,061.5)
Interest swap agreements	(2.2)	(2.2)	(1.1)	(1.1)
Commodity swap and option agreements	(1.6)	(1.6)	1.0	1.0
Foreign exchange forward agreements	5.2	5.2	12.7	12.7

**10 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, including the United Kingdom, the Netherlands, Germany, Guatemala, Brazil, Mexico and Taiwan. These pension plans generally provide benefits of stated amounts for each year of service.

The Company's results of operations for the three and nine month periods ended June 28, 2015 and June 29, 2014 reflect the following pension and deferred compensation benefit costs:

Components of net periodic benefit and deferred compensation benefit cost	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Service cost	\$ 0.8	\$ 0.9	\$ 2.4	\$ 2.6
Interest cost	2.4	2.6	7.3	7.8
Expected return on assets	(2.4)	(2.5)	(7.5)	(7.4)
Recognized net actuarial loss	0.3	0.4	1.1	1.1
Net periodic benefit cost	\$ 1.1	\$ 1.4	\$ 3.3	\$ 4.1

The Company funds its U.S. pension plans in accordance with the Internal Revenue Service defined guidelines and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. 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's contributions to its pension and deferred compensation plans for the three and nine month periods ended June 28, 2015 and June 29, 2014 were as follows:

Pension and deferred compensation contributions	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
Contributions made during period	\$ 2.0	\$ 3.7	\$ 7.5	\$ 9.1

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended June 28, 2015 were \$2.6 and \$8.6, respectively. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended June 29, 2014 were \$3.4 and \$10.7, respectively.



**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
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**11 INCOME TAXES**

The Company's effective tax rates for the three and nine month periods ended June 28, 2015 were (113%) and 4%, respectively. The Company's effective tax rate for both the three and nine month periods ended June 29, 2014 was 21%. The Company's effective tax rates differ from the U.S. federal statutory rate of 35% principally due to (i) income earned outside the U.S. that is subject to statutory rates lower than 35%, (ii) the release of valuation allowance on U.S. net operating loss deferred tax assets offsetting tax expense on both U.S. pretax income and foreign income not permanently reinvested, and (iii) deferred income tax expense related to the change in book versus tax basis of indefinite-lived intangibles, which are amortized for tax purposes but not for book purposes. Additionally, during the three month period ended June 28, 2015, the Company recognized a \$31.4 tax benefit from the reversal of a portion of our U.S. valuation allowance on deferred tax assets in connection with the purchase of AAG.

The Company records the impact of a tax position if it concludes that the position is more likely than not sustainable upon audit, based on the technical merits of the position. At June 28, 2015 and September 30, 2014, the Company had \$15.7 and \$11.3, respectively, of unrecognized tax benefits related to uncertain tax positions. At June 28, 2015 and September 30, 2014, the Company had approximately \$4.1 and \$3.5, respectively, of accrued interest and penalties related to the uncertain tax positions. Interest and penalties related to uncertain tax positions are reported as Income tax expense.

As of June 28, 2015, certain of the Company's legal entities in various jurisdictions are undergoing income tax audits. 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.

**12 SEGMENT RESULTS**

The Company manages its business in five vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances; (ii) Hardware & Home Improvement; (iii) Global Pet Supplies; (iv) Home and Garden; and (v) Global Auto Care, which consists of the recently acquired AAG business.

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

Net sales and Cost of goods sold from transactions with 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 and income tax expense. Corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plan costs which are evaluated on a consolidated basis and not allocated to the Company's operating segments. 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.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
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Segment information for the three and nine month periods ended June 28, 2015 and June 29, 2014 is as follows:

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
<b>Net sales to external customers</b>				
Consumer batteries	\$ 178.3	\$ 213.3	\$ 600.3	\$ 689.2
Small appliances	161.3	163.9	536.7	533.2
Personal care	119.4	117.6	402.3	412.6
Global Batteries & Appliances	459.0	494.8	1,539.3	1,635.0
Hardware & Home Improvement	313.5	306.9	874.1	852.2
Global Pet Supplies	208.3	152.2	538.8	440.7
Global Auto Care	64.4	—	64.4	—
Home and Garden	202.3	174.6	365.7	322.9
Total segments	\$ 1,247.5	\$ 1,128.5	\$ 3,382.3	\$ 3,250.8

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
<b>Segment profit</b>				
Global Batteries & Appliances	\$ 42.1	\$ 49.1	\$ 180.4	\$ 190.6
Hardware & Home Improvement	53.7	50.7	129.9	125.5
Global Pet Supplies	28.0	22.9	52.3	56.5
Global Auto Care	12.8	—	12.8	—
Home and Garden	59.3	48.4	90.4	70.2
Total segments	195.9	171.1	465.8	442.8
Corporate expense	25.5	16.0	59.6	46.0
Acquisition and integration related charges	24.2	2.7	44.2	14.5
Restructuring and related charges	10.5	3.7	22.3	16.0
Interest expense	112.9	47.3	206.5	151.7
Other expense, net	1.7	2.8	5.6	4.4
Income from continuing operations before income taxes	\$ 21.1	\$ 98.6	\$ 127.6	\$ 210.2

Segment assets for the Company's product-focused reporting segments and its Corporate function are as follows:

	June 28, 2015	September 30, 2014
	(Unaudited)	
<b>Segment total assets</b>		
Global Batteries & Appliances	\$ 2,093.7	\$ 2,152.0
Hardware & Home Improvement	1,708.9	1,629.0
Global Pet Supplies	1,156.4	890.4
Global Auto Care	1,658.4	—
Home and Garden	594.8	526.6
Total segment assets	7,212.2	5,198.0
Corporate	260.0	315.0
Total assets at period end	\$ 7,472.2	\$ 5,513.0

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**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 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.

The following table summarizes restructuring and related charges incurred by segment for the three and nine month periods ended June 28, 2015 and June 29, 2014:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Cost of goods sold:</b>				
Global Batteries & Appliances	\$ —	\$ —	\$ 0.2	\$ 0.5
Hardware & Home Improvement	—	0.3	—	2.6
Global Pet Supplies	—	0.3	0.2	0.2
<b>Total restructuring and related charges in cost of goods sold</b>	<b>\$ —</b>	<b>\$ 0.6</b>	<b>\$ 0.4</b>	<b>\$ 3.3</b>
<b>Operating expenses:</b>				
Global Batteries & Appliances	\$ 1.0	\$ 2.6	\$ 6.2	\$ 9.3
Hardware & Home Improvement	6.3	0.2	7.8	1.1
Global Pet Supplies	3.1	0.3	7.3	1.6
Home and Garden	0.1	—	0.3	—
Corporate	—	—	0.3	0.7
<b>Total restructuring and related charges in operating expenses</b>	<b>\$ 10.5</b>	<b>\$ 3.1</b>	<b>\$ 21.9</b>	<b>\$ 12.7</b>
<b>Total restructuring and related charges</b>	<b>\$ 10.5</b>	<b>\$ 3.7</b>	<b>\$ 22.3</b>	<b>\$ 16.0</b>

**HHI Business Rationalization Initiatives**

During the fourth quarter of the fiscal year ended September 30, 2014, the Company implemented a series of initiatives throughout the Hardware & Home Improvement business segment to reduce operating costs and exit low margin business outside the U.S. (the “HHI Business Rationalization Initiatives”). These initiatives include headcount reductions, the exit of certain facilities and the sale of a portion of the Hardware & Home Improvement operations in Canada. Costs associated with these initiatives, which are expected to be incurred through September 30, 2016, are projected to total approximately \$11.0.

The Company recorded \$6.3 and \$7.7 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2015, respectively, and no pretax restructuring and related charges during the three and nine month periods ended June 29, 2014, related to the HHI Business Rationalization Initiatives.

**Global Expense Rationalization Initiatives Summary**

During the third quarter of the fiscal year ended September 30, 2013, the Company implemented a series of initiatives throughout the Company to reduce operating costs (the “Global Expense Rationalization Initiatives”). These initiatives consist of headcount reductions primarily in the Global Batteries & Appliances segment, the Global Pet Supplies segment, the Home and Garden segment and within Corporate. Costs associated with these initiatives, which are expected to be incurred through September 30, 2018, are currently projected to total approximately \$44.0.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company recorded \$3.9 and \$13.9 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2015, respectively, and \$2.9 and \$11.6 of pretax restructuring and related charges during the three and nine month periods ended June 29, 2014, respectively, related to the Global Expense Rationalization Initiatives.

The following table summarizes the remaining accrual balance associated with the Global Expense Rationalization Initiatives and the activity during the nine month period ended June 28, 2015:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2014	\$ 4.1	\$ 1.4	\$ 5.5
Provisions	4.7	1.9	6.6
Cash expenditures	(5.9)	(1.1)	(7.0)
Non-cash items	(0.3)	—	(0.3)
Accrual balance at June 28, 2015	<u>\$ 2.6</u>	<u>\$ 2.2</u>	<u>\$ 4.8</u>
Expensed as incurred <sup>(A)</sup>	\$ 2.6	\$ 4.7	\$ 7.3

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

The following table summarizes the expenses incurred during the nine month period ended June 28, 2015, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Expense Rationalization Initiatives by operating segment:

	Global Batteries & Appliances	Global Pet Supplies	Corporate	Total
Restructuring and related charges during the nine month period ended June 28, 2015	\$ 6.6	\$ 7.0	\$ 0.3	\$ 13.9
Restructuring and related charges since initiative inception	\$ 27.7	\$ 8.9	\$ 2.0	\$ 38.6
Total future restructuring and related charges expected	\$ 1.7	\$ 3.3	\$ 0.1	\$ 5.1

The Company recorded \$0.1 and \$0.2 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2015, respectively, and \$0.6 and \$3.7 of pretax restructuring and related charges during the three and nine month periods ended June 29, 2014, respectively, related to initiatives implemented by the HHI Business prior to the Company's acquisition on December 17, 2012.

In connection with other restructuring efforts, the Company recorded \$0.2 and \$0.5 of pretax restructuring and related charges during the three and nine month periods ended June 28, 2015, respectively, and \$0.2 and \$0.7 of pretax restructuring and related charges during the three and nine month periods ended June 29, 2014, respectively.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

## 14 ACQUISITIONS

In accordance with ASC Topic 805, “Business Combinations” (“ASC 805”), the Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

### **Tell Manufacturing**

On October 1, 2014, the Company completed the acquisition of Tell, a leading manufacturer and distributor of commercial doors, locks and hardware. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was \$30.3 and is not significant individually.

The results of Tell's operations since October 1, 2014 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Hardware & Home Improvement segment.

### **Preliminary Valuation of Assets and Liabilities**

The assets acquired and liabilities assumed in the Tell acquisition have been measured at their fair values at October 1, 2014 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce including an experienced research team, and is expected to be deductible for income tax purposes. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for Tell are as follows:

Cash	\$	1.1
Accounts receivable		5.4
Inventories		7.2
Prepaid expense		0.6
Property, plant and equipment, net		1.5
Intangible assets		12.5
Total assets acquired	\$	28.3
Total liabilities assumed		5.1
Total identifiable net assets less goodwill		23.2
Goodwill		7.1
Total identifiable net assets	\$	30.3

### **Preliminary Valuation Adjustments**

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade name and customer relationships at October 1, 2014. A summary of the significant inputs to the valuation is as follows:

- Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials inventory. Finished goods were valued at estimated selling price less the sum of costs of disposal and a reasonable profit on the value added in the completion and disposal effort.

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
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Property, plant and equipment – The cost approach was utilized to estimate the fair value of approximately 97.0% of the property, plant and equipment. The sales comparison approach was utilized to estimate the fair value of the remaining 3.0% of the property, plant and equipment.

The Company valued an indefinite-lived trade name 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 Tell, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade name. Trade name was valued at \$4.0 under this approach.

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, 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 were estimated using annual expected growth rates of 2.5% to 7.1%. The Company assumed a customer retention rate of approximately 90%, which was supported by historical retention rates. Income taxes were estimated at 38% and amounts were discounted using a rate of 20%. The customer relationships were valued at \$8.5 under this approach and will be amortized over 13 years.

**European IAMS and Eukanuba**

On December 31, 2014, the Company completed the acquisition of European IAMS and Eukanuba, leading premium brands for dogs and cats. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was \$115.7 and is not significant individually.

The results of European IAMS and Eukanuba's operations since December 31, 2014 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies segment.

***Preliminary Valuation of Assets and Liabilities***

The assets acquired and liabilities assumed in the European IAMS and Eukanuba acquisition have been measured at their fair values at December 31, 2014 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for European IAMS and Eukanuba are as follows:

Inventories	\$	15.1
Prepaid expense		1.3
Other current assets		2.6
Property, plant and equipment, net		58.3
Intangible assets		40.5
Total assets acquired	\$	117.8
Total liabilities assumed		5.6
Total identifiable net assets less goodwill		112.2
Goodwill		3.5
Total identifiable net assets	\$	115.7

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

***Preliminary Valuation Adjustments***

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade names and customer relationships at December 31, 2014. A summary of the significant inputs to the valuation is as follows:

- Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials inventory. Work-in-process and finished goods inventory were valued at estimated selling price less the sum of costs of disposal and a reasonable profit on the value added in the completion and disposal effort.
- Real estate, property, plant and equipment – The market approach was utilized to estimate the fair value of land. The direct cost approach was utilized to estimate the fair value of property, plant and equipment.
- 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, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patents; therefore, the expected life of these technologies was equal to the remaining life of the underlying patents which was 8 years. The technology assets were valued at \$3.6 under this approach.
- The Company valued indefinite-lived trade names 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 names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of European IAMS and Eukanuba, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at \$26.7 under this approach.
- The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, 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 were estimated using annual expected growth rates of 0.5% to 13.2%. The Company assumed a customer retention rate of approximately 90% - 100%, which was supported by historical retention rates. Income taxes were estimated at 25% and amounts were discounted using a rate of 15% - 16%. The customer relationships were valued at \$10.2 under this approach and will be amortized over a period of 2 and 15 years.

**Salix**

On January 16, 2015, the Company completed the acquisition of Salix, the world's leading and largest vertically integrated producer and distributor of premium, natural rawhide dog chews, treats and snacks. The preliminary value of the consideration given in this acquisition, net of working capital adjustments, was \$148.3 and is not significant individually.

The results of Salix's operations since January 16, 2015 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies segment.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

**Preliminary Valuation of Assets and Liabilities**

The assets acquired and liabilities assumed in the Salix acquisition have been measured at their fair values at January 16, 2015 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce including an experienced research team, and is expected to be deductible for income tax purposes. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

The preliminary fair values recorded for the assets acquired and liabilities assumed for Salix are as follows:

Cash	\$	0.5
Accounts receivable		9.9
Inventories		17.0
Prepaid expense		2.4
Property, plant and equipment, net		1.2
Intangible assets		58.5
Total assets acquired	\$	89.5
Total liabilities assumed		11.3
Total identifiable net assets less goodwill		78.2
Goodwill		70.1
Total identifiable net assets	\$	148.3

**Preliminary Valuation Adjustments**

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade names, customer relationships and non-compete agreement at January 16, 2015. A summary of the significant inputs to the valuation is as follows:

·Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials and unbranded finished goods inventory. Branded finished goods were valued based on the comparative sales method, which estimates the expected sales price of the finished goods inventory, reduced for all costs expected to be incurred in its completion/disposition and a profit on those costs.

·Property, plant and equipment – The cost approach was utilized to estimate the fair value of approximately 98.0% of the property, plant and equipment. The sales comparison approach was utilized to estimate the fair value of the remaining 2.0% of the property, plant and equipment.

·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, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patents; therefore, the expected life of these technologies was equal to the remaining life of the underlying patents which was 17 years. The technology assets were valued at \$2.1 under this approach.

·The Company valued indefinite-lived trade names 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 names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Salix, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at \$20.0 under this approach.



**SPECTRUM BRANDS HOLDINGS, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company valued definite-lived trade names 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 names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Salix, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at \$1.0 under this approach and will be amortized over 13 years.

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, 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 were estimated using annual expected growth rates of 0.0% to 12.1%. The Company assumed a customer retention rate of approximately 92.5%, which was supported by historical retention rates. Income taxes were estimated at 38% and amounts were discounted using a rate of 12% - 13%. The customer relationships were valued at \$34.0 under this approach and will be amortized over 13 years.

The Company valued a non-compete agreement using the income approach that compares the prospective cash flows with and without the non-compete agreement in place. The value of the non-compete agreement is the difference between the discounted cash flows of the business under each of these two alternative scenarios (with competition and without competition), considering both tax expenditure and tax amortization benefits. The non-compete agreement was valued at \$1.4 under this approach and will be amortized over 3 years.

**Armored AutoGroup**

On May 21, 2015, the Company completed the acquisition of AAG, a consumer products company consisting primarily of Armor All and STP products, two of the most recognizable brands in the automotive aftermarket appearance products and performance chemicals categories, respectively, and the AC/PRO brand of do-it-yourself automotive air conditioner recharge products.

The following table summarizes the preliminary consideration paid for AAG:

Negotiated purchase price	\$	1,400.0
Preliminary working capital and other adjustments		71.4
Indebtedness acquired		(540.0)
		<hr/>
Preliminary purchase price, net of indebtedness acquired	\$	931.4

The results of AAG's operations since May 21, 2015 are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) and are reported as a stand alone segment under Global Auto Care.

**Preliminary Valuation of Assets and Liabilities**

The assets acquired and liabilities assumed in the AAG acquisition have been measured at their fair values at May 21, 2015 as set forth below. The excess of the purchase price over the fair values of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce including an experienced research team. The preliminary fair values recorded were determined based upon a valuation and the estimates and assumptions used in such valuation are subject to change, which could be significant, within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized relate to amounts for intangible assets, contingent liabilities, residual goodwill and income taxes.

**SPECTRUM BRANDS HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company has evaluated and continues to evaluate pre-acquisition contingencies relating to the AAG acquisition 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 valuation of the assets acquired and liabilities assumed in the acquisition of AAG. The Company continues to gather information relating to all pre-acquisition contingencies that it has assumed from the acquisition of AAG. Any changes to the pre-acquisition contingency amounts recorded during the measurement period will be included in the final valuation and related amounts recognized. 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.

The preliminary fair values recorded for the assets acquired and liabilities assumed for AAG are as follows:

Cash	\$	30.9
Accounts receivable		156.1
Inventories		84.5
Prepaid expense		3.2
Other current assets		6.4
Property, plant and equipment, net		42.2
Intangible assets		429.0
Other non-current assets		16.4
Total assets acquired	\$	768.7
Total liabilities assumed		803.0
Total identifiable net assets less goodwill		(34.3)
Goodwill		965.7
Total identifiable net assets	\$	931.4

***Preliminary Valuation Adjustments***

The Company performed a preliminary valuation of the acquired inventories, property, plant and equipment, trade names, customer relationships, licensing agreements and proprietary technology at May 21, 2015. A summary of the significant inputs to the valuation is as follows:

· Inventories – The replacement cost approach was applied to estimate the fair value of the raw materials and unbranded finished goods inventory. Branded finished goods were valued based on the comparative sales method, which estimates the expected sales price of the finished goods inventory, reduced for all costs expected to be incurred in its completion/disposition and a profit on those costs.

· Real estate, property, plant and equipment – The market approach was utilized to estimate the fair value of land. The direct cost approach was utilized to estimate the fair value of property, plant and equipment.

· The Company valued indefinite-lived trade names 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 names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names. Trade names were valued at \$299.0 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 prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patents; therefore, the expected life of these technologies was equal to the remaining life of the underlying patents which were 8 to 10 years. The technology assets were valued at \$45.0 under this approach.

**SPECTRUM BRANDS HOLDINGS, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**  
**(Amounts in millions of dollars, except per share figures or as otherwise specified)**

The Company valued licensing agreements using the income approach. Under this method, the asset value was determined by estimating the revenue stream over the implied life of the agreements, which have an average life of 8 to 10 years. Licensing agreements were valued at \$19.0 under this approach.

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationships, 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 were estimated using annual expected growth rates of 2.0% to 12.1%. The Company assumed a customer retention rate of approximately 95.0%, which was supported by historical retention rates. Income taxes were estimated at 38% and amounts were discounted using a rate of 9.5%. The customer relationships were valued at \$66.0 under this approach and will be amortized over 15 years.

**Supplemental Pro Forma Information (Unaudited)**

The following reflects the Company's pro forma results had the results of AAG been included for all periods presented.

	Three Months Ended		Nine Months Ended	
	2015	2014	2015	2014
<b>Net sales:</b>				
Reported Net sales	\$ 1,247.5	\$ 1,128.5	\$ 3,382.3	\$ 3,250.8
AAG adjustment	88.1	157.1	275.9	307.8
Pro forma Net sales	<u>\$ 1,335.6</u>	<u>\$ 1,285.6</u>	<u>\$ 3,658.2</u>	<u>\$ 3,558.6</u>
<b>Net income:</b>				
Reported Net income	\$ 44.9	\$ 78.0	\$ 122.8	\$ 166.4
AAG adjustment <sup>(A)</sup>	4.4	4.9	(7.4)	(3.0)
Pro forma Net income	<u>\$ 49.3</u>	<u>\$ 82.9</u>	<u>\$ 115.4</u>	<u>\$ 163.4</u>

(A)The AAG adjustment for the three and nine month periods ended June 28, 2015 excludes non-recurring debt extinguishment expense of \$35.7 related to the retirement of the AAG debt in connection with the AAG acquisition, and acquisition related costs incurred by AAG prior to May 21, 2015 of \$25.2. The nine month period ended June 28, 2015 also excludes a non-recurring tradename impairment of \$7.0.

**15 SUBSEQUENT EVENTS**

ASC 855, "Subsequent Events" ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance date through the date of the Company's financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. The Company has evaluated subsequent events through the date these financial statements were issued.

On July 28, 2015, the Board of Directors approved a \$300.0 common stock repurchase program. The authorization is effective for 36 months.

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

### **Introduction**

Spectrum Brands Holdings, Inc., a Delaware corporation ("SB Holdings"), is a diversified global branded consumer products company. SB Holdings' common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "SPB."

Unless the context indicates otherwise, the terms the "Company," "Spectrum," "we," "our" or "us" are used to refer to SB Holdings and its subsidiaries.

### **Business Overview**

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Our operations also include the manufacturing and marketing of specialty pet supplies, and of herbicides, insecticides and insect repellents in North America. We also design, market and distribute a broad range of branded small appliances and personal care products. We also design, manufacture, market, distribute and sell certain hardware, home improvement and plumbing products, and are a leading United States ("U.S.") provider of residential locksets and builders' hardware and a leading provider of faucets. Our manufacturing and product development facilities are located in the U.S., Europe, Latin America and Asia. Substantially all of our rechargeable batteries, chargers and portable lighting products, shaving and grooming products, small household appliances and personal care products are manufactured by third-party suppliers, primarily located in Asia.

On May 21, 2015, we acquired Armored AutoGroup Parent, Inc. ("AAG"). AAG is a consumer products company consisting primarily of Armor All and STP products, two of the most recognizable brands in the automotive aftermarket appearance products and performance chemicals categories, respectively, and the AC/PRO brand of do-it-yourself automotive air conditioner recharge products. For information pertaining to the AAG acquisition, see Note 14, "Acquisitions" to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

We sell our products in approximately 160 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Dingo, Nature's Miracle, IAMS, Eukanuba, Healthy-Hide, Digest-eeze, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs, Farberware, Black Flag, FURminator, Kwikset, Weiser, Baldwin, National Hardware, Stanley, Pfister and the previously mentioned AAG brands. We also have patented technologies such as Smartkey, a rekeyable lockset technology, and Smart Code Home Connect.

Our diversified global branded consumer products have positions in seven major product categories: consumer batteries, small appliances, personal care, hardware and home improvement, pet supplies, auto care and home and garden controls.

Our chief operating decision-maker manages the businesses in five vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company's worldwide battery, personal care and small appliances primarily in the kitchen and home product categories ("Global Batteries & Appliances"); (ii) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing business ("Hardware & Home Improvement"); (iii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business ("Global Pet Supplies"); (iv) Home and Garden, which consists of the Company's home and garden and insect control business ("Home and Garden") and; (v) Global Auto Care, which consists of the Company's automotive aftermarket appearance products, performance chemicals/additives and do-it-yourself automotive air conditioner recharge ("Global Auto Care"). Management reviews our performance based on these segments. For information pertaining to our business segments, see Note 12, "Segment Results" of Notes to Condensed Consolidated Financial Statements (Unaudited), included in this Quarterly Report on Form 10-Q.

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

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

**Results of Operations**

**Fiscal Quarter and Fiscal Nine Months Ended June 28, 2015 Compared to Fiscal Quarter and Fiscal Nine Months Ended June 29, 2014**

In this Quarterly Report on Form 10-Q we refer to the three month period ended June 28, 2015 as the "Fiscal 2015 Quarter," the nine month period ended June 28, 2015 as the "Fiscal 2015 Nine Months," the three month period ended June 29, 2014 as the "Fiscal 2014 Quarter," and the nine month period ended June 29, 2014 as the "Fiscal 2014 Nine Months."

**Net Sales.** Net sales for the Fiscal 2015 Quarter increased \$119.0 million to \$1,247.5 million from \$1,128.5 million in the Fiscal 2014 Quarter, an 11% increase. The following table details the principal components of the change in net sales from the Fiscal 2014 Quarter to the Fiscal 2015 Quarter (in millions):

	<b>Net Sales</b>
Fiscal 2014 Quarter Net Sales	\$ 1,128.5
Addition of global auto care	64.4
Increase in global pet supplies	64.4
Increase in home and garden	27.7
Increase in personal care	15.3
Increase in hardware and home improvement	11.5
Increase in small appliances	10.5
Decrease in consumer batteries	(11.2)
Foreign currency impact, net	(63.6)
Fiscal 2015 Quarter Net Sales	<u>\$ 1,247.5</u>

Net sales for the Fiscal Nine Months increased \$131.5 million to \$3,382.3 million from \$3,250.8 million in the Fiscal 2014 Nine Months, a 4% increase. The following table details the principal components of the change in net sales from the Fiscal 2014 Nine Months to the Fiscal 2015 Nine Months (in millions):

	<b>Net Sales</b>
Fiscal 2014 Nine Months Net Sales	\$ 3,250.8
Addition of global auto care	64.4
Increase in global pet supplies	117.0
Increase in home and garden	42.8
Increase in small appliances	35.1
Increase in hardware and home improvement	34.6
Increase in personal care	25.2
Decrease in consumer batteries	(31.5)
Foreign currency impact, net	(156.1)
Fiscal 2015 Nine Months Net Sales	<u>\$ 3,382.3</u>

Consolidated net sales by product line for the Fiscal 2015 Quarter, the Fiscal 2014 Quarter, the Fiscal 2015 Nine Months and the Fiscal 2014 Nine Months are as follows (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2015	2014	2015	2014
<b>Product line net sales by segment</b>				
Global batteries and appliances				
Consumer batteries	\$ 178.3	\$ 213.3	\$ 600.3	\$ 689.2
Small appliances	161.3	163.9	536.7	533.2
Personal care	119.4	117.6	402.3	412.6
Total Global batteries and appliances	\$ 459.0	\$ 494.8	\$ 1,539.3	\$ 1,635.0
Hardware and home improvement	313.5	306.9	874.1	852.2
Global pet supplies	208.3	152.2	538.8	440.7
Global auto care	64.4	—	64.4	—
Home and garden	202.3	174.6	365.7	322.9
Total net sales to external customers	\$ 1,247.5	\$ 1,128.5	\$ 3,382.3	\$ 3,250.8

Global consumer battery sales decreased \$35.0 million, or 16%, during the Fiscal 2015 Quarter versus the Fiscal 2014 Quarter. Excluding the impact of negative foreign exchange of \$23.8 million, global consumer battery sales decreased \$11.2 million. The constant currency decrease in global consumer battery sales was primarily attributable to a decrease in North American sales of \$20.6 million, which was partially offset by an increase in European and Asia Pacific (“EURAPAC”) consumer battery sales of \$9.8 million. The North American battery decrease was due to the following: (i) \$13.5 million in alkaline batteries; (ii) \$4.1 million in specialty batteries; and (iii) \$3.0 million in lights. The decrease in North American alkaline battery sales was primarily attributable to continued competitor discounting coupled with a retail customer bankruptcy. The decrease in North American specialty batteries and lights was primarily attributable to distribution loss to a competitor at a major retailer. On a constant currency basis, the EURAPAC sales increase was primarily due to gains of \$6.3 million and \$2.3 million in alkaline and specialty batteries, respectively. The increase in EURAPAC alkaline battery sales was driven by customer gains and increased volume at existing retailers. The increase in EURAPAC specialty batteries was attributed to customer gains and higher sales volume of hearing aid batteries. EURAPAC light sales also increased \$1.2 million on a constant currency basis as a result of increased promotional activity and customer gains. Global consumer battery sales decreased \$88.9 million, or 13%, during the Fiscal 2015 Nine Months compared to the Fiscal 2014 Nine Months. Excluding the impact of negative foreign exchange of \$57.4 million, global consumer battery sales decreased \$31.5 million. The constant currency decrease in global consumer battery sales was primarily attributable to the factors discussed above for the Fiscal 2015 Quarter across all geographic regions.

Small appliance sales decreased \$2.6 million, or 2%, during the Fiscal 2015 Quarter compared to the Fiscal 2014 Quarter, which included \$13.1 million of negative foreign exchange impact. Excluding foreign exchange, EURAPAC and North American sales increased \$6.2 million, and \$5.0 million, respectively, which were slightly tempered by modest declines in Latin America of \$0.7 million. The EURAPAC sales increase was attributable to promotions at current customers coupled with customer gains, which were partially offset by exits of unprofitable product categories. The North American sales increase was attributed to the continued success of new product launches. Small appliance sales increased \$3.5 million, or 1%, during the Fiscal 2015 Nine Months versus the Fiscal 2014 Nine Months, which included a negative foreign currency exchange impact of \$31.6 million. Excluding foreign exchange, EURAPAC and North American sales increased \$21.3 million and \$12.7 million, respectively, based on factors discussed above for the Fiscal 2015 Quarter. Latin American sales increased \$1.1 million compared to the Fiscal 2014 Nine Months resulting from new product introductions and volume gains in certain product lines.

Personal care sales increased \$1.8 million, or 2%, during the Fiscal 2015 Quarter compared to the Fiscal 2014 Quarter, which included \$13.5 million of negative foreign exchange impact. Excluding foreign exchange, North American, EURAPAC, and Latin American sales increased \$7.0 million, \$6.3 million and \$2.0 million, respectively. The North American sales increase was primarily a result of product display location changes at a major customer and promotional activity. The increase is also attributed to the growth in the ecommerce channel. The Latin American sales increase was primarily attributable to growth in Mexico and customer gains throughout the region. The EURAPAC sales increase was due to a combination of sales attributed to new products and continued expansion into Eastern European markets. Personal care sales decreased \$10.3 million, or 2%, during the Fiscal 2015 Nine Months compared to the Fiscal 2014 Nine Months. Excluding the negative foreign currency exchange impact of \$35.5 million, personal care sales increased \$25.2 million in the Fiscal 2015 Nine Months. Excluding foreign exchange, EURAPAC, North American, and Latin American sales increased \$13.3 million, \$6.6 million, and \$5.3 million, respectively. The constant currency increases were due to factors discussed above for the Fiscal 2015 Quarter.

Hardware and home improvement sales increased \$6.6 million, or 2%, during the Fiscal 2015 Quarter, which included negative foreign exchange impact of \$4.9 million. On a constant currency basis, sales increased domestically due to gains at existing customers in security and plumbing of \$6.5 million coupled with the Tell acquisition contributing \$9.9 million during the Fiscal 2015 Quarter. The increase was partially offset by a \$1.2 million decrease in Mexico driven by lower volume and the exit of low margin categories. The gains were also offset by \$4.1 million resulting from exits of unprofitable categories in Canada and China, and \$2.7 million resulting from the expiration of a customer tolling arrangement. Hardware and home improvement sales increased \$21.9 million, or 3%, during the Fiscal 2015 Nine Months compared to the Fiscal 2014 Nine Months, which included negative foreign exchange impacts of \$12.7 million. The change in net sales was primarily attributed to the Tell acquisition which contributed \$29.0 million during the Fiscal 2015 Nine Months, in addition to gains in other domestic security and plumbing sales of \$19.4 million, offset by decreases in Mexico, Canada, and China of \$3.4 million, \$3.2 million, and \$5.5 million, respectively, for the reasons noted above.

Global pet supplies sales increased \$56.1 million, or 37%, during the Fiscal 2015 Quarter compared to the Fiscal 2014 Quarter, which included negative foreign exchange impact of \$8.3 million. On a constant currency basis and including acquisitions, companion animal sales increased \$66.2 million while aquatic sales decreased \$1.8 million. The constant currency sales increase in companion animal was primarily driven by the acquisitions of Proctor & Gamble's European pet food business ("European IAMS and Eukanuba") and Salix Animal Health LLC ("Salix"), which accounted for \$66.2 million of sales during the Fiscal 2015 Quarter. The aquatics sales decline was primarily due to a reduction in promotional activity related to low margin products. Global pet supplies sales increased \$98.1 million, or 22%, during the Fiscal 2015 Nine Months versus the Fiscal 2014 Nine Months, which included a negative foreign exchange impact of \$18.9 million. On a constant currency basis and including acquisitions, companion animal sales increased \$127.3 million while aquatic sales decreased \$10.3 million, primarily due to the factors discussed above.

Home and garden sales increased \$27.7 million, or 16%, during the Fiscal 2015 Quarter compared to the Fiscal 2014 Quarter. The sales gain was attributable to increases in repellent product sales, lawn and garden control product sales and household insect control sales of \$10.6 million, \$8.6 million and \$8.5 million, respectively. The sales increase in all three product categories was a result of distribution gains and strong point of sale activity driving replenishment orders at existing customers. The increase was also attributed to the timing of the peak season. Home and garden sales increased \$42.8 million, or 13%, during the Fiscal 2015 Nine Months compared to the Fiscal 2014 Nine Months, primarily attributable to the factors discussed above coupled with the full period impact of the acquisition of The Liquid Fence Company ("Liquid Fence"), which occurred during the second quarter of our fiscal year ended September 30, 2014 ("Fiscal 2014").

Global auto care, which consists of the AAG business that was acquired on May 21, 2015, accounted for \$64.4 million of sales for both the Fiscal 2015 Quarter and Fiscal 2015 Nine Months.

**Gross Profit.** Gross profit and gross profit margin for the Fiscal 2015 Quarter was \$458.0 million and 36.7%, respectively, versus \$417.0 million and 37.0%, respectively, for the Fiscal 2014 Quarter. Gross profit was up primarily due to the previously discussed acquisitions during Fiscal 2015, which contributed \$54.6 million in gross profit in the Fiscal 2015 Quarter. The slight decrease in gross margin as a percentage of sales is attributable to a \$4.7 million one-time non-cash increase to cost of goods sold due to the sale of inventory which was revalued in connection with the acquisition of AAG.

Gross profit for the Fiscal 2015 Nine Months was \$1,202.9 million versus \$1,157.9 million for the Fiscal 2014 Nine Months. Our gross profit margin for both the Fiscal 2015 Nine Months and the Fiscal 2014 Nine Months was flat at 35.6%. Acquisition activity during the Fiscal 2015 Nine Months resulted in a \$7.7 million one-time non-cash increase to cost of goods sold due to the sale of inventory which was revalued in connection with the acquisitions of AAG, Salix and European IAMS and Eukanuba. Furthermore, foreign currency exchange negatively impacted gross profit margin by 10 basis points during the Fiscal 2015 Nine Months.

**Operating Expenses.** Operating expenses for the Fiscal 2015 Quarter totaled \$322.3 million compared to \$268.3 million for the Fiscal 2014 Quarter. Activity from AAG accounted for a \$17.6 million increase in operating expenses. Also contributing to this increase in operating expenses is a \$21.5 million increase in Acquisition and related charges, a \$7.4 million increase in Restructuring and related charges and a \$7.3 million increase in stock based compensation expense. The \$21.5 million increase in Acquisition and integration related charges was primarily attributable to costs related to the continued integration of European IAMS and Eukanuba and Salix and the acquisition of AAG during the Fiscal 2015 Quarter. The increase in Restructuring and related charges was primarily due to an increase in activity related to the HHI Business Rationalization Initiatives.



Operating expenses for the Fiscal 2015 Nine Months totaled \$863.2 million compared to \$791.6 million for the Fiscal 2014 Nine Months. Activity from AAG accounted for a \$17.6 million increase in operating expenses. Also contributing to this increase in operating expenses is a \$29.7 million increase in Acquisition and related charges, a \$9.2 million increase in Restructuring and related charges and an \$8.8 million increase in stock based compensation expense. The drivers of the operating expense increases during the Fiscal 2015 Nine Months were primarily attributable to the factors discussed above for the Fiscal 2015 Quarter.

See Note 2, "Significant Accounting Policies—Acquisition and Integration Related Charges," to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our Acquisition and integration related charges.

See Note 13, "Restructuring and Related Charges," to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our Restructuring and related charges.

**Segment Results.** As discussed above, we manage our business in five reportable segments: (i) Global Batteries & Appliances; (ii) Hardware & Home Improvement; (iii) Global Pet Supplies; (vi) Home and Garden and (v) Global Auto Care.

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, interest expense, interest income and income tax expense. Corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plans which are evaluated on a consolidated basis and not allocated to our operating segments. 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.

Financial information pertaining to our reportable segments is contained in Note 12, "Segment Results," to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

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 our debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. While we believe that Adjusted EBITDA is useful supplemental information, such adjusted results are not intended to replace our Generally Accepted Accounting Principles' ("GAAP") financial results and should be read in conjunction with those GAAP results.



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Below are reconciliations of GAAP Net income (loss), as adjusted, to Adjusted Earnings Before Interest and Taxes ("EBIT") and to Adjusted EBITDA for each segment and for Consolidated SB Holdings for the Fiscal 2015 Quarter, the Fiscal 2015 Nine Months, the Fiscal 2014 Quarter and the Fiscal 2014 Nine Months:

<b>Fiscal 2015 Quarter</b>	<b>Global Batteries &amp; Appliances</b>	<b>Hardware &amp; Home Improvement</b>	<b>Global Pet Supplies</b>	<b>Global Auto Care</b>	<b>Home and Garden</b>	<b>Corporate / Unallocated Items<sup>(a)</sup></b>	<b>Consolidated SB Holdings</b>
(in millions)							
Net income (loss), as adjusted <sup>(a)</sup>	\$ 40.6	\$ 44.6	\$ 20.2	\$ 12.2	\$ 59.9	\$ (132.6)	\$ 44.9
Income tax expense	—	—	—	—	—	(23.8)	(23.8)
Interest expense	—	—	—	—	—	112.9	112.9
Acquisition and integration related charges	0.9	1.8	3.8	0.5	(0.8)	18.0	24.2
Restructuring and related charges	1.0	6.3	3.1	—	0.1	—	10.5
Purchase accounting fair value adjustment	—	—	—	4.7	—	—	4.7
Other <sup>(b)</sup>	—	—	—	—	—	2.1	2.1
<b>Adjusted EBIT</b>	<b>\$ 42.5</b>	<b>\$ 52.7</b>	<b>\$ 27.1</b>	<b>\$ 17.4</b>	<b>\$ 59.2</b>	<b>\$ (23.4)</b>	<b>\$ 175.5</b>
Depreciation and amortization <sup>(c)</sup>	17.6	9.9	11.3	1.8	3.2	16.9	60.7
<b>Adjusted EBITDA</b>	<b>\$ 60.1</b>	<b>\$ 62.6</b>	<b>\$ 38.4</b>	<b>\$ 19.2</b>	<b>\$ 62.4</b>	<b>\$ (6.5)</b>	<b>\$ 236.2</b>

<b>Fiscal 2015 Nine Months</b>	<b>Global Batteries &amp; Appliances</b>	<b>Hardware &amp; Home Improvement</b>	<b>Global Pet Supplies</b>	<b>Global Auto Care</b>	<b>Home and Garden</b>	<b>Corporate / Unallocated Items<sup>(a)</sup></b>	<b>Consolidated SB Holdings</b>
(in millions)							
Net income (loss), as adjusted <sup>(a)</sup>	\$ 166.8	\$ 115.5	\$ 35.6	\$ 12.2	\$ 88.7	\$ (296.0)	\$ 122.8
Income tax expense	—	—	—	—	—	4.8	4.8
Interest expense	—	—	—	—	—	206.5	206.5
Acquisition and integration related charges	3.5	6.3	8.2	0.5	1.3	24.4	44.2
Restructuring and related charges	6.4	7.8	7.5	—	0.3	0.3	22.3
Purchase accounting fair value adjustment	—	0.8	2.2	4.7	—	—	7.7
Other <sup>(d)</sup>	—	—	—	—	—	3.9	3.9
<b>Adjusted EBIT</b>	<b>\$ 176.7</b>	<b>\$ 130.4</b>	<b>\$ 53.5</b>	<b>\$ 17.4</b>	<b>\$ 90.3</b>	<b>\$ (56.1)</b>	<b>\$ 412.2</b>
Depreciation and amortization <sup>(c)</sup>	52.5	29.8	28.9	1.8	9.7	36.3	159.0
<b>Adjusted EBITDA</b>	<b>\$ 229.2</b>	<b>\$ 160.2</b>	<b>\$ 82.4</b>	<b>\$ 19.2</b>	<b>\$ 100.0</b>	<b>\$ (19.8)</b>	<b>\$ 571.2</b>

<b>Fiscal 2014 Quarter</b>	<b>Global Batteries &amp; Appliances</b>	<b>Hardware &amp; Home Improvement</b>	<b>Global Pet Supplies</b>	<b>Home and Garden</b>	<b>Corporate / Unallocated Items<sup>(a)</sup></b>	<b>Consolidated SB Holdings</b>
(in millions)						
Net income (loss), as adjusted <sup>(a)</sup>	\$ 44.4	\$ 48.3	\$ 22.3	\$ 47.8	\$ (84.8)	\$ 78.0
Income tax expense	—	—	—	—	20.6	20.6
Interest expense	—	—	—	—	47.3	47.3
Acquisition and integration related charges	1.3	0.4	—	0.6	0.4	2.7
Restructuring and related charges	2.6	0.6	0.5	—	—	3.7
<b>Adjusted EBIT</b>	<b>\$ 48.3</b>	<b>\$ 49.3</b>	<b>\$ 22.8</b>	<b>\$ 48.4</b>	<b>\$ (16.5)</b>	<b>\$ 152.3</b>
Depreciation and amortization <sup>(c)</sup>	18.7	10.5	7.9	3.2	9.7	50.0
<b>Adjusted EBITDA</b>	<b>\$ 67.0</b>	<b>\$ 59.8</b>	<b>\$ 30.7</b>	<b>\$ 51.6</b>	<b>\$ (6.8)</b>	<b>\$ 202.3</b>

Fiscal 2014 Nine Months	Global Batteries & Appliances	Hardware & Home Improvement	Global Pet Supplies	Home and Garden	Corporate / Unallocated Items <sup>(a)</sup>	Consolidated SB Holdings
	(in millions)					
Net income (loss), as adjusted <sup>(a)</sup>	\$ 173.2	\$ 115.9	\$ 54.2	\$ 69.3	\$ (246.2)	\$ 166.4
Income tax expense	—	—	—	—	43.8	43.8
Interest expense	—	—	—	—	151.7	151.7
Acquisition and integration related charges	5.9	4.0	—	0.9	3.7	14.5
Restructuring and related charges	9.8	3.7	1.8	—	0.7	16.0
Adjusted EBIT	\$ 188.9	\$ 123.6	\$ 56.0	\$ 70.2	\$ (46.3)	\$ 392.4
Depreciation and amortization <sup>(c)</sup>	53.4	31.2	23.6	9.4	27.5	145.1
Adjusted EBITDA	\$ 242.3	\$ 154.8	\$ 79.6	\$ 79.6	\$ (18.8)	\$ 537.5

(a) It is our policy to record Income tax expense and Interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the operating results of the operating segments and are presented within Corporate / Unallocated Items.

(b) Included in other are costs associated with a transition agreement with a key executive.

(c) Included within depreciation and amortization is amortization of stock based compensation.

(d) Included in other are costs associated with onboarding for a key executive coupled with costs associated with a transition agreement with another key executive.

#### Global Batteries & Appliances

	Fiscal Quarter		Fiscal Nine Months	
	2015	2014	2015	2014
	(in millions)			
Net sales to external customers	\$ 459.0	\$ 494.8	\$ 1,539.3	\$ 1,635.0
Segment profit	\$ 42.1	\$ 49.1	\$ 180.4	\$ 190.6
Segment profit as a % of net sales	9.2 %	9.9 %	11.7 %	11.7 %
Segment Adjusted EBITDA	\$ 60.1	\$ 67.0	\$ 229.2	\$ 242.3
Assets as of June 28, 2015 and September 30, 2014	\$ 2,093.7	\$ 2,152.0	\$ 2,093.7	\$ 2,152.0

Global Batteries & Appliances net sales to external customers are discussed within the “Product line net sales by segment” discussion above.

Segment profit in the Fiscal 2015 Quarter decreased to \$42.1 million from \$49.1 million in the Fiscal 2014 Quarter, driven by the previously discussed net sales decrease which was partially tempered by product cost improvement initiatives. Segment profitability as a percentage of net sales decreased to 9.2% in the Fiscal 2015 Quarter compared to 9.9% in the Fiscal 2014 Quarter as a result of unfavorable manufacturing variances and foreign currency translation, which was partially tempered by previously discussed cost improvement initiatives.

Segment profit in the Fiscal 2015 Nine Months decreased to \$180.4 million from \$190.6 million in the Fiscal 2014 Nine Months, driven by decreased net sales offset by operating cost improvements as discussed for the Fiscal 2015 Quarter. Segment profitability as a percentage of net sales remained flat at 11.7% in the Fiscal 2015 Nine Months versus Fiscal 2014 Nine Months.

Segment Adjusted EBITDA in the Fiscal 2015 Quarter decreased to \$60.1 million from \$67.0 million in the Fiscal 2014 Quarter. Segment Adjusted EBITDA in the Fiscal 2015 Nine Months decreased to \$229.2 million from \$242.3 million in the Fiscal 2014 Nine Months. The decrease in segment Adjusted EBITDA for both periods was driven by the factors that drove the decrease in segment profit discussed above for each respective period.

Segment assets at June 28, 2015 decreased to \$2,093.7 million from \$2,152.0 million at September 30, 2014. The decrease was primarily due to the decrease of \$56.7 million in intangible assets as a result of amortization of definite lived intangible assets and foreign currency impact.

*Hardware & Home Improvement*

	Fiscal Quarter		Fiscal Nine Months	
	2015	2014	2015	2014
	(in millions)			
Net sales to external customers	\$ 313.5	\$ 306.9	\$ 874.1	\$ 852.2
Segment profit	\$ 53.7	\$ 50.7	\$ 129.9	\$ 125.5
Segment profit as a % of net sales	17.1 %	16.5 %	14.9 %	14.7 %
Segment Adjusted EBITDA	\$ 62.6	\$ 59.8	\$ 160.2	\$ 154.8
Assets as of June 28, 2015 and September 30, 2014	\$ 1,708.9	\$ 1,629.0	\$ 1,708.9	\$ 1,629.0

Hardware and home improvement net sales to external customers are discussed within the “Product line net sales by segment” discussion above.

Segment profit in the Fiscal 2015 Quarter increased to \$53.7 million from \$50.7 million in the Fiscal 2014 Quarter. Segment profitability as a percentage of net sales increased to 17.1% in the Fiscal 2015 Quarter, versus 16.5% in the Fiscal 2014 Quarter. The increase in segment profit was driven by the previously discussed net sales increase, while the increase in segment profit as a percentage of net sales is attributed to product cost improvement programs and expense control.

Segment profit in the Fiscal 2015 Nine Months increased to \$129.9 million from \$125.5 million in the Fiscal 2014 Nine Months. Segment profitability as a percentage of net sales was 14.9% in the Fiscal 2015 Nine Months and 14.7% in the Fiscal 2014 Nine Months. The increase in segment profit and increase in segment profitability as a percentage of net sales was driven by the factors discussed above for the Fiscal 2015 Quarter.

Segment Adjusted EBITDA was \$62.6 million in the Fiscal 2015 Quarter versus \$59.8 million in the Fiscal 2014 Quarter. The increase in Segment Adjusted EBITDA was due to the previously discussed increase in net sales. Segment Adjusted EBITDA was \$160.2 million in the Fiscal 2015 Nine Months versus \$154.8 million in the Fiscal 2014 Nine Months. The increase in Segment Adjusted EBITDA for this period was driven by the increased net sales and cost savings discussed above.

Segment assets at June 28, 2015 and September 30, 2014 were \$1,708.9 million and \$1,629.0 million, respectively. The increase in segment assets was primarily driven by a seasonal increase in accounts receivable and inventory of \$89.4 million and the Tell acquisition, offset by depreciation and amortization.

*Global Pet Supplies*

	Fiscal Quarter		Fiscal Nine Months	
	2015	2014	2015	2014
	(in millions)			
Net sales to external customers	\$ 208.3	\$ 152.2	\$ 538.8	\$ 440.7
Segment profit	\$ 28.0	\$ 22.9	\$ 52.3	\$ 56.5
Segment profit as a % of net sales	13.4 %	15.0 %	9.7 %	12.8 %
Segment Adjusted EBITDA	\$ 38.4	\$ 30.7	\$ 82.4	\$ 79.6
Assets as of June 28, 2015 and September 30, 2014	\$ 1,156.4	\$ 890.4	\$ 1,156.4	\$ 890.4

Global pet supply net sales to external customers are discussed within the “Product line net sales by segment” discussion above.

Segment profit increased to \$28.0 million in the Fiscal 2015 Quarter compared to \$22.9 million in the Fiscal 2014 Quarter and segment profitability as a percentage of net sales in the Fiscal 2015 Quarter decreased to 13.4% from 15.0% in the Fiscal 2014 Quarter. The increase in segment profit was driven by the previously discussed sales increase while the decrease in segment profit as a percentage of net sales is attributed to the lower profit margins of an acquired business.

Segment profit decreased to \$52.3 million in the Fiscal 2015 Nine Months compared to \$56.5 million in the Fiscal 2014 Nine Months. Segment profitability as a percentage of net sales in the Fiscal 2015 Nine Months decreased to 9.7% from 12.8% in the Fiscal 2014 Nine Months. The decreases in segment profit and segment profitability as a percent of sales were driven by the factors discussed above for the Fiscal 2015 Quarter.

Segment Adjusted EBITDA in the Fiscal 2015 Quarter increased to \$38.4 million from \$30.7 million in the Fiscal 2014 Quarter. The increase in Segment Adjusted EBITDA was primarily due a combined increase of \$7.5 million from the Salix and European IAMS and Eukanuba acquisitions tempered by the factors discussed above for the decrease in segment profit for the Fiscal 2015 Quarter. Segment Adjusted EBITDA in the Fiscal 2015 Nine Months increased to \$82.4 million from \$79.6 million in the Fiscal 2014 Nine Months. The increase in segment Adjusted EBITDA was driven by the combined increase in Adjusted EBITDA of \$15.2 million from the Salix and European IAMS and Eukanuba acquisitions, which was more than offset by the factors that drove the decrease in segment profit discussed above.

Segment assets at June 28, 2015 increased to \$1,156.4 million from \$890.4 million at September 30, 2014. The increase in segment assets was primarily attributable to the acquisitions of Salix and European IAMS and Eukanuba during the Fiscal 2015 Nine Months. Goodwill and intangible assets increased to \$797.2 million at June 28, 2015 from \$668.7 million at September 30, 2014.

See Note 14, "Acquisitions," to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our Acquisitions.

*Home and Garden*

	Fiscal Quarter		Fiscal Nine Months	
	2015	2014	2015	2014
	(in millions)			
Net sales to external customers	\$ 202.3	\$ 174.6	\$ 365.7	\$ 322.9
Segment profit	\$ 59.3	\$ 48.4	\$ 90.4	\$ 70.2
Segment profit as a % of net sales	29.3 %	27.7 %	24.7 %	21.7 %
Segment Adjusted EBITDA	\$ 62.4	\$ 51.6	\$ 100.0	\$ 79.6
Assets as of June 28, 2015 and September 30, 2014	\$ 594.8	\$ 526.6	\$ 594.8	\$ 526.6

Home and Garden net sales to external customers are discussed within the "Product line net sales by segment" discussion above.

Segment profitability in the Fiscal 2015 Quarter increased to \$59.3 million from \$48.4 million in the Fiscal 2014 Quarter. Segment profitability as a percentage of net sales in the Fiscal 2015 Quarter increased to 29.3% from 27.7% last year. The increase in segment profit and segment profitability as a percentage of net sales is attributable to the increase in net sales to external customers as discussed within "Product line net sales by segment" above, coupled with product cost improvements initiatives.

Segment profitability in the Fiscal 2015 Nine Months increased to \$90.4 million from \$70.2 million in the Fiscal 2014 Nine Months, driven by increased sales in the Fiscal 2015 Nine Months from Liquid Fence acquisition that closed in the second quarter of Fiscal 2014, and product cost improvements. Segment profitability as a percentage of net sales in the Fiscal 2015 Nine Months increased to 24.7%, from 21.7% in the Fiscal 2014 Nine Months due to factors discussed for the increase in segment profit.

Segment Adjusted EBITDA in the Fiscal 2015 Quarter increased to \$62.4 million from \$51.6 million in the Fiscal 2014 Quarter. Segment Adjusted EBITDA in the Fiscal 2015 Nine Months increased to \$100.0 million from \$79.6 million in the Fiscal 2014 Nine Months. The increases in segment Adjusted EBITDA for both periods were driven by the factors discussed above for the increase in segment profit and segment profitability.

Segment assets at June 28, 2015 increased to \$594.8 million from \$526.6 million at September 30, 2014. The increase in segment assets was driven by normal seasonal increases in inventory in preparation of our major selling season. Goodwill and intangible assets decreased to \$441.2 million at June 28, 2015 from \$449.2 million at September 30, 2014, due to amortization of definite lived intangible assets.

*Global Auto Care*

	Fiscal Quarter		Fiscal Nine Months	
	2015		2015	
	(in millions)			
Net sales to external customers	\$	64.4	\$	64.4
Segment profit	\$	12.8	\$	12.8
Segment profit as a % of net sales		19.9 %		19.9 %
Segment Adjusted EBITDA	\$	19.2	\$	19.2
Assets as of June 28, 2015	\$	1,658.4	\$	1,658.4

Results of the AAG business, reported as a separate business segment, Global Auto Care, relate to operations subsequent to the acquisition date, May 21, 2015.

Global Auto Care net sales to external customers are discussed within the “Product line net sales by segment” discussion above.

**Corporate Expense.** Our corporate expense was \$25.5 million in the Fiscal 2015 Quarter compared to \$16.0 million in the Fiscal 2014 Quarter. The \$9.5 million increase in corporate expense is primarily attributable to an increase of \$7.3 million in stock compensation expense coupled with a \$2.1 million expense related to a transition and retention agreement entered into with a key executive. Corporate expense as a percentage of consolidated net sales increased to 2.0% in the Fiscal 2015 Quarter compared to 1.4% in the Fiscal 2014 Quarter based on the factors discussed above.

Our corporate expense was \$59.6 million in the Fiscal 2015 Nine Months compared to \$46.0 million in the Fiscal 2014 Nine Months, and corporate expense as a percentage of consolidated net sales increased to 1.8% in the Fiscal 2015 Nine Months compared to 1.4% in the Fiscal 2014 Nine Months. The increase in corporate expense and corporate expense as a percentage of net sales is primarily attributable to the factors discussed above for the Fiscal 2015 Quarter.

**Acquisition and Integration Related Charges.** Acquisition and integration related charges include, but are not limited to, transaction costs such as banking, legal and accounting professional fees directly related to acquisitions, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination related expenses associated with our acquisitions. See Note 2, “Significant Accounting Policies - Acquisition and Integration Related Charges” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for further detail regarding our Acquisition and integration related charges.

**Restructuring and Related Charges.** See Note 13, “Restructuring and Related Charges” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for information regarding our restructuring and related charges.

**Interest Expense.** On May 20, 2015, in connection with the acquisition of AAG, we issued \$1,000.0 million aggregate principal amount of 5.75% unsecured notes due 2025 (the “5.75% Notes”). On June 23, 2015, we (i) entered into Term Loan facilities pursuant to a senior credit agreement (the “Senior Credit Agreement”) which consist of a \$1,450.0 million U.S. dollar denominated term loan facility due June 23, 2022 (the “U.S. USD Term Loan”), a CAD\$75.0 million Canadian dollar denominated term loan facility due June 23, 2022 (the “CAD Term Loan”) and a €300.0 million Euro denominated term loan facility due June 23, 2022 (the “Euro Term Loan”) (together, the “Term Loan”) and (ii) entered into a \$500.0 million cash flow revolving credit facility due June 23, 2022 pursuant to the Senior Credit Agreement (the “Revolver Facility”). The proceeds from the Term Loan facilities and draws on the Revolver Facility were used to repay our then-existing senior term credit facility (the “Prior Term Loan”), repay our outstanding 6.75% senior unsecured notes due 2020 (the “6.75% Notes”), repay and replace our then-existing asset based revolving loan facility (the “Prior Revolver Facility”), and to pay fees and expenses in connection with the refinancing and for general corporate purposes.

Interest expense in the Fiscal 2015 Quarter was \$112.9 million compared to \$47.3 million in the Fiscal 2014 Quarter. The \$65.6 million increase in interest expense in the Fiscal 2015 Quarter was driven primarily by \$58.8 million of one-time costs incurred related to the financing of the acquisition of AAG and the refinancing of our debt structure discussed above and additional interest expense on debt issued in conjunction with the acquisitions of Tell, European IAMS and Eukanuba and Salix in the first half of Fiscal 2015. Interest expense incurred in conjunction with the AAG acquisition included \$14.1 million of costs related to bridge financing commitments and \$4.5 million of costs related to interest on the acquired AAG senior notes from the date of the acquisition through the time of payoff in June 2015.

Expenses related to the refinancing of the Term Loan, Revolver Facility and redemption of the 6.75% Notes included: (i) \$16.9 million of cash costs related to the call premium and pre-paid interest on the 6.75% Notes; (ii) \$4.1 million of non-cash costs for the write off of unamortized deferred financing fees on the 6.75% Notes; (iii) \$10.4 million of cash costs related to fees associated with the refinancing of the Term Loan; and (iv) \$8.8 million of non-cash costs for the write off of unamortized deferred financing fees and original issue discount on the Prior Term Loan and Prior Revolver Facility. See Note 7, “Debt,” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

Interest expense in the Fiscal 2015 Nine Months was \$206.5 million compared to \$151.7 million in the Fiscal 2014 Nine Months. The \$54.8 million increase in interest expense in the Fiscal 2015 Nine Months is primarily driven by the \$58.8 million of one-time costs incurred in the Fiscal 2015 Quarter described above and the previously discussed debt incurred to finance acquisitions during the first half of Fiscal 2015. See Note 7, “Debt,” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

**Income Taxes.** Our effective tax rates for the Fiscal 2015 Quarter and the Fiscal 2015 Nine Months were (113%) and 4%, respectively. Our effective tax rate for both the Fiscal 2014 Quarter and the Fiscal 2014 Nine Months was 21%. Our effective tax rates differ from the U.S. federal statutory rate of 35% principally due to (i) income earned outside the U.S. that is subject to statutory rates lower than 35%, (ii) the release of valuation allowance on U.S. net operating loss deferred tax assets offsetting tax expense on both U.S. pretax income and foreign income not permanently reinvested, and (iii) deferred income tax expense related to the change in book versus tax basis of indefinite-lived intangibles, which are amortized for tax purposes but not for book purposes. Additionally, we recorded a tax benefit of \$31.4 million for both the Fiscal 2015 Quarter and the Fiscal 2015 Nine Months from the reversal of a portion of the U.S. valuation allowance on deferred tax assets as a result of the AAG acquisition. For the Fiscal 2015 Nine Months, we recorded a tax charge of \$3.6 million to establish a valuation allowance against certain deferred tax assets related to our Brazil operations, since it is more likely than not that we will not obtain tax benefits from these assets. For the Fiscal 2014 Quarter and the Fiscal 2014 Nine Months, the tax rate was reduced due to a favorable Mexican tax law change.

We are not treating current and certain prior year earnings as permanently reinvested, except for jurisdictions where repatriation is either precluded or restricted by law. Due to the valuation allowance recorded against U.S. net deferred tax assets, including net operating loss carryforwards, we do not recognize any incremental U.S. tax expense on the expected future repatriation of foreign earnings. Should the U.S. valuation allowance be released at some future date, the recording of U.S. tax on foreign earnings not considered permanently reinvested might have a material effect on our effective tax rate. By the end of our fiscal year ending September 30, 2015, we expect to record approximately \$2.6 million of additional tax liability from non-U.S. withholding and other taxes expected to be incurred on repatriation of foreign earnings, and also expect to record \$16.7 million of U.S. tax on future repatriation that would be offset by operating losses.

During our fiscal year ending September 30, 2014, we earned domestic pretax book income after having generated significant domestic book and tax losses since our fiscal year ended September 30, 1997. We generated a domestic tax loss during the Fiscal 2015 Quarter and the Fiscal 2015 Nine Months. Should we generate domestic pretax profits in the near-term, there is a reasonable possibility that some or most of the domestic valuation allowance could be released, which could result in a material tax benefit. We estimate that \$123.4 million of valuation allowance related to domestic deferred tax assets cannot be released regardless of the amount of domestic income generated due to prior period ownership changes that limit the amount of NOLs we can use. Additionally, we expect that \$5.1 million of valuation allowance corresponding to capital losses created by the sale of the Fanal business in the Fiscal 2015 Quarter cannot be released because we do not expect to generate sufficient capital gains in the carryforward period.

## **Liquidity and Capital Resources**

### **Operating Activities**

For the Fiscal 2015 Nine Months, cash used by operating activities totaled \$159.2 million compared to cash used of \$49.2 million during the Fiscal 2014 Nine Months. The \$110.0 million increase in cash used by operating activities was primarily due to:

- Cash used for working capital and other items of \$58.9 million driven by increases in inventory and other working capital accounts, and a decrease in accounts payable; partially offset by decreases in accounts receivable;
- Higher cash payments for acquisition and integration and restructuring related costs of \$19.4 million;
- Higher cash payments for interest totaling \$89.4 million;

Offset by,

- Cash generated by higher Adjusted EBITDA of \$33.7 million, and
- Lower cash payments for income taxes of \$24.0 million.

We expect to fund our cash requirements, including capital expenditures, interest and principal payments due in Fiscal 2015, through a combination of cash on hand, cash flow from operations and funds available for borrowings under our Revolver Facility. Going forward, our ability to satisfy financial and other covenants in our senior credit agreements and senior unsecured indentures and to make scheduled payments or prepayments on our debt and other financial obligations will depend on our future financial and operating performance. There can be no assurances that our business will generate sufficient cash flows from operations or that future borrowings under our Revolver Facility will be available in an amount sufficient to satisfy our debt maturities or to fund our other liquidity needs. While our cash flow from operations for the Fiscal 2015 Nine Months is negative, primarily driven by the seasonal increase of working capital related to certain segments, we expect cash flow from operations for the full year Fiscal 2015 to be positive from normal operating performance and seasonal reductions in working capital during the last quarter of the fiscal year, which is consistent with the previous full fiscal years.

At June 28, 2015, there are no significant foreign cash balances available for repatriation. During Fiscal 2015, we expect to generate between \$75 million and \$125 million of foreign cash that may be repatriated for general corporate purposes.

See Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, for further discussion of the risks associated with our ability to service all of our existing indebtedness and our ability to maintain compliance with financial and other covenants related to our indebtedness.



## **Investing Activities**

Net cash used by investing activities was \$1,242.3 million for the Fiscal 2015 Nine Months compared to \$67.4 million for the Fiscal 2014 Nine Months. The \$1,174.9 million increase in cash used by investing activities in the Fiscal 2015 Nine Months is driven by an increase in cash used for acquisitions of \$1,168.0 million, which included: (i) \$900.5 million purchase, net of cash acquired, of AAG; (ii) \$147.8 million purchase, net of cash acquired, of Salix, (iii) \$115.7 million purchase, net of cash acquired, of European IAMS and Eukanuba, and (iv) \$29.2 million purchase, net of cash acquired, of Tell. Further contributing to the increase of cash used was the decrease in proceeds from sales of property, plant and equipment of \$7.8 million. These items were partially offset by the \$25.3 million cash paid for the Liquid Fence acquisition in the Fiscal 2014 Nine Months coupled with a decrease in purchases of property, plant and equipment of \$1.4 million.

## **Financing Activities**

### ***Debt Financing***

At June 28, 2015 we had the following debt instruments outstanding: (i) a Term Loan pursuant to the Senior Credit Agreement which consists of \$1,450.0 USD Term Loan, \$60.9 million CAD Term Loan, \$336.2 million Euro Term Loan; (ii) \$520.0 million 6.375% unsecured notes due 2020 (the "6.375% Notes"); (iii) \$570.0 million 6.625% unsecured notes due 2022 (the "6.625% Notes"); (iv) \$250.0 million 6.125% unsecured notes due 2024 (the "6.125% Notes"); (v) \$1,000.0 million 5.75% Notes; and (vi) a \$500.0 million Revolver Facility.

At June 28, 2015, we were in compliance with all covenants under the Senior Credit Agreement, the indenture governing the 6.375% Notes and the 6.625% Notes, the indenture governing the 6.125% Notes and the indenture governing the 5.75% Notes. From time to time we may repurchase our existing indebtedness, including outstanding securities of SB/RH Holdings, LLC or its subsidiaries, in the open market or otherwise.

See Note 7, "Debt," to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

### ***Financing Cash Flows***

The Fiscal 2015 Nine Months net cash provided by financing activities of \$1,327.1 million consisted of the following: (i) proceeds related to the issuance \$1,851.1 million of Term Debt; (ii) a net use of \$1,404.4 million to repay debt under the Senior Credit Facilities; (iii) proceeds related to the issuance of the 6.125% Notes and 5.75% Notes of \$250.0 million and \$1,000.0 million, respectively; (iv) a use of \$300.0 million to repay senior unsecured notes; (v) a use of \$540.0 million to repay senior unsecured debt acquired in connection with the AAG acquisition (vi) borrowings of \$47.5 million on our Revolver Facility; (vii) proceeds related to the issuance of common equity of 562.8 million; (viii) a use to pay share-based tax withholdings of employees for vested stock awards of \$1.9 million; (ix) a use to pay \$51.0 million of dividends; (x) a use to pay \$42.4 million of debt issuance costs and original issue discount; (xi) a use of \$8.4 million for share purchases; and (xii) a use of \$36.2 million for other repayment of debt. The primary use of the proceeds was to refinance debt as discussed in Note 7 "Debt" and fund acquisitions as discussed in Note 14 "Acquisitions" to our Condensed Consolidated Financial Statements (unaudited) included in this Quarterly Report on Form 10-Q.

The Fiscal 2014 Nine Months net cash used by financing activities of \$5.6 million consisted of the following: (i) proceeds related to the issuance \$523.7 million of Term Debt; (ii) a use of \$567.5 million to repay debt under the Senior Credit Facilities; (iii) borrowings of \$110.0 million on our ABL Facility; (iv) a use to pay share-based tax withholdings of employees for vested stock awards of \$26.5 million; (v) a use to pay \$44.8 million of dividends; (vi) a use to pay \$5.4 million of debt issuance costs; (vii) a use of \$4.5 million for treasury stock purchases; and (viii) \$9.4 million of proceeds from other financing activities. The primary use of the proceeds was to fund working capital needs as discussed within "Liquidity and Capital Resources - Operating Activities."



### *Interest Payments and Fees*

In addition to principal payments on our debt obligations as mentioned above, we have annual interest payment obligations of approximately \$216.1 million in the aggregate. This includes interest under our 6.375% Notes of approximately \$33.2 million, interest under our 6.625% Notes of approximately \$37.8 million, interest under our 6.125% Notes of approximately \$15.3 million, interest under our 5.75% Notes of approximately \$57.5 million and interest under our Term Loan and Revolver Facilities of approximately \$69.8 million and \$2.5 million, respectively. Interest on our debt is payable in cash. Interest on the 6.375% Notes, the 6.625% Notes, the 6.125% Notes and the 5.75% Notes is payable semi-annually in arrears and interest under the Term Loan and the Revolver Facilities is payable on various interest payment dates as provided in the Senior Credit Agreement. We are required to pay certain fees in connection with our outstanding debt obligations. Such fees include a quarterly commitment fee of up to 0.50% on the unused portion of the Revolver Facility and certain additional fees with respect to the letter of credit sub-facility under the Revolver Facility.

### **Equity Financing Activities**

During the Fiscal 2015 Nine Months, we granted 0.55 million restricted stock units to our employees and our directors. All vesting dates are subject to the recipient's continued employment with us, except as otherwise permitted by our Board of Directors or in certain cases where the employee is terminated without cause. The total market value of the restricted stock units on the date of grant was approximately \$49.8 million, which represented unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

During the Fiscal Nine Months, we issued 6.2 million shares of Common Stock in connection with the AAG acquisition. Proceeds were \$562.8 million, net of commissions and fees.

From time to time we may repurchase our outstanding shares of Common Stock in the open market or otherwise.

### **Off-Balance Sheet Arrangements**

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

### **Contractual Obligations and Commercial Commitments**

Due to our debt financing activities discussed above, our contractual obligations and commercial commitments have materially changed since our Annual Report on Form 10-K for Fiscal 2014. Debt obligations, excluding capital lease obligations, for the fiscal years ending September 2015, 2016, 2017, 2018, 2019 and thereafter are: \$4.6 million; \$49.5 million; \$18.5 million; \$18.5 million; \$18.5 million; and \$4,156.0 million, respectively.

### **Critical Accounting Policies and Critical Accounting Estimates**

Our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. There have been no material changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K for Fiscal 2014.

### **New Accounting Pronouncements**

#### ***Presentation of debt issuance costs***

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. This ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2017. We do not expect the adoption of this standard to have a significant impact on our operational results.

### ***Revenue recognition***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This ASU requires revenue recognition to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract, identifying the performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of the performance obligations. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of the initial application along with additional disclosures. In July 2015, the FASB voted to issue a final ASU that will defer the effective date by one year to annual reporting periods beginning after December 15, 2017 and the interim periods within that year, with early adoption permitted for annual reporting periods beginning after December 15, 2016, and the interim periods within that year. This ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019, if we do not early adopt. We have not selected a method for adoption nor determined the potential effects on our consolidated financial statements.

### ***Inventory measurement***

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330), Simplifying the Measurement of Inventory*, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is defined as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.” This ASU eliminates the guidance that entities consider replacement cost or net realizable value less an approximately normal profit margin in the subsequent measurement of inventory when cost is determined on a first-in, first-out or average cost basis. The provisions of this ASU are effective for public entities with fiscal years beginning after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact of this new accounting guidance on our consolidated financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Market Risk Factors**

We have market risk exposure from changes in interest rates, foreign currency exchange rates and commodity prices. We, when appropriate, use derivative financial instruments to mitigate the risk from such exposures.

A discussion of our accounting policies for derivative financial instruments is included in Note 8, Derivative Financial Instruments, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

There have been no material changes to our market risk exposures, including those from interest rates, foreign currency exchange rates and commodity prices, from those discussed in our Annual Report on Form 10-K for Fiscal 2014.

#### **Sensitivity Analysis**

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

At June 28, 2015, the potential change in fair value of our outstanding interest rate derivative instruments assuming a 1 percent unfavorable shift in interest rates would be a loss of \$1.5 million. The net impact on reported earnings, after also including the effect of the change on one year's underlying interest rate exposure on our variable rate Term Loan, would be a net loss of \$1.5 million.

At June 28, 2015, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates, would be a loss of \$39.1 million. The net impact on reported earnings, after also including the effect of the change on one year's underlying foreign currency-denominated exposures, would be a net gain of \$14.5 million.

At June 28, 2015, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices, would be a loss of \$2.4 million. The net impact on reported earnings, after also including the effect of the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of \$1.7 million.

#### **Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting.* There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*AAG Acquisition.* On May 21, 2015, we completed our acquisition of Armored AutoGroup Parent Inc. (“AAG”). As permitted by the guidelines established by the staff of the SEC for newly acquired businesses, management has excluded AAG and its subsidiaries from its assessment of the effectiveness of our internal control over financial reporting. As previously reported, in connection with the preparation of the financial statements of Armored AutoGroup Inc. (“AAG Sub”), a subsidiary of AAG, for the year ended December 31, 2014, certain significant deficiencies in AAG Sub’s internal controls became evident to its management that, in the aggregate, represent a material weakness. None of the deficiencies individually represented a material weakness, and all resulting adjustments, none of which were material, were reflected in AAG’s consolidated financial statements for the year ended December 31, 2014. In connection with the AAG acquisition, we were aware of and reviewed these deficiencies as part of our due diligence process and determined that they were not material to us at the time. We will continue to evaluate and monitor these deficiencies as we integrate AAG into our control environment following the acquisition.

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

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

#### **Litigation**

We are a defendant in various matters of litigation generally arising out of the ordinary course of business.

We do not believe that any matters or proceedings presently pending will have a material adverse effect on our results of operations, financial condition, liquidity or cash flows.

### **Item 1A. Risk Factors**

*When considering an investment in the Company, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K filed with the SEC on November 21, 2014 (our “Form 10-K”) and discussed below. Any of these risk factors could materially and adversely affect our or our subsidiaries’ business, financial condition and results of operations and these risk factors are not the only risks that we or our subsidiaries may face. Additional risks and uncertainties not presently known to us or our subsidiaries or that are not currently believed to be material also may adversely affect us or our*

subsidiaries. With the exception of the additional risk factors discussed below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K.

### **Risks Related to the AAG Acquisition**

***We face significant risks from the AAG acquisition similar to risks generally associated with our acquisition and expansion strategy.***

The AAG acquisition subjects us to significant risks generally associated with our acquisition and expansion strategy. Significant costs have been incurred and are expected to be incurred in connection with the AAG acquisition and our integration of AAG with our business, including legal, accounting, financial advisory and other costs. We may also not realize the anticipated benefits of, and synergies from, the AAG acquisition and will be responsible for certain liabilities and integration costs as a result of the AAG acquisition. As a result of the AAG acquisition and other acquisitions, we may also not be able to retain key personnel or recruit additional qualified personnel, which could require us to incur substantial additional costs to recruit replacement personnel. General customer uncertainty, including our and AAG's customers, related to the AAG acquisition could also harm us. Each of these general risks for acquisition and expansion activities, which are described in more detail in our Form 10-K, could result in the AAG acquisition having a material adverse effect on our business.

***We and AAG have similar major customers and the loss of any significant customer may adversely affect our results of operations.***

A limited number of the same customers represents a large percentage of our and AAG's respective net sales. One of our largest customers accounted for approximately 23% of AAG's net sales for the twelve months ended December 31, 2014. AAG's next largest customer accounted for approximately 12% of net sales for the same period and no other customer accounted for more than 10% of AAG's net sales for the same period. The success of our and AAG's businesses depend, in part, on our ability to maintain our level of sales and product distribution through high-volume distributors, retailers, super centers and mass merchandisers.

Currently, neither we nor AAG have long-term supply agreements with a substantial number of our retail customers, including our largest customers. These high-volume stores and mass merchandisers frequently reevaluate the products they carry. A decision by our major customers to discontinue or decrease the amount of products purchased from us, sell a national brand on an exclusive basis or change the manner of doing business with us, could reduce our revenues and materially adversely affect our results of operations. See "Risk Factors—Risks Related to our Business—Consolidation of retailers and our dependence on a small number of key customers for a significant percentage of our sales may negatively affect our business, financial condition and results of operations," contained in our Form 10-K.

***A change in governmental regulations regarding the use of refrigerant gas R-134a or its potential future substitutes could have a material adverse effect on IDQ Sub's ability to sell its aftermarket A/C products.***

The refrigerant R-134a is a critical component of IDQ Sub's aftermarket A/C products and is used in products which comprised approximately 90% of its gross sales in its fiscal year ended December 31, 2014. Older generation refrigerants such as R-12 (Freon) have been regulated for some time in the United States and elsewhere, due to concerns about their potential to contribute to ozone depletion. In recent years, refrigerants such as R-134a, which is an approved substitute for R-12, have also become the subject of regulatory focus due to their potential to contribute to global warming.

The European Union has passed regulations that require the phase out of R-134a in automotive cooling systems in new vehicles by 2017. In the United States, IDQ Sub has reported that it cannot predict what future action, if any, the EPA will take on the regulation of R-134a. But based on currently available information, it believes that it would take some time for suitable alternatives to R-134a to come into full-scale commercial production and therefore such alternatives would not be readily available for wide spread use in new car models. If the future use of R-134a is phased out or is limited or prohibited in jurisdictions in which we do business, the future market for IDQ Sub's products containing R-134a may be limited, which could have a material adverse impact on its results of operations, financial condition, and cash flows.

In addition, regulations may be enacted governing the packaging, use and disposal of IDQ Sub's products containing refrigerants. For example, regulations are currently in effect in California that govern the sale and distribution of products containing R-134a. While IDQ Sub has reported that it is not aware of any noncompliance with such regulations, its failure to comply with these or possible future regulations in California, or elsewhere, could result in material fines or costs or its inability to sell its products in those markets, which could have a material adverse impact on its results of operations, financial condition and cash flows. If substitutes for R-134a become widely used in A/C systems and their use for DIY and retrofit purposes are not approved by the EPA, it could have a material adverse effect on IDQ Sub's results of operations, financial condition and cash flows. In addition, the cost of HFO-1234yf, the leading long-term alternative to R-134a being proposed in the United States and the European Union for use in the A/C systems of new vehicles, will likely be higher than that of R-134a. If HFO-1234yf becomes widely used and IDQ Sub is able to develop products using HFO-1234yf, but is unable to price its products to reflect the increased cost of HFO-1234yf, it could have a material adverse effect on its results of operations, financial condition and cash flow.

***All of IDQ Sub's products are produced at one facility, and a significant disruption or disaster at such a facility could have a material adverse effect on its results of operations.***

IDQ Sub's manufacturing facility consists of one site which is located in Garland, Texas and thus it is dependent upon the continued safe operation of this facility. Its facility is subject to various hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including human error, leaks and ruptures, explosions, floods, fires, inclement weather and natural disasters, power loss or other infrastructure failures, mechanical failure, unscheduled downtime, regulatory requirements, the loss of certifications, technical difficulties, labor disputes, inability to obtain material, equipment or transportation, environmental hazards such as remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases, and other risks. Many of these hazards could cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination. In addition, the occurrence of material operating problems at IDQ Sub's facility due to any of these hazards could cause a disruption in the production of its products. IDQ Sub may also encounter difficulties or interruption as a result of the application of enhanced manufacturing technologies or changes to production lines to improve IDQ Sub's throughput or to upgrade or repair its production lines. IDQ Sub's insurance policies have coverage in case of significant damage to its manufacturing facility but may not fully compensate IDQ Sub for the cost of replacement for any such damage and any loss from business interruption. As a result, IDQ Sub may not be adequately insured to cover losses resulting from significant damage to its manufacturing facility. Any damage to its facility or interruption in manufacturing could result in production delays and delays in meeting contractual obligations, which could have a material adverse effect on IDQ Sub's relationships with its customers and on its results of operations, financial condition or cash flows in any given period.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the Fiscal 2015 Quarter, we did not sell any equity securities that were not registered under the Securities Act. On July 28, 2015, the Board of Directors approved a \$300 million common stock repurchase program. The authorization is effective for 36 months. During the Fiscal 2015 Quarter, we did not purchase any shares under the common stock repurchase program.

**Item 6. Exhibits**

Please refer to the Exhibit Index.

**SIGNATURES**

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

Date: August 6, 2015

SPECTRUM BRANDS HOLDINGS, INC.

By:

**/s/ DOUGLAS L. MARTIN**

**Douglas L. Martin**

***Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)***

**EXHIBIT INDEX**

Exhibit 2.1	Agreement and Plan of Merger Acquisition Agreement, dated as of April 28, 2015 between Spectrum Brands Holdings, Inc., Armored AutoGroup Parent Inc., Ignite Merger Sub, Inc. and Avista Capital Partners II GP, LLC, as representative for the shareholders and optionholders of Armored AutoGroup Parent Inc. (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on April 29, 2015).
Exhibit 3.1	Amended and Restated Certificate of Incorporation of Spectrum Brands Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on March 7, 2013).
Exhibit 3.2	Second Amended and Restated By-laws of Spectrum Brands Holdings, Inc., as amended.*
Exhibit 4.1	Indenture governing Spectrum Brands, Inc.'s 5.750% Senior Notes due 2025, dated as of May 20, 2015, among Spectrum Brands, Inc., the guarantors party thereto and US Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on May 20, 2015).
Exhibit 10.1	Registration Rights Agreement, dated as of May 20, 2015, by and among Spectrum Brands, Inc., the guarantors party thereto and the investors listed on the signature pages thereto, with respect to Spectrum Brands, Inc.'s 5.750% Senior Notes due 2025 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on May 20, 2015).
Exhibit 10.2	Credit Agreement, dated as of June 23, 2015, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, Deutsche Bank AG New York Branch, as administrative agent, and the lenders party thereto from time to time (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on June 23, 2015).
Exhibit 10.3	Security Agreement, dated as of June 23, 2015, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the subsidiary guarantors party thereto from time to time and Deutsche Bank AG New York Branch, as collateral agent (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on June 23, 2015).
Exhibit 10.4	Loan Guaranty, dated as of June 23, 2015, by and among SB/RH Holdings, LLC, the subsidiary guarantors party thereto from time to time and Deutsche Bank AG New York Branch, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC by Spectrum Brands Holdings, Inc. on June 23, 2015).
Exhibit 31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
Exhibit 31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002.*
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

\* Filed herewith

\*\* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."



**SECOND AMENDED AND RESTATED BY-LAWS**

**of**

**SPECTRUM BRANDS HOLDINGS, INC.**

**(A Delaware Corporation)**

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ARTICLE I

DEFINITIONS

As used in these By-laws, unless the context otherwise requires, the term:

1.1 “Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise; provided, however, that for the avoidance of doubt, it is understood that any publicly traded corporation with respect to which the Harbinger Parties do not Beneficially Own a majority of the outstanding voting securities will be deemed not to be an Affiliate of the Harbinger Parties unless the Harbinger Parties have the right to designate a majority of the members of the board of directors of such publicly-traded corporation; provided, further, that the foregoing proviso will not apply to HGI.

1.2 “Assistant Secretary” means an Assistant Secretary of the Corporation.

1.3 “Assistant Treasurer” means an Assistant Treasurer of the Corporation.

1.4 “Beneficial Ownership,” “Beneficially Owned” and “Beneficially Owns” have the meanings specified in Rule 13d-3 promulgated under the Exchange Act, including the provision that any member of a “group” will be deemed to have beneficial ownership of all securities beneficially owned by other members of the group, and a Person’s beneficial ownership of securities will be calculated in accordance with the provisions of such Rule; provided, however, that a Person will be deemed to be the beneficial owner of any security which may be acquired by such Person whether within 60 days or thereafter, upon the conversion, exchange or exercise of any rights, options, warrants or similar securities to

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subscribe for, purchase or otherwise acquire (x) capital stock of any Person or (y) securities directly or indirectly convertible into, or exercisable or exchangeable for, such capital stock of such Person.

- 1.5 “Board” means the Board of Directors of the Corporation.
- 1.6 “By-laws” means the By-laws of the Corporation, as amended or restated from time to time.
- 1.7 “Certificate of Incorporation” means the Certificate of Incorporation of the Corporation, as amended or restated from time to time.
- 1.8 “Chairman” means the Chairman of the Board.
- 1.9 “Chief Executive Officer” means the Chief Executive Officer of the Corporation.
- 1.10 “Corporation” means Spectrum Brands Holdings, Inc.
- 1.11 “DGCL” means the General Corporation Law of the State of Delaware, as amended from time to time.
- 1.12 “Directors” means the members of the Board.
- 1.13 “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- 1.14 “Harbinger Parties” means Harbinger Capital Partners Master Fund I, Ltd., a Cayman Islands exempted company, Harbinger Capital Partners Special Situations Fund, L.P., a Delaware limited partnership, and Global Opportunities Breakaway Ltd., a Cayman Islands exempted company, collectively.
- 1.15 “HGI” means Harbinger Group Inc., a Delaware corporation.
- 1.16 “Independent Director” means a Director who qualifies as an “independent director” of the Corporation under (A) if the Voting Securities are, at the time of determination, listed for trading on the NYSE, Rule 303A(2) of the NYSE Listed Company Manual, (B) if the Voting Securities are, at the time of determination, listed or quoted on a securities exchange or quotation system, other than the NYSE, that has an independence requirement, the comparable rule or regulation of such securities exchange or quotation system on which the Voting Securities are listed or quoted, or (C) otherwise, Rule 303A(2) of the NYSE Listed Company Manual, assuming for this purpose that it applies to the Corporation; provided, however, that, at any time that there is a Significant Stockholder, in order for a Director to be deemed an “Independent Director,” such Director would also have to be considered an “independent director” of each Significant Stockholder under the applicable standard set forth in clause (A), (B) or (C) above, assuming for this purpose that (i) such Director was a director of a Significant Stockholder (whether or not such Director actually is or has been a director of a Significant Stockholder) and (ii) such Significant Stockholder is deemed to be listed or quoted on the same securities or quotation system that the Corporation is at the applicable time. For the avoidance of doubt, in no
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event shall a Director be deemed not to qualify as an Independent Director based on the fact that such Director was designated by a Significant Stockholder.

1.17 “Law” means any U.S. or non-U.S., federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a governmental authority (including any department, court, agency or official, or non-governmental self-regulatory organization, agency or authority and any political subdivision or instrumentality thereof).

1.18 “Office of the Corporation” means the executive office of the Corporation, anything in Section 131 of the DGCL to the contrary notwithstanding.

1.19 “Outstanding Voting Securities” means at any time the then-issued and outstanding Voting Securities.

1.20 “Person” means any individual, corporation, partnership, limited partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or other similar organization or entity.

1.21 “President” means the President of the Corporation.

1.22 “Restricted Group” means, with respect to any Significant Stockholder, (i) such Significant Stockholder, (ii) any Affiliate of such Significant Stockholder, and (iii) any group (that would be deemed to be a “person” by Section 13(d)(3) of the Exchange Act with respect to securities of the Corporation) of which such Significant Stockholder or any Person directly or indirectly controlling or controlled by such Significant Stockholder is a member.

1.23 “Secretary” means the Secretary of the Corporation.

1.24 “Significant Stockholder” means any Person who, together with its Affiliates, Beneficially Owns 40% or more of the Outstanding Voting Securities or Capital Stock into which any Outstanding Voting Securities may be converted.

1.25 “Stockholder Business” means (i) with respect to an annual meeting of Stockholders, any business brought before such meeting in accordance with Section 2.2(B)(ii), and (ii) with respect to a special meeting of Stockholders, any business brought before such meeting in accordance with Section 2.3(B).

1.26 “Stockholders” means the stockholders of the Corporation.

1.27 “Treasurer” means the Treasurer of the Corporation.

1.28 “Vice President” means a Vice President of the Corporation.

1.29 “Voting Securities” means the common stock and any other securities of the Corporation of any kind or class having power generally to vote for the election of Directors.

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## ARTICLE II

### STOCKHOLDERS

2.1 Place of Meetings. Meetings of Stockholders may be held at such place or solely by means of remote communication or otherwise, as may be designated by the Board from time to time.

2.2 Annual Meetings.

(A) A meeting of Stockholders for the election of Directors and other business shall be held annually at such date and time as may be designated by the Board from time to time.

(B) At an annual meeting of Stockholders, only business (other than business relating to the nomination or election of Directors, which is governed by Section 3.4) that has been properly brought before the meeting of Stockholders in accordance with the procedures set forth in this Section 2.2 shall be conducted. To be properly brought before an annual meeting of Stockholders, such business must be brought before the meeting (i) by or at the direction of the Board or any committee thereof or (ii) by a Stockholder who (a) was a Stockholder of record of the Corporation when the notice required by this Section 2.2 is delivered to the Secretary and at the time of the annual meeting, (b) is entitled to vote at the annual meeting and (c) complies with the notice and other provisions of this Section 2.2. Section 2.2(B)(ii) is the exclusive means by which a Stockholder may bring business before an annual meeting of Stockholders, except (x) with respect to nominations or elections of Directors which is governed by Section 3.4 and (y) with respect to proposals where the Stockholder proposing such business has notified the Corporation of such Stockholder's intent to present the proposals at an annual meeting in compliance with Section 14 of the Exchange Act and such proposals have been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting, in which case the notice requirements of this Section 2.2 shall be deemed satisfied with respect to such proposals.

(C) At any annual meeting of Stockholders, all proposals of Stockholder Business must be made by timely written notice given by a Stockholder of record (the "Notice of Business") and must otherwise be a proper matter for Stockholder action. To be timely, the Notice of Business must be delivered personally or mailed to, and received at, the Office of the Corporation, addressed to the Secretary, by no earlier than 120 days and no later than 90 days before the first anniversary of the date of the prior year's annual meeting of Stockholders; provided, however, that if (i) the annual meeting of Stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year's annual meeting of Stockholders or (ii) no annual meeting was held during the prior year, then the notice by the Stockholder to be timely must be received (a) no earlier than 120 days before such annual meeting and (b) no later than the later of 90 days before such annual meeting and the tenth day after the day on which the notice of such annual meeting was made by mail or Public Disclosure. In no event shall an adjournment, postponement or deferral, or Public Disclosure of an adjournment, postponement or deferral, of an annual meeting of Stockholders commence a new time period (or extend any time period) for the giving of the Notice of Business.

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(D) The Notice of Business must set forth:

(i) the name and record address of each Stockholder proposing Stockholder Business for an annual meeting (the “Proponent”), as they appear on the Corporation’s books;

(ii) the name and address of any Stockholder Associated Person;

(iii) as to each Proponent and any Stockholder Associated Person, (a) the class or series and number of shares of stock of the Corporation directly or indirectly held of record and beneficially owned by the Proponent or Stockholder Associated Person, (b) the date such shares of stock were acquired, (c) a description of any agreement, arrangement or understanding, direct or indirect, with respect to such Stockholder Business between or among the Proponent, any Stockholder Associated Person or any others (including their names) acting in concert with any of the foregoing, (d) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into, directly or indirectly, as of the date of the Proponent’s notice by, or on behalf of, the Proponent or any Stockholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of the Proponent or any Stockholder Associated Person with respect to shares of stock of the Corporation (a “Derivative”), (e) a description in reasonable detail of any proxy (including revocable proxies), contract, arrangement, understanding or other relationship pursuant to which the Proponent or Stockholder Associated Person has a right to vote any shares of stock of the Corporation, (f) any rights to dividends on the stock of the Corporation owned beneficially by the Proponent or Stockholder Associated Person that are separated or separable from the underlying stock of the Corporation, (g) any proportionate interest in stock of the Corporation or Derivatives held, directly or indirectly, by a general or limited partnership in which the Proponent or Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (h) any performance-related fees (other than an asset-based fee) that the Proponent or Stockholder Associated Person is entitled to, based on any increase or decrease in the value of stock of the Corporation or Derivatives thereof, if any, as of the date of such notice, and (i) with respect to any and all of the agreements, contracts, understandings, arrangements, proxies or other relationships referred to in the foregoing clauses (c) through (h), a representation that such Proponent will notify the Corporation in writing of any such agreement, contract, understanding, arrangement, proxy or other relationship that is or will be in effect as of the date of such meeting no later than five business days before the date of such meeting. The information specified in Section 2.2(D)(i) to (iii) is referred to herein as “Stockholder Information”;

(iv) a representation that each Proponent is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such Stockholder Business;

(v) a brief description of the Stockholder Business desired to be brought before the annual meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the By-laws, the

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language of the proposed amendment) and the reasons for conducting such Stockholder Business at the meeting;

(vi) any material interest of the Proponent and any Stockholder Associated Person in such Stockholder Business;

(vii) a representation as to whether the Proponent intends (a) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt such Stockholder Business or (b) otherwise to solicit proxies or votes from Stockholders in support of such Stockholder Business; and

(viii) all other information that would be required to be filed with the Securities and Exchange Commission ("SEC") if the Proponents or Stockholder Associated Persons were participants in a solicitation subject to Section 14 of the Exchange Act.

(E) The person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting, that business was not properly brought before the meeting in accordance with the procedures set forth in this Section 2.2, and, if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(F) If the Proponent (or a qualified representative of the Proponent) does not appear at the annual meeting of Stockholders to present the Stockholder Business such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.2, to be considered a qualified representative of the Stockholder, a person must be a duly authorized officer, manager or partner of such Stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such Stockholder to act for such Stockholder as proxy at the annual meeting of Stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

(G) "Public Disclosure" of any date or other information means disclosure thereof by a press release reported by the Dow Jones News Services, Associated Press or comparable U.S. national news service or in a document publicly filed by the Corporation with the SEC pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(H) "Stockholder Associated Person" means, with respect to any Stockholder, (i) any other beneficial owner of stock of the Corporation that is owned by such Stockholder and (ii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Stockholder or such beneficial owner.

(I) "Control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

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(J) Nothing in this Section 2.2 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

### 2.3 Special Meetings.

(A) Special meetings of Stockholders may be called at any time by the Board by giving notice to each Stockholder entitled to vote at such meeting in accordance with Section 2.5 hereof. Business transacted at any special meeting of Stockholders called by the Board shall be limited to the purposes stated in the notice.

(B) Special meetings of Stockholders shall be called by the Board upon written request to the Secretary of one or more record holders of shares of stock of the Corporation representing in the aggregate not less than 25% of the total number of shares of stock of the Corporation entitled to vote on the matter or matters to be brought before the proposed special meeting. A request to the Secretary shall be signed by the Stockholder or Stockholders, or a duly authorized agent of such Stockholder or Stockholders, requesting a special meeting (a "Special Meeting Request"). A special meeting requested by Stockholders shall be held at such date, time and place within or without the state of Delaware as may be fixed by the Board; provided, however, that the date of any such special meeting shall be not more than 90 days after the Special Meeting Request is received by the Secretary. Notwithstanding the foregoing, a special meeting requested by Stockholders shall not be held if (i) the Special Meeting Request(s) relates to an item of business that is not a proper subject for Stockholder action under applicable law, (ii) the Special Meeting Request(s) is received by the Corporation during the period commencing 90 days prior to the first anniversary of the date of the immediately preceding annual meeting and ending on the date of the next annual meeting, (iii) an identical or substantially similar item (as determined in good faith by the Board, a "Similar Item") was presented at a meeting of the Stockholders held within 90 days prior to receipt by the Corporation of such Special Meeting Request(s) (and, for purposes of this Section 2.3(B), the election of directors shall be deemed a "Similar Item" with respect to all items of business involving the election or removal of directors), (iv) the Board calls an annual or special meeting of Stockholders to be held not later than 90 days after the Secretary's receipt of the Special Meeting Request(s) and a Similar Item is included in the Corporation's notice as an item of business to be brought before such annual or special meeting of Stockholders, (v) a Similar Item is already included in the Corporation's notice as an item of business to be brought before a meeting of the Stockholders that has been called but not yet held, or (vi) the Special Meeting Request(s) was made in a manner that involved a violation of Regulation 14A under the Exchange Act. A Stockholder may revoke a Special Meeting Request at any time by written revocation delivered to the Secretary, and if, following such revocation, there are unrevoked requests from Stockholders holding in the aggregate less than the requisite number of shares entitling the Stockholders to make a Special Meeting Request, the Board, in its discretion, may cancel such special meeting. Business transacted at a special meeting requested by Stockholders shall be limited to the matters described in the Special Meeting Request; provided, however, that nothing herein shall prohibit the Board from submitting matters to the Stockholders at any special meeting requested by Stockholders.

(C) The Special Meeting Request must set forth:

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(i) the Stockholder Information with respect to each Stockholder proposing Stockholder Business for a special meeting (the “Requesting Person”);

(ii) the name and address of any Stockholder Associated Person;

(iii) a representation that each Requesting Person is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such Stockholder Business;

(iv) a brief description of the Stockholder Business desired to be brought before the special meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such Stockholder Business includes a proposal to amend the By-laws, the language of the proposed amendment) and the reasons for conducting such Stockholder Business;

(v) any material interest of the Requesting Person and any Stockholder Associated Person in such Stockholder Business;

(vi) a representation as to whether the Requesting Person intends (a) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve or adopt such Stockholder Business or (b) otherwise to solicit proxies or votes from Stockholders in support of such Stockholder Business; and

(vii) all other information that would be required to be filed with the SEC if the Requesting Persons or Stockholder Associated Persons were participants in a solicitation subject to Section 14 of the Exchange Act.

(D) If the Requesting Person (or a qualified representative of the Requesting Person) does not appear at the special meeting of Stockholders to present the Stockholder Business such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.3, to be considered a qualified representative of the Stockholder, a person must be a duly authorized officer, manager or partner of such Stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such Stockholder to act for such Stockholder as proxy at the meeting of Stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

(E) Nothing in this Section 2.3 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

#### 2.4 Record Date.

(A) For the purpose of determining the Stockholders entitled to notice of any meeting of Stockholders or any adjournment thereof, unless otherwise required by the Certificate of Incorporation or applicable Law, the Board may fix a record date, which record date shall not

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precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than 60 days or less than ten days before the date of such meeting. Subject to Section 2.13, for the purposes of determining the Stockholders entitled to express consent to corporate action in writing without a meeting, unless otherwise required by the Certificate of Incorporation or applicable Law, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than ten days after the date on which the record date was fixed by the Board. For the purposes of determining the Stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, exercise any rights in respect of any change, conversion or exchange of stock or take any other lawful action, unless otherwise required by the Certificate of Incorporation or applicable Law, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date was adopted by the Board and shall not be more than 60 days prior to such action.

(B) Subject to Section 2.13, if no such record date is fixed:

(i) The record date for determining Stockholders entitled to notice of or to vote at a meeting of Stockholders shall be at the close of business on the day on which notice is given or, if notice is waived, at the close of business on the day on which the meeting is held;

(ii) The record date for determining Stockholders entitled to express consent to corporate action in writing without a meeting (unless otherwise provided in the Certificate of Incorporation), when no prior action by the Board is required by applicable Law, shall be the first day on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable Law; and when prior action by the Board is required by applicable Law, the record date for determining Stockholders entitled to express consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board takes such prior action; and

(iii) When a determination of Stockholders of record entitled to notice of or to vote at any meeting of Stockholders has been made as provided in this Section 2.4, such determination shall apply to any adjournment thereof; provided, however, that the Board may fix a new record date for determination of Stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for Stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of Stockholders entitled to vote in accordance with the foregoing provisions.

2.5 Notice of Meetings of Stockholders. Whenever under the provisions of applicable Law, the Certificate of Incorporation or these By-laws, Stockholders are required or permitted to take any action at a meeting, notice shall be given stating the place, if any, date and hour of the meeting, the means of remote communication, if any, by which Stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the Stockholders entitled to vote at the meeting, if such date is different from the record date for determining Stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purposes for which the meeting is called. Unless otherwise provided by these By-laws or applicable Law, notice of any meeting shall be given, not less than ten nor more than 60 days

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before the date of the meeting, to each Stockholder entitled to vote at such meeting as of the record date for determining the Stockholders entitled to notice of the meeting. If mailed, such notice shall be deemed to be given when deposited in the U.S. mail, with postage prepaid, directed to the Stockholder at his or her address as it appears on the records of the Corporation. An affidavit of the Secretary, an Assistant Secretary or the transfer agent of the Corporation that the notice required by this Section 2.5 has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Any business that might have been transacted at the meeting as originally called may be transacted at the adjourned meeting. If, however, the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for Stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL, and shall give notice of the adjourned meeting to each Stockholder of record entitled to vote at such adjourned meeting as of the record date for notice of such adjourned meeting.

2.6 Waivers of Notice. Whenever the giving of any notice to Stockholders is required by applicable Law, the Certificate of Incorporation or these By-laws, a waiver thereof, given by the person entitled to said notice, whether before or after the event as to which such notice is required, shall be deemed equivalent to notice. Attendance by a Stockholder at a meeting shall constitute a waiver of notice of such meeting except when the Stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting has not been lawfully called or convened. Neither the business to be transacted at, nor the purposes of, any regular or special meeting of the Stockholders need be specified in any waiver of notice.

2.7 List of Stockholders. The officer who has charge of the stock ledger shall prepare and make, at least ten days before every meeting of Stockholders, a complete, alphabetical list of the Stockholders entitled to vote at the meeting and showing the address of each Stockholder and the number of shares registered in the name of each Stockholder; provided, however, that if the record date for determining the Stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the Stockholders entitled to vote as of the tenth day before the meeting date and the address of each such Stockholder and the number of shares registered in the name of such Stockholder. Such list may be examined by any Stockholder, at the Stockholder's expense, for any purpose germane to the meeting, for a period of at least ten days prior to the meeting, during ordinary business hours at the principal place of business of the Corporation or on a reasonably accessible electronic network as provided by applicable Law. If the meeting is to be held at a place, a list of Stockholders entitled to vote at the meeting shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any Stockholder who is present. If the meeting is held solely by means of remote communication, the list shall also be open for inspection as provided by applicable Law. Except as provided by applicable Law, the stock ledger shall be the only evidence as to who are the Stockholders entitled to examine the list of Stockholders or to vote in person or by proxy at any meeting of Stockholders.

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2.8 Quorum of Stockholders; Adjournment. Except as otherwise provided by any applicable Law or these By-laws, at each meeting of Stockholders, the presence in person or by proxy of the holders of a majority of the voting power of all outstanding shares of stock of the Corporation entitled to vote at the meeting of Stockholders shall constitute a quorum for the transaction of any business at such meeting. In the absence of a quorum, the holders of a majority in voting power of the shares of stock of the Corporation present in person or represented by proxy at any meeting of Stockholders, including an adjourned meeting, and entitled to vote thereon may adjourn such meeting to another time and place. Shares of its own stock belonging to the Corporation or to any of its subsidiaries shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

2.9 Voting; Proxies. At any meeting of Stockholders, all matters, except as otherwise provided by the Certificate of Incorporation, these By-laws or any applicable Law, shall be decided by the affirmative vote of a majority in voting power of shares of stock of the Corporation present in person or represented by proxy and entitled to vote thereon. At all meetings of Stockholders for the election of Directors, a plurality of the votes cast shall be sufficient to elect. Each Stockholder entitled to vote at a meeting of Stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such Stockholder by proxy but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in Law to support an irrevocable power. A Stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary a revocation of the proxy or by delivering a new proxy bearing a later date.

2.10 Voting Procedures and Inspectors at Meetings of Stockholders. The Board, in advance of any meeting of Stockholders, may appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting and make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting may appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (A) ascertain the number of shares outstanding and the voting power of each, (B) determine the shares represented at the meeting and the validity of proxies and ballots, (C) count all votes and ballots, (D) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (E) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board, the date and time of the opening and the closing of the polls for each matter upon which the Stockholders will vote at a meeting shall be determined by the person presiding at the meeting and shall be announced at the meeting. No ballot, proxies, votes or any revocation thereof or change thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a Stockholder shall determine otherwise. In determining the

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validity and counting of proxies and ballots cast at any meeting of Stockholders, the inspectors may consider such information as is permitted by applicable Law. No person who is a candidate for office at an election may serve as an inspector at such election.

2.11 Conduct of Meetings; Adjournment. The Board may adopt such rules and procedures for the conduct of meetings of Stockholders as it deems appropriate. At each meeting of Stockholders, the President or, in the absence of the President, the Chief Executive Officer or, in the absence of the Chief Executive Officer, the Chairman or, if there is no Chairman or if there be one and the Chairman is absent, a Vice President and, in case more than one Vice President shall be present, that Vice President designated by the Board (or in the absence of any such designation, the most senior Vice President present), shall preside over the meeting. Except to the extent inconsistent with the rules and procedures as adopted by the Board, the person presiding over the meeting of Stockholders shall have the right and authority to convene, adjourn and reconvene the meeting from time to time, to prescribe such additional rules and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules and procedures, whether adopted by the Board or prescribed by the person presiding over the meeting, may include, (A) the establishment of an agenda or order of business for the meeting, (B) rules and procedures for maintaining order at the meeting and the safety of those present, (C) limitations on attendance at or participation in the meeting to Stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the person presiding over the meeting shall determine, (D) restrictions on entry to the meeting after the time fixed for the commencement thereof and (E) limitations on the time allotted to questions or comments by participants. The person presiding over any meeting of Stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, may determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, he or she shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of Stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The Secretary or, in his or her absence, one of the Assistant Secretaries, shall act as secretary of the meeting. If none of the officers above designated to act as the person presiding over the meeting or as secretary of the meeting shall be present, a person presiding over the meeting or a secretary of the meeting, as the case may be, shall be designated by the Board and, if the Board has not so acted, in the case of the designation of a person to act as secretary of the meeting, designated by the person presiding over the meeting.

2.12 Order of Business. The order of business at all meetings of Stockholders shall be as determined by the person presiding over the meeting.

2.13 Written Consents of Stockholders Without a Meeting.

(A) Any person seeking to have the Stockholders authorize or take corporate action by written consent without a meeting shall, by written notice addressed to the Secretary and delivered to the Corporation, request that a record date be fixed for such purpose. The Board shall promptly, but in all events within ten days after the date on which such written notice is received, adopt a resolution fixing the record date (unless a record date has previously been fixed

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by the Board pursuant to Section 2.4). If no record date has been fixed by the Board by ten days after the date on which such written notice is received, the record date for determining Stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is required by applicable Law, shall be as specified in Section 2.4(B)(ii).

(B) Any action to be taken at any annual or special meeting of Stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be so taken, shall be signed by the holders of outstanding shares of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered mail, return receipt requested) to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of Stockholders are recorded. Every written consent shall bear the date of signature of each Stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.13, written consents signed by a sufficient number of holders to take action are delivered to the Corporation as aforesaid. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall, to the extent required by applicable Law, be given to those Stockholders who have not consented in writing, and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation.

### ARTICLE III

#### DIRECTORS

3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board. The Board may adopt such rules and procedures, not inconsistent with the Certificate of Incorporation, these By-laws or applicable Law, as it may deem proper for the conduct of its meetings and the management of the Corporation.

3.2 Number; Term of Office. Subject to the rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation to elect Directors, the Board shall initially consist of ten members and the number of Directors may thereafter be increased or decreased, from time to time, by resolution of the Board. Each Director shall hold office until a successor is duly elected and qualified or until the Director's earlier death, resignation, disqualification or removal.

3.3 Classified Board of Directors. The Board shall be classified as set forth in the Certificate of Incorporation. The members of each class shall hold office until their successors are elected and qualified or until their earlier resignation, retirement, removal or death. Any Director elected to fill a vacancy shall have the same remaining term as that of his or her predecessor.

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### 3.4 Nominations of Directors.

(A) Only persons who are nominated in accordance with the procedures set forth in this Section 3.4 are eligible for election as Directors.

(B) The Nominating and Corporate Governance Committee (as defined in Section 6.2 of the Certificate of Incorporation) shall nominate for election to the Board the total number of persons as shall stand for election at the applicable meeting of the stockholders, such nominations to be made by written notice delivered personally or mailed to and received at the Office of the Corporation.

(C) Except with respect to the nominations made by the Nominating and Corporate Governance Committee pursuant to Section 3.4(B), nominations of persons for election to the Board may only be made at a meeting properly called for the election of Directors and only (i) by or at the direction of the Board or any committee thereof or (ii) by a Stockholder who (a) was a Stockholder of record of the Corporation when the notice required by this Section 3.4 is delivered to the Secretary and at the time of the meeting, (b) is entitled to vote for the election of Directors at the meeting and (c) complies with the notice and other provisions of this Section 3.4. Section 3.4(C)(ii) is the exclusive means by which a Stockholder may nominate a person for election to the Board. Persons nominated in accordance with Section 3.4(C)(ii) are referred to as “Stockholder Nominees”. A Stockholder nominating persons for election to the Board is referred to as the “Nominating Stockholder”.

(D) All nominations of Stockholder Nominees must be made by timely written notice given by or on behalf of a Stockholder of record of the Corporation (the “Notice of Nomination”). To be timely, the Notice of Nomination must be delivered personally or mailed to and received at the Office of the Corporation, addressed to the attention of the Secretary, by the following dates:

(i) in the case of the nomination of a Stockholder Nominee for election to the Board at an annual meeting of Stockholders, no earlier than 120 days and no later than 90 days before the first anniversary of the date of the prior year’s annual meeting of Stockholders; provided, however, that if (a) the annual meeting of Stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the prior year’s annual meeting of Stockholders or (b) no annual meeting was held during the prior year, notice by the Stockholder to be timely must be received (1) no earlier than 120 days before the date of such annual meeting and (2) no later than the later of 90 days before the date of such annual meeting and the tenth day after the date on which the notice of such annual meeting was made by mail or Public Disclosure; and

(ii) in the case of the nomination of a Stockholder Nominee for election to the Board at a special meeting of Stockholders, no earlier than 120 days before the date of such special meeting and (b) no later than the later of 90 days before the date of such special meeting and the tenth day after the date on which the notice of such special meeting was made by mail or Public Disclosure.

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(E) Notwithstanding anything to the contrary, if the number of Directors to be elected to the Board at a meeting of Stockholders is increased effective after the time period for which nominations would otherwise be due under this Section 3.4 and there is no Public Disclosure by the Corporation naming the nominees for the additional directorships at least 100 days before the first anniversary of the preceding year's annual meeting, a Notice of Nomination shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered personally and received at the Office of the Corporation, addressed to the attention of the Secretary, no later than the close of business on the tenth day following the day on which such Public Disclosure is first made by the Corporation.

(F) In no event shall an adjournment, postponement or deferral, or Public Disclosure of an adjournment, postponement or deferral, of an annual or special meeting commence a new time period (or extend any time period) for the giving of the Notice of Nomination.

(G) The Notice of Nomination shall set forth:

(i) the Stockholder Information with respect to each Nominating Stockholder and Stockholder Associated Person;

(ii) a representation that each Stockholder nominating a Stockholder Nominee is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such nomination;

(iii) all information regarding each Stockholder Nominee and Stockholder Associated Person that would be required to be disclosed in a solicitation of proxies subject to Section 14 of the Exchange Act, the written consent of each Stockholder Nominee to being named in a proxy statement as a nominee and to serve if elected;

(iv) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among a Nominating Stockholder, Stockholder Associated Person or their respective associates, or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Nominating Stockholder, Stockholder Associated Person or any person acting in concert therewith, was the "registrant" for purposes of such rule and the Stockholder Nominee was a director or executive of such registrant;

(v) with respect to any and all of the agreements, contracts, understandings, arrangements, proxies or other relationships referred to in the foregoing subclauses (iii) and (iv), a representation that such Nominating Stockholder will notify the Corporation in writing of any such agreement, contract, understanding, arrangement, proxy or other relationship that are or will be in effect as of the date of such annual meeting no later than five business days before the date of such meeting;

(vi) a representation as to whether such Nominating Stockholder intends (a) to deliver a proxy statement and form of proxy to holders of at least the percentage of

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the Corporation's outstanding capital stock required to approve the nomination or (b) otherwise to solicit proxies or votes from Stockholders in support of such nomination;

(vii) all other information that would be required to be filed with the SEC if the Nominating Stockholders and Stockholder Associated Person were participants in a solicitation subject to Section 14 of the Exchange Act; and

(viii) any other information requested by the Corporation of either the Nominating Stockholder or the Stockholder Nominee as the Corporation may reasonably require to determine the eligibility of such Stockholder Nominee to serve as a Director; provided, that such request must be made within five business days of the Corporation's receipt of the Notice of Nomination.

(H) If the Nominating Stockholder or Stockholder Nominee (as applicable) does not provide the information required by Section 3.4(G)(viii) within ten business days after the Corporation's request, then such Nominating Stockholder's proposal shall be disregarded. In addition, the person presiding over the meeting shall, if the facts warrant, determine and declare to the meeting that any proposed nomination of a Stockholder Nominee was not made in accordance with the procedures set forth in this Section 3.4 and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(I) If the Stockholder (or a qualified representative of the Stockholder) does not appear at the applicable meeting of Stockholders to nominate the Stockholder Nominees, such nomination shall be disregarded and such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 3.4, to be considered a qualified representative of the Stockholder, a person must be a duly authorized officer, manager or partner of such Stockholder or must be authorized by a writing executed by such Stockholder or an electronic transmission delivered by such Stockholder to act for such Stockholder as proxy at the meeting of Stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Stockholders.

(J) Nothing in this Section 3.4 shall be deemed to affect any rights of the holders of any series of preferred stock of the Corporation pursuant to any applicable provision of the Certificate of Incorporation.

3.5 Resignation. Any Director may resign at any time by notice given in writing or by electronic transmission to the Secretary. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified.

3.6 Regular Meetings. Regular meetings of the Board may be held without notice at such times and at such places as may be determined from time to time by the Board or its Chairman.

3.7 Special Meetings. Special meetings of the Board may be held at such times and at such places as may be determined by the Chairman, the Chief Executive Officer or the President on at least 24 hours' notice to each Director given by one of the means specified in Section 3.10 hereof other than by mail or on at least three days' notice if given by mail. Special meetings

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shall be called by the Chairman, the Chief Executive Officer, the President or the Secretary in like manner and on like notice on the written request of any two or more Directors.

3.8 Telephone Meetings. Board or Board committee meetings may be held by means of telephone conference or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation by a Director in a meeting pursuant to this Section 3.8 shall constitute presence in person at such meeting.

3.9 Adjourned Meetings. A majority of the Directors present at any meeting of the Board, including an adjourned meeting, whether or not a quorum is present, may adjourn and reconvene such meeting to another time and place. At least 24 hours' notice of any adjourned meeting of the Board shall be given to each Director whether or not present at the time of the adjournment, if such notice shall be given by one of the means specified in Section 3.9 hereof other than by mail, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

3.10 Notice Procedure. Subject to Sections 3.7 and 3.11 hereof, whenever notice is required to be given to any Director by applicable Law, the Certificate of Incorporation or these By-laws, such notice shall be deemed given effectively if given in person or by telephone, mail addressed to such Director at such Director's address as it appears on the records of the Corporation, telegram, telecopy or by other means of electronic transmission.

3.11 Waiver of Notice. Whenever the giving of any notice to Directors is required by applicable Law, the Certificate of Incorporation or these By-laws, a waiver thereof, given by the Director entitled to the notice, whether before or after such notice is required, shall be deemed equivalent to notice. Attendance by a Director at a meeting shall constitute a waiver of notice of such meeting except when the Director attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special Board or committee meeting need be specified in any waiver of notice.

3.12 Organization. At each meeting of the Board, the Chairman or, in his or her absence, another Director selected by the Board shall preside. The Secretary shall act as secretary at each meeting of the Board. If the Secretary is absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all Assistant Secretaries, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.13 Quorum of Directors. The presence of a majority of the Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

3.14 Action by Majority Vote. Except as otherwise expressly required by these By-laws or the Certificate of Incorporation, the vote of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

3.15 Action Without Meeting. Unless otherwise restricted by these By-laws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all Directors or members of such committee, as the case may

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be, consent thereto in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee.

## ARTICLE IV

### COMMITTEES OF THE BOARD

The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present at the meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent permitted by applicable Law, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers that may require it to the extent so authorized by the Board. Unless the Board provides otherwise, at all meetings of such committee, a majority of the then authorized members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board provides otherwise, each committee designated by the Board may make, alter and repeal rules and procedures for the conduct of its business. In the absence of such rules and procedures each committee shall conduct its business in the same manner as the Board conducts its business pursuant to Article III.

## ARTICLE V

### OFFICERS

5.1 Positions; Election. The officers of the Corporation shall be a Chairman, a Chief Executive Officer, a President or number of Presidents, a Secretary, a Treasurer and any other officers as the Board may elect from time to time, who shall exercise such powers and perform such duties as shall be determined by the Board from time to time. Any number of offices may be held by the same person.

5.2 Term of Office. Each officer of the Corporation shall hold office until such officer's successor is elected and qualifies or until such officer's earlier death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Such resignation shall take effect at the date of receipt of such notice or at such later time as is therein specified. The resignation of an officer shall be without prejudice to the contract rights of the Corporation, if any. Any officer may be removed at any time with or without cause by the Board. Any vacancy occurring in any office of the Corporation may be filled by the Board. The election or appointment of an officer shall not of itself create contract rights.

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5.3 Chairman. The Chairman shall preside at all meetings of the Board and shall exercise such powers and perform such other duties as shall be determined from time to time by the Board.

5.4 Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the Corporation and, subject to the control of the Board, shall in general determine the direction and goals of the Corporation and supervise and control all of the business, operations and affairs of the Corporation. The Chief Executive Officer shall have authority, subject to such rules as may be prescribed by the Board, to appoint such agents and employees of the Corporation as the Chief Executive Officer may deem necessary, to prescribe their powers and duties, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the Chief Executive Officer. The Chief Executive Officer shall have authority, co-equal with the Chairman of the Board, to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board; and, except as otherwise provided by any applicable Law or by the Board, the Chief Executive Officer may authorize any President or Vice President or any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in the Chief Executive Officer's place and stead.

5.5 President. The President (or in the event there is more than one President, reference under these By-Laws shall refer to any President (to the extent the context requires)) shall have general supervision over the business of the Corporation and other duties incident to the office of President, and any other duties as may from time to time be assigned to the President by the Chief Executive Officer or the Board and subject to the control of the Chief Executive Officer or the Board in each case. The President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts and other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation, or shall be required by applicable Law otherwise to be signed or executed.

5.6 Vice Presidents. Vice Presidents shall have the duties incident to the office of Vice President and any other duties that may from time to time be assigned to the Vice President by the Chief Executive Officer, the President or the Board. Any Vice President may sign and execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these By-laws to some other officer or agent of the Corporation, or shall be required by applicable Law otherwise to be signed or executed.

5.7 Secretary. The Secretary shall attend all meetings of the Board and of the Stockholders, record all the proceedings of the meetings of the Board and of the Stockholders in a book to be kept for that purpose and perform like duties for committees of the Board, when required. The Secretary shall give, or cause to be given, notice of all special meetings of the Board and of the Stockholders and perform such other duties as may be prescribed by the Board or by the President. The Secretary shall have custody of the corporate seal of the Corporation, and the Secretary or an Assistant Secretary, shall have authority to affix the same on any

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instrument that may require it, and when so affixed, the seal may be attested by the signature of the Secretary or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest the same by such officer's signature. The Secretary or an Assistant Secretary may also attest all instruments signed by the Chief Executive Officer, the President, the Treasurer or any Vice President. The Secretary shall have charge of all the books, records and papers of the Corporation relating to its organization and management, see that the reports, statements and other documents required by applicable Law are properly kept and filed and, in general, perform all duties incident to the office of Secretary of a corporation and such other duties as may from time to time be assigned to the Secretary by the Board, the Chief Executive Officer or the President.

5.8 Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds, securities and notes of the Corporation, receive and give receipts for moneys due and payable to the Corporation from any sources whatsoever, deposit all such moneys and valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board, against proper vouchers, cause such funds to be disbursed by checks or drafts on the authorized depositories of the Corporation signed in such manner as shall be determined by the Board and be responsible for the accuracy of the amounts of all moneys so disbursed, regularly enter or cause to be entered in books or other records maintained for the purpose full and adequate account of all moneys received or paid for the account of the Corporation, have the right to require from time to time reports or statements giving such information as the Treasurer may desire with respect to any and all financial transactions of the Corporation from the officers or agents transacting the same, render to the Chief Executive Officer, the President or the Board, whenever the Chief Executive Officer, the President or the Board shall require the Treasurer so to do, an account of the financial condition of the Corporation and of all financial transactions of the Corporation, disburse the funds of the Corporation as ordered by the Board and, in general, perform all duties incident to the office of Treasurer of a corporation and such other duties as may from time to time be assigned to the Treasurer by the Board, the Chief Executive Officer or the President.

5.9 Assistant Secretaries and Assistant Treasurers. Assistant Secretaries and Assistant Treasurers shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board, the Chief Executive Officer or the President.

## ARTICLE VI

### INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

6.1 Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable Law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another entity or enterprise, including service with respect to employee benefit plans, against all liability and loss suffered and

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expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized by the Board.

6.2 Advancement of Expenses. To the extent not prohibited by applicable Law, the Corporation shall pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable Law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VI or otherwise.

6.3 Claims.

(A) To the extent not prohibited by applicable Law, if a claim for indemnification or advancement of expenses under this Article VI is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. To the extent not prohibited by applicable Law, in any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable Law.

(B) In any suit brought by a Covered Person seeking to enforce a right to indemnification hereunder (but not a suit brought by a Covered Person seeking to enforce a right to an advancement of expenses hereunder), it shall be a defense that the Covered Person seeking to enforce a right to indemnification has not met any applicable standard for indemnification under applicable Law. With respect to any suit brought by a Covered Person seeking to enforce a right to indemnification or right to advancement of expenses hereunder or any suit brought by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), neither (i) the failure of the Corporation to have made a determination prior to commencement of such suit that indemnification of such Covered Person is proper in the circumstances because such Covered Person has met the applicable standards of conduct under applicable law, nor (ii) an actual determination by the Corporation that such Covered Person has not met such applicable standards of conduct, shall create a presumption that such Covered Person has not met the applicable standards of conduct or, in a case brought by such Covered Person seeking to enforce a right to indemnification, be a defense to such suit.

(C) In any suit brought by a Covered Person seeking to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses (whether pursuant to the terms of an undertaking or otherwise), the burden shall be on the Corporation to prove that the Covered Person seeking to enforce a right to indemnification or to an advancement of expenses or the Covered Person from whom the Corporation seeks to recover an advancement of expenses is not entitled to be indemnified, or to such an advancement of expenses, under this Article VI or otherwise.

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6.4 Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of these By-laws, the Certificate of Incorporation, agreement, vote of Stockholders or disinterested Directors or otherwise.

6.5 Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another entity or enterprise shall be reduced by any amount such Covered Person actually collects as indemnification or advancement of expenses from such other entity or enterprise; provided, however, that no Covered Person shall be required to seek recovery from any other entity or enterprise.

6.6 Amendment or Repeal. Notwithstanding anything to the contrary contained herein, any repeal or amendment of this Article VI by changes in Law (or otherwise), or the adoption of any other provision of these By-laws inconsistent with this Article VI, will, unless otherwise required by Law, be prospective only (except to the extent such amendment or change in Law permits the Corporation to provide broader rights on a retroactive basis than permitted prior thereto), and will not in any way diminish or adversely affect any right or protection of a Covered Person existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision, regardless of when the applicable action, suit or proceeding in respect of which such right or protection is sought is commenced and regardless of when such right or protection is sought.

6.7 Other Indemnification and Prepayment of Expenses. This Article VI shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable Law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

## ARTICLE VII

### TAG ALONG RIGHTS

Until the earlier of (i) June 16, 2012, and (ii) the date on which Persons who Beneficially Own 5% or more of the Outstanding Voting Securities shall no longer Beneficially Own, in the aggregate, 65% or more of the Outstanding Voting Securities, no Stockholder, together with its Affiliates (a "Selling Stockholder"), shall consummate, or enter into any agreement providing for a sale, assignment, pledge, hypothecation, encumbrance, disposition or gift (each, a "Transfer") of 50% or more of the then-outstanding Voting Securities, in one or a series of related transaction (a "Control Share") (other than a Transfer to an Affiliate of such Stockholder), unless, prior to the consummation of such transaction, the Person who is acquiring the Control Share in such Transfer offers each other Stockholder the opportunity to Transfer all of the Voting Securities held by such Stockholder for the same per share consideration that is being paid to the Selling Stockholder for its Control Share, and on other terms and conditions (including timing of payouts) no less favorable than those being offered to the Seller Stockholder. Notwithstanding anything to the contrary set forth herein, so long as the Harbinger Parties Beneficially Own 40% or more of the outstanding voting securities of HGI,

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the provisions of this Article VII shall not apply to any Transfer of Voting Securities to HGI or any of its subsidiaries by the Harbinger Parties or any other members of their Restricted Group. To the extent that any certificates are issued in respect of Voting Securities, each certificate representing Voting Securities shall be endorsed with a legend reflecting the rights set forth in this Article VII.

## ARTICLE VIII

### GENERAL PROVISIONS

8.1 Certificates Representing Shares. Shares of stock of the Corporation may be represented by certificates, and shares may be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock, or a combination of both. If shares are represented by certificates (if any) such certificates shall be in the form approved by the Board. The certificates representing shares of stock of each class shall be signed by, or in the name of, the Corporation by the Chairman, the President or any Vice President, and by the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer. Any or all such signatures may be facsimiles. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue.

8.2 Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agents and registry offices or agents at such place or places as may be determined from time to time by the Board.

8.3 Lost, Stolen or Destroyed Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or his or her legal representative to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

8.4 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be maintained on any information storage device or method; provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable Law.

8.5 Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

8.6 Fiscal Year. The fiscal year of the Corporation shall be determined by the Board.

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8.7 Amendments. Except as otherwise expressly provided for herein, these By-laws may be amended or repealed and new By-laws may be adopted by the Board; provided, that the Stockholders may make additional By-laws and may alter and repeal any By-laws whether such By-laws were originally adopted by them or otherwise; provided, however, that no action by the Board to repeal or amend Section 2.3(B), Section 3.2, this Section 8.7, Article IV or Article VII (or any definition contained in Article I that is used in any such Section or Article), or the adoption of any other provision of these By-laws inconsistent with such Sections and Articles, shall be effective without the approval of a majority of the Board and a majority of the Independent Directors then serving.

8.8 Conflict with Applicable Law or Certificate of Incorporation. These By-laws are adopted subject to any applicable Law and the Certificate of Incorporation. Whenever these By-laws may conflict with any applicable Law or the Certificate of Incorporation, such conflict shall be resolved in favor of such Law or the Certificate of Incorporation.

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**FIRST AMENDMENT TO THE  
SECOND AMENDED AND RESTATED BY-LAWS  
OF  
SPECTRUM BRANDS HOLDINGS, INC.**

Spectrum Brands Holdings, Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby amend the Second Amended and Restated By-laws of the Corporation, as amended, effective July 28, 2015 (the "By-laws"), by:

1. Inserting the following as Section 6.8 of the By-laws:

"Section 6.8 *Exclusive Forum*. Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (C) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation, these Bylaw (in each case, as the same may be amended from time to time) or any other law applicable to the Corporation, or (D) any action asserting a claim governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware. If the Court of Chancery of the State of Delaware lacks jurisdiction over such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another court of the State of Delaware or, if no court of the State of Delaware has jurisdiction, then the federal district court for the District of Delaware. Any person who, or entity that, holds, purchases or otherwise acquires an interest in stock of the Corporation (including any "beneficial owner", within the meaning of Section 13(d) of the Exchange Act) shall be deemed (A) to have notice of, and to have consented to and agreed to comply with, the provisions of this Bylaw, and (B) to have consented to the personal jurisdiction of the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, another court of the State of Delaware, or if no court of the State of Delaware has jurisdiction, the federal district court for the District of Delaware) in any proceeding brought to enjoin any action by that person or entity that is inconsistent with the exclusive jurisdiction provided for in this Bylaw. If any action the subject matter of which is within the scope of this Bylaw is filed in a court other than as specified above in the name of any stockholder, such stockholder shall be deemed to have consented to (A) the personal jurisdiction of the Court of Chancery of the State of Delaware, another court in the State of Delaware or the federal district court in the District of Delaware, as appropriate, in connection with any action brought in any such court to enforce this Bylaw and (B) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the action as agent for such stockholder."

The First Amendment to the By-laws was duly approved by at least a majority of the board of directors of the Corporation in the manner required by the Act, the Corporation's Certificate of Incorporation and the By-laws.

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## CERTIFICATIONS

I, Andreas R. Rouvé, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Brands Holdings, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2015

/s/ Andreas R. Rouvé  
**Andreas R. Rouvé**  
*Chief Executive Officer*

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## CERTIFICATIONS

I, Douglas L. Martin, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Brands Holdings, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 6, 2015

/s/ Douglas L. Martin

**Douglas L. Martin**  
**Chief Financial Officer**

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**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Spectrum Brands Holdings, Inc. (the "Company") for the quarterly period ended June 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andreas R. Rouvé, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Andreas R. Rouvé*

Name: **Andreas R. Rouvé**  
Title: **Chief Executive Officer**  
Date: **August 6, 2015**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Spectrum Brands Holdings, Inc. (the "Company") for the quarterly period ended June 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas L. Martin, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ **Douglas L. Martin**

Name: **Douglas L. Martin**  
Title: **Chief Financial Officer**  
Date: **August 6, 2015**

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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