

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 27, 1998

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 333-17895

Rayovac Corporation

(Exact name of registrant as specified in its charter)

Wisconsin

22-2423556

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

601 Rayovac Drive, Madison, Wisconsin 53711

(Address of principal executive offices) (Zip Code)

(608) 275-3340

(Registrant's telephone number, including area code)

(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 X No

The number of shares outstanding of the Registrant's common stock, \$.01
par value per share, as of August 4, 1998, was 27,441,266.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAYOVAC CORPORATION
Condensed Consolidated Balance Sheets
As of June 27, 1998 and September 30, 1997
(In thousands, except per share amounts)

-ASSETS-

June 27, 1998

September 30, 1997

(Unaudited)

Current assets:

Cash and cash equivalents

\$ 1,624

\$ 1,133

Receivables	76,547	79,669
Inventories	63,357	58,551
Prepaid expenses and other	15,223	15,027
	-----	-----
Total current assets	156,751	154,380
Property, plant and equipment, net	68,595	65,511
Deferred charges and other	28,439	16,990
	-----	-----
Total assets	\$ 253,785	\$ 236,881
	=====	=====
-LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)-		
Current liabilities:		
Current maturities of long-term debt	\$ 1,875	\$ 23,880
Accounts payable	48,127	57,259
Accrued liabilities:		
Wages and benefits and other	24,633	34,812
Recapitalization and other special charges	8,176	4,612
	-----	-----
Total current liabilities	82,811	120,563
Long-term debt, net of current maturities	140,244	183,441
Employee benefit obligations, net of current portion	8,111	11,291
Other	3,571	2,181
	-----	-----
Total liabilities	234,737	317,476
Shareholders' equity (deficit):		
Common stock, \$.01 par value, authorized 150,000 and 90,000 shares respectively; issued 56,885 and 50,000 shares respectively; outstanding 27,441 and 20,581 shares, respectively	569	500
Additional paid-in capital	105,097	15,974
Foreign currency translation adjustments	2,238	2,270
Notes receivable from officers/shareholders	(986)	(1,658)
Retained earnings	40,747	31,321
	-----	-----
	147,665	48,407
Less stock held in trust for deferred compensation plan, 24 and 160 shares, respectively	(145)	(962)
Less treasury stock, at cost, 29,444 and 29,419 shares, respectively	(128,472)	(128,040)
	-----	-----
Total shareholders' equity (deficit)	19,048	(80,595)
	-----	-----
Total liabilities and shareholders' equity (deficit)	\$253,785	\$236,881
	=====	=====

See accompanying notes which are an integral part of these statements.

RAYOVAC CORPORATION
Condensed Consolidated Statements of Operations
For the three month and nine month periods ended June 27, 1998 and June 28, 1997
(Unaudited)
(In thousands, except per share amounts)

	THREE MONTHS		NINE MONTHS	
	1998	1997	1998	1997
	----	----	----	----
Net sales	\$ 111,054	\$ 95,466	\$ 357,130	\$ 321,021
Cost of goods sold	57,830	52,217	185,730	178,359
	-----	-----	-----	-----
Gross profit	53,224	43,249	171,400	142,662
Selling	31,835	25,837	105,511	87,110
General and administrative	9,179	7,335	26,542	22,599
Research and development	1,537	1,351	4,571	4,781
Other special charges	985	223	5,002	4,940
	-----	-----	-----	-----
Total operating expenses	43,536	34,746	141,626	119,430
Income from operations	9,688	8,503	29,774	23,232
Other expense (income):				
Interest expense	3,501	5,438	11,816	18,884
Other expense (income)	24	(107)	(335)	207
	-----	-----	-----	-----
	3,525	5,331	11,481	19,091
Income before income taxes and extraordinary item	6,163	3,172	18,293	4,141
Income tax expense	2,314	520	6,892	829
	-----	-----	-----	-----
Income before extraordinary item	3,849	2,652	11,401	3,312
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of \$1,263	--	--	1,975	--
	-----	-----	-----	-----
Net income	\$ 3,849	\$ 2,652	\$ 9,426	\$ 3,312
	=====	=====	=====	=====
Average shares outstanding	27,435	20,581	26,136	20,513
Basic earnings per share				
Income before extraordinary item	\$ 0.14	\$ 0.13	\$ 0.44	\$ 0.16
Extraordinary item	--	--	(0.08)	--
	-----	-----	-----	-----
Net income	\$ 0.14	\$ 0.13	\$ 0.36	\$ 0.16
	=====	=====	=====	=====
Average shares and common stock equivalents outstanding	29,226	20,611	27,743	20,542
Diluted earnings per share				
Income before extraordinary item	\$ 0.13	\$ 0.13	\$ 0.41	\$ 0.16
Extraordinary item	--	--	(0.07)	--
	-----	-----	-----	-----
Net income	\$ 0.13	\$ 0.13	\$ 0.34	\$ 0.16
	=====	=====	=====	=====

See accompanying notes which are an integral part of these statements.

RAYOVAC CORPORATION
Condensed Consolidated Statements
of Cash Flows For the nine month periods
ended June 27, 1998 and June 28, 1997
(Unaudited)
(In thousands)

	1998	1997
Cash flows from operating activities:		
Net income	\$ 9,426	\$ 3,312
Non-cash adjustments to net income:		
Amortization	2,331	3,171
Depreciation	8,513	8,678
Other non-cash adjustments	(2,190)	(885)
Net changes in other assets and liabilities, net of effects from acquisitions	(24,967)	18,350
	-----	-----
Net cash (used) provided by operating activities	(6,887)	32,626
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,666)	(5,074)
Proceeds from sale of property, plant and equipment	3,327	50
Payment for acquisitions	(9,224)	-
Other	-	(215)
	-----	-----
Net cash used by investing activities	(17,563)	(5,239)
Cash flows from financing activities:		
Reduction of debt	(139,644)	(140,949)
Proceeds from debt financing	73,959	113,573
Proceeds from issuance of common stock	90,024	-
Other	625	486
	-----	-----
Net cash provided (used) by financing activities	24,964	(26,890)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(23)	4
	-----	-----
Net increase in cash and cash equivalents	491	501
Cash and cash equivalents, beginning of period	1,133	4,255
	-----	-----
Cash and cash equivalents, end of period	\$ 1,624	\$ 4,756
	=====	=====

See accompanying notes which are an integral part of these statements.

RAYOVAC CORPORATION

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In thousands, except per share amounts)

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These financial statements have been prepared by Rayovac Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of the Company at June 27, 1998, results of operations for the three and nine month periods ended June 27, 1998 and June 28, 1997, and cash flows for the nine month periods ended June 27, 1998 and June 28, 1997. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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 financial statements and notes thereto as of September 30, 1997.

Derivative Financial Instruments: Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures.

The Company uses interest rate swaps to manage its interest rate risk. The net amounts to be paid or received under interest rate swap agreements designated as hedges are accrued as interest rates change and are recognized over the life of the swap agreements, as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the counter-parties are included in accrued liabilities or accounts receivable. The Company has entered into an interest rate swap agreement which effectively fixes the interest rate on floating rate debt at a rate of 6.16% for a notional principal amount of \$62,500 through October 1999. The fair value of this contract at June 27, 1998 was (\$425).

The Company has entered into an amortizing cross currency interest rate swap agreement related to financing the acquisition of Brisco (as defined herein). The agreement effectively fixes the interest and foreign exchange on floating rate debt denominated in U.S. Dollars at a rate of 5.34% denominated in German Marks. The unamortized notional principal amount at June 27, 1998 is approximately \$4,500. The fair value at June 27, 1998 was \$98.

The Company enters into forward foreign exchange contracts to mitigate the risk from anticipated settlement in local currencies of intercompany purchases and sales. These contracts generally require the Company to exchange foreign currencies for U.S. dollars. The contracts are marked to market and the related adjustment is recognized in other expense (income). The related amounts payable to, or receivable from, the counter-parties are included in accounts payable, or accounts receivable. The Company has approximately \$5,300 of such forward exchange contracts at June 27, 1998. The fair value at June 27, 1998, approximated the contract value.

The Company also enters into forward foreign exchange contracts to hedge the risk from anticipated settlement in local currencies of trade sales. These contracts generally require the Company to exchange foreign currencies for Pounds Sterling. The related amounts receivable from the trade customers are included in accounts receivable. The Company has approximately \$4,000 of such forward exchange contracts at June 27, 1998. The fair value at June 27, 1998 was (\$76).

The Company enters into forward foreign exchange contracts to hedge the risk from settlement in local currencies of trade purchases. These contracts generally require the Company to exchange foreign currencies for U.S. Dollars or Pounds Sterling. The Company has entered into foreign exchange contracts to hedge payment obligations denominated in Japanese Yen under a commitment to purchase certain production equipment from Matsushita. The Company has approximately \$6,700 of such forward exchange contracts outstanding at June 27, 1998. The fair value at June 27, 1998 was (\$666).

The Company is exposed to risk from fluctuating prices for zinc and silver commodities used in the manufacturing process. The company hedges some of this risk through the use of commodity swaps, calls and puts. The swaps effectively fix the floating price on a specified quantity of a commodity through a specified date. Buying calls allows the Company to purchase a specified quantity of a commodity for a fixed price through a specified date. Selling puts allows the buyer of the put to sell a specified quantity of a commodity to the Company for a fixed price through a specific date. The maturity of, and the quantities covered by, the contracts highly correlate to the Company's anticipated purchases of the commodities. The cost of the calls and the premiums received from the puts are amortized over the life of the contracts and are recorded in cost of goods sold, along with the effects of the swap, put and call contracts.

At June 27, 1998, the Company had entered into a series of swaps for zinc with a contract value of approximately \$5,800 for the period June 1998 through September 1999. At June 27, 1998, the Company had purchased a series of calls with a contract value of approximately \$2,400 and sold a series of puts with a contract value of approximately \$2,200 for portions of the period from June 1998 through March 1999, designed to set a ceiling and floor price for zinc. While these transactions have no carrying value, the fair value of these contracts was approximately (\$800) at June 27, 1998.

At June 27, 1998, the Company had entered into a series of swaps for silver with a contract value of approximately \$1,100 for the period June 1998 through September 1998. While these transactions have no carrying value, the fair value of these contracts at June 27, 1998 approximated the contract value.

2 INVENTORIES

Inventories consist of the following:

	June 27, 1998 -----	September 30, 1997 -----
Raw material	\$22,241	\$23,291
Work-in-process	17,803	15,286
Finished goods	23,314	19,974
	-----	-----
	\$63,357	\$58,551
	=====	=====

3 EARNINGS PER SHARE DISCLOSURE

Earnings per share is calculated based upon the following:

	Three Months Ended June 27, 1998 -----			Three Months Ended June 28, 1997 -----		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income before extraordinary item	\$3,849			\$2,652		
Basic EPS						
Income available to common shareholders	\$3,849	27,435	\$0.14	\$2,652	20,581	\$0.13
	-----		-----	-----		-----
Effect of Dilutive Securities						
Stock Options		1,791			30	
		-----			-----	
Diluted EPS						
Income available to common shareholders plus assumed conversion	\$3,849	29,226	\$0.13	\$2,652	20,611	\$0.13
	=====	=====	=====	=====	=====	=====

	Nine Months Ended June 27, 1998			Nine Months Ended June 28, 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Income before extraordinary item	\$11,401			\$3,312		
Basic EPS						
Income available to common shareholders	11,401	26,136	\$0.44	3,312	20,513	\$0.16
Effect of Dilutive Securities						
Stock Options		1,607			29	
Diluted EPS						
Income available to common shareholders plus assumed conversion	\$11,401	27,743	\$0.41	\$3,312	20,542	\$0.16

4 COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements to purchase certain equipment and to pay annual royalties. In a December 1991 agreement, the Company committed to pay annual royalties of \$1.5 million for the first five years, beginning in 1993, plus \$0.5 million for each year thereafter, as long as the related equipment patents are enforceable (2012). In a March 1994 agreement, the Company committed to pay \$0.5 million in 1994 and annual royalties of \$0.5 million for five years beginning in 1995. In a March 1998 agreement which supersedes the previous agreements, the Company committed to pay \$2.0 million in 1998 and 1999, \$3.0 million in 2000 through 2002 and \$0.5 million in each year thereafter, as long as the related equipment patents are enforceable (2022). Additionally, the Company has committed to purchase tooling of \$0.6 million related to this equipment.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. In addition, the Company, together with other parties, has been designated a potentially responsible party of various third-party sites on the United States EPA National Priorities List (Superfund). The Company provides for the estimated costs of investigation and remediation of these sites when such losses are probable and the amounts can be reasonably estimated. The actual cost incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of the amounts provided of \$1.5 million, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity, or cash flows of the Company.

5 OTHER

During the 1998 Fiscal First Quarter, the Company recorded a pre-tax credit of \$1.2 million related to the buyout of deferred compensation agreements with certain former employees.

In the 1998 Fiscal Second Quarter the Company recorded special charges and credits as follows: (i) \$3.9 million related to (a) the closing by September 1998 of the Company's Newton Aycliffe, United Kingdom, packaging facility, (b) the phasing out of direct distribution by June 1998 in the United Kingdom, and (c) the closing before the end of fiscal 1998 of one of the Company's German sales offices, which amount includes \$1.8 million of employee termination benefits for 73 employees, \$1.0 million of lease cancellation costs, and \$1.0 million of equipment and intangible asset write-offs, (ii) \$2.0 million related to the closing by April 1999 of the Company's Appleton, Wisconsin, manufacturing facility, which amount includes \$1.6 million of employee termination benefits for 141 employees, \$0.2 million of asset write-offs and \$0.2 million of other costs, (iii) \$1.7 million related to the exit by January 1999 of certain manufacturing operations at the Company's Madison, Wisconsin, facility, which amount includes \$0.3 million of employee termination benefits for 34 employees, \$1.3 million of asset write-offs, and \$0.1 million of other costs, and (iv) a \$2.4 million gain on the sale of the Company's previously closed Kinston, North Carolina, facility.

1998 Restructuring Summary

	Termination Benefits -----	Other Costs -----	Total -----
Expense accrued	\$3.7	\$3.8	\$7.5
Balance 3/28/98	\$3.7	\$3.8	\$7.5
	====	====	====
Change in estimate	--	--	--
Expensed as incurred	--	0.2	0.2
Expenditures	(0.7)	(1.4)	(2.1)
	----	----	----
Balance 6/27/98	3.0	2.6	5.6*
	====	====	====

*The Company anticipates the amounts will be paid by the end of fiscal 1999.

During the year ended September 30, 1997, the Company recorded special charges as follows: (i) \$2.5 million of charges related to the exit by early fiscal 1998 of certain manufacturing and distribution operations at the Company's Kinston, North Carolina facility, which amount includes \$1.1 million of employee termination benefits for 137 employees, (ii) \$1.4 million of employee termination benefits for 71 employees related to organizational restructuring in Europe and the exit of certain manufacturing operations in the Company's Newton Aycliffe, United Kingdom facility which the Company expects to complete in fiscal 1998, (iii) \$2.0 million of charges for employee termination benefits for 77 employees related to organizational restructuring in the United States which the Company expects to complete in fiscal 1998. The number of employees anticipated to be terminated was approximately equal to the actual numbers referenced above. The charges were partially offset by a \$2.9 million gain related to the curtailment of the Company's defined benefit pension plan covering all domestic non-union employees. A summary of the restructuring activities follows.

1997 Restructuring Summary

	Termination Benefits -----	Other Costs -----	Total -----
Expenses accrued	\$4.0	\$0.6	\$4.6
Change in estimate	0.5	0.6	1.1
Expensed as incurred	--	0.2	0.2
Expenditures	(3.3)	(0.7)	(4.0)
	----	----	----
Balance 9/30/97	\$1.2	\$0.7	\$1.9
	====	====	====
Change in estimate	--	--	--
Expensed as incurred	--	--	--
Expenditures	(0.7)	--	(0.7)
	----	----	----
Balance 12/27/97	\$0.5	\$0.7	\$1.2
	====	====	====
Change in estimate	(0.1)	(0.4)	(0.5)
Expensed as incurred	--	--	--
Expenditures	(0.2)	(0.2)	(0.4)
	----	----	----
Balance 3/28/98	\$0.2	\$0.1	\$0.3
	====	====	====

Change in estimate	--	--	--
Expensed as incurred	--	--	--
Expenditures	--	(0.1)	(0.1)
	----	----	----
Balance 6/27/98	\$0.2	--	\$0.2
	====	====	====

In the 1998 Fiscal First Quarter, the Company acquired Brisco GmbH in Germany and Brisco B.V. in Holland (collectively "Brisco"), a distributor of hearing aid batteries for \$4.9 million. Brisco recorded calendar 1997 sales of \$4.5 million.

In the 1998 Fiscal Second Quarter, the Company acquired Direct Power Plus of New York ("DPP"), a full line marketer of rechargeable batteries and accessories for cellular phones and video camcorders for \$4.7 million. DPP recorded sales of \$2.2 million and \$4.4 million in the 1998 Fiscal Second Quarter and Third Quarter respectively.

In the 1998 Fiscal Third Quarter, the Company acquired the battery distribution portion of Best Labs, St. Petersburg, Florida, a distributor of hearing aid batteries and a manufacturer of hearing instruments for \$2.1 million. The acquired portion of Best Labs had net sales of approximately \$2.6 million in calendar 1997. Also in the quarter, the Thomas H. Lee Group and its affiliates sold approximately 5.3 million shares and certain Rayovac officers and employees sold approximately 1.1 million shares in a secondary offering of common stock. The Company did not receive any proceeds from the sale of the shares but incurred expenses for the offering of approximately \$0.8 million.

6 SUBSEQUENT EVENTS

On June 29, 1998, the Company amended their March 13, 1998 Stock Purchase Agreement (the "DPP Agreement") for Direct Power Plus, Inc. ("DPP"), a full line marketer of rechargeable batteries and accessories for cellular phones and video camcorders. This amendment resulted in a payment of \$1.4 million on June 30, 1998 to a former shareholder of DPP in return for the cancellation of future incentive payments under the DPP Agreement.

7 GUARANTOR SUBSIDIARY

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

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidating Balance Sheets
As of June 27, 1998
(In thousands)

-ASSETS-

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	-----	-----	-----	-----	-----
Current assets:					
Cash and cash equivalents	\$ 863	\$ 45	\$ 716	\$ --	\$ 1,624
Receivables	67,475	843	15,463	(7,234)	76,547
Inventories	52,046	--	11,315	(4)	63,357
Prepaid expenses and other	13,776	342	1,105	--	15,223
Total current assets	134,160	1,230	28,599	(7,238)	156,751
Property, plant and equipment, net	63,596	--	4,999	--	68,595
Deferred charges and other	28,204	--	4,863	(4,628)	28,439
Investment in subsidiaries	15,582	13,977	--	(29,559)	--
Total assets	\$ 241,542	\$ 15,207	\$ 38,461	\$ (41,425)	\$ 253,785
	=====	=====	=====	=====	=====

-LIABILITIES AND SHAREHOLDERS' EQUITY-

Current liabilities:					
Current maturities of long-term debt	\$ 690	\$ --	\$ 2,132	\$ (947)	\$ 1,875
Accounts payable	43,116	--	10,949	(5,938)	48,127
Accrued liabilities:					
Wages and benefits and other	20,089	(605)	5,143	6	24,633
Recapitalization and other special charges	5,558	--	2,618	--	8,176
Total current liabilities	69,453	(605)	20,842	(6,879)	82,811
Long-term debt, net of current maturities	140,106	--	3,454	(3,316)	140,244
Employee benefit obligations, net of current portion	8,111	--	--	--	8,111
Other	3,153	230	188	--	3,571
Total liabilities	220,823	(375)	24,484	(10,195)	234,737
Shareholders' equity:					
Common stock	569	--	12,072	(12,072)	569
Additional paid-in capital	105,097	3,525	750	(4,275)	105,097
Foreign currency translation adjustment	2,238	2,238	2,238	(4,476)	2,238
Notes receivable from officers/shareholders	(986)	--	-	--	(986)
Retained earnings	42,418	9,819	(1,083)	(10,407)	40,747
Total shareholders' equity	149,336	15,582	13,977	(31,230)	147,665
Less stock held in trust for deferred compensation	(145)	--	--	--	(145)
Less treasury stock	(128,472)	--	--	--	(128,472)
Total shareholders' equity	20,719	15,582	13,977	(31,230)	19,048
Total liabilities and shareholders' equity	\$ 241,542	\$ 15,207	\$ 38,461	\$ (41,425)	\$ 253,785
	=====	=====	=====	=====	=====

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Operations
For the three month period ended June 27, 1998
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	-----	-----	-----	-----	-----
Net sales	\$97,832	\$ --	\$19,171	\$(5,949)	\$111,054
Cost of goods sold	52,491	--	11,293	(5,954)	57,830
Gross profit	45,341	--	7,878	5	53,224
Selling	28,081	--	3,754	--	31,835
General and administrative	7,017	(264)	2,444	(18)	9,179
Research and development	1,537	--	--	--	1,537
Other special charges	800	--	185	--	985
Total operating expenses	37,435	(264)	6,383	(18)	43,536
Income from operations	7,906	264	1,495	23	9,688
Other expense:					
Interest expense	3,358	--	143	--	3,501
Equity in profit of subsidiary	(852)	(77)	--	929	-
Other expense, net	(152)	7	169	--	24
Income before income taxes and extraordinary item	5,552	334	1,183	(906)	6,163
Income taxes	1,726	(518)	1,106	--	2,314
Income before extraordinary item	3,826	852	77	(906)	3,849
Extraordinary item	--	--	--	--	--
Net income	\$ 3,826	\$852	\$ 77	\$ (906)	\$ 3,849
	=====	=====	=====	=====	=====

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Operations
For the nine month period ended June 27, 1998
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	-----	-----	-----	-----	-----
Net sales	\$ 314,258	\$ --	\$ 63,207	\$ (20,335)	\$ 357,130
Cost of goods sold	166,937	--	39,142	(20,349)	185,730
	-----	-----	-----	-----	-----
Gross profit	147,321	--	24,065	14	171,400
Selling	91,789	--	13,722	--	105,511
General and administrative	20,615	(740)	6,721	(54)	26,542
Research and development	4,571	--	--	--	4,571
Other special charges	855	--	4,147	--	5,002
	-----	-----	-----	-----	-----
Total operating expenses	117,830	(740)	24,590	(54)	141,626
Income (loss) from operations	29,491	740	(525)	68	29,774
Other expense (income):					
Interest expense	11,433	--	383	--	11,816
Equity in profit of subsidiary	497	1,610	--	(2,107)	--
Other expense (income)	(496)	3	158	--	(335)
	-----	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary item	11,434	1,613	541	(2,107)	11,481
	-----	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary item	18,057	(873)	(1,066)	2,175	18,293
Income taxes	6,724	(376)	544	--	6,892
	-----	-----	-----	-----	-----
Income (loss) before extraordinary item	11,333	(497)	(1,610)	2,175	11,401
Extraordinary item	1,975	--	--	--	1,975
	-----	-----	-----	-----	-----
Net income (loss)	<u>\$ 9,358</u>	<u>\$ (497)</u>	<u>\$ (1,610)</u>	<u>\$ 2,175</u>	<u>\$ 9,426</u>

RAYOVAC CORPORATION AND SUBSIDIARIES
Condensed Consolidating Statements of Cash Flows
For the nine month period ended June 27, 1998
(In thousands)

	Parent	Guarantor Subsidiary	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
	-----	-----	-----	-----	-----
Net cash provided (used) by operating activities	\$ (14,049)	\$ (1)	\$ 2,900	\$ 4,263	\$ (6,887)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(10,697)	--	(969)	--	(11,666)
Proceeds from sale of property, plant, and equip.	3,327	--	--	--	3,327
Payment for acquisitions	(4,371)	--	(4,853)	--	(9,224)
Net cash used by investing activities	(11,741)	--	(5,822)	--	(17,563)
Cash flows from financing activities:					
Reduction of debt	(135,659)	--	(3,985)	--	(139,644)
Proceeds from debt financing	71,030	--	7,192	(4,263)	73,959
Proceeds from issuance of common stock	90,024	--	--	--	90,024
Other	625	--	--	--	625
Net cash provided by financing activities	26,020	--	3,207	(4,263)	24,964
Effect of exchange rate changes on cash and cash equivalents	--	--	(23)	--	(23)
Net increase (decrease) in cash and cash equivalents	230	(1)	262	--	491
Cash and cash equivalents, beginning of period	633	46	454	--	1,133
Cash and cash equivalents, end of period	\$ 863	\$ 45	\$ 716	\$ --	\$ 1,624
	=====	=====	=====	=====	=====

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

Fiscal Quarter and Nine Months Ended June 27, 1998 Compared to Fiscal Quarter and Nine Months Ended June 28, 1997.

Net Sales. Net sales for the three months ended June 27, 1998 (the "1998 Fiscal Quarter") increased \$15.6 million, or 16.3%, to \$111.1 million from \$95.5 million in the three months ended June 28, 1997 (the "1997 Fiscal Quarter"). The increase was driven by increased sales of alkaline, alkaline rechargeable, hearing aid and specialty batteries somewhat offset by the continued decline in the domestic heavy duty battery market.

Alkaline sales in the 1998 Fiscal Quarter increased 19.1%, or \$7.8 million, to \$48.7 million from \$40.9 million in the same period a year ago. This growth was driven by strong promotional programs, new customers, and expanded distribution with existing customers which resulted in increased market share. Alkaline rechargeable sales in the 1998 Fiscal Quarter increased 45.7% to \$6.7 million due primarily to increased distribution of rechargeables with a major retailer of rechargeables. Hearing aid battery sales increased 18.9% in the 1998 Fiscal Quarter due primarily to market growth, increased distribution and the acquisitions of Brisco and Best Labs.

Within specialty batteries, the acquisition of Direct Power Plus ("DPP") in the prior quarter resulted in approximately \$4.4 million of increased sales in the 1998 Fiscal Quarter over the comparable prior year period.

Heavy duty sales decreased \$2.0 million for the 1998 Fiscal Quarter to \$7.7 million from \$9.3 million in the 1997 Fiscal Quarter. The Company believes that retailers continue to de-emphasize the heavy duty category, reducing or eliminating distribution. To date, the Company has been able to replace most of the lost distribution with its alkaline product.

For the nine months ended June 27, 1998 (the "1998 nine months"), net sales were \$357.1 million, up \$36.1 million, or 11.2%, from \$321.0 million for the comparable prior year period. The increased sales were due primarily to alkaline, hearing aid, and specialty batteries somewhat offset by declines in heavy duty batteries.

Alkaline sales for the 1998 nine months increased 23.6%, or \$32.9 million, to \$172.3 million from \$139.4 million in the comparable period of the prior year. Strong promotions, new customers, and increased distribution in existing customers were the primary drivers of the increased alkaline sales.

Hearing aid sales through June 1998, increased 12.4% compared to the same period in the prior year due primarily to the impact of the Brisco and Best Labs acquisitions and strong growth in the market.

Specialty battery sales for the nine months ended June 1998 increased \$9.6 million to \$11.7 million. The DPP acquisition accounted for \$6.5 million of the increase while the new photo and keyless entry product lines accounted for \$2.7 million.

Gross Profit. Gross Profit for the 1998 Fiscal Quarter increased \$10.0 million, or 23.1%, to \$53.2 million from \$43.2 million in the 1997 Fiscal Quarter due primarily to sales volume increases and the shift in sales to higher margin alkaline batteries away from lower margin heavy duty batteries. Gross profit margins increased to 47.9% in the 1998 Fiscal Quarter from 45.2%, primarily as a result of the improving product mix (more alkaline) and continued alkaline manufacturing cost improvements.

For the nine months ended June 1998, gross profit increased \$28.8 million, or 20.2%, to \$171.4 million from \$142.6 million for the comparable prior year period. As a percentage of sales, gross profit increased to 48.0% from 44.4% for the comparable prior year period. These increases reflect the 1997 price increase on alkaline, improved sales mix (more alkaline), and continuing alkaline manufacturing cost improvements.

Selling Expense. Selling expense for the 1998 Fiscal Quarter increased \$6.0 million, or 23.3%, to \$31.8 million from \$25.8 million in the comparable prior year quarter. As a percent of sales, selling expense increased to 28.6% in the 1998 quarter from 27.0% in the 1997 Fiscal Quarter. The increase in dollars and as a percent of sales is due primarily to increased advertising and promotional spending to generate increased sales. Expenses related to gaining new distribution have also increased compared to the prior year.

For the nine months ended June 1998, selling expense increased \$18.4 million, or 21.1%, to \$105.5 million from \$87.1 million. As a percent of sales, selling expense increased to 29.5% from 27.1% due primarily to continued increased advertising and promotional expense.

General and Administrative Expense. General and administrative expense increased \$1.9 million, or 26.0%, to \$9.2 million in the 1998 Fiscal Quarter from \$7.3 million in the prior year period primarily as a result of increased costs associated with information systems improvements. In addition, the 1997 Fiscal Quarter included a \$0.5 million gain on the disposal of excess manufacturing equipment.

For the nine months ended June 1998, general and administrative expense increased \$3.9 million, or 17.3%, to \$26.5 million from \$22.6 million for the comparable prior year period. This increase is primarily due to information system improvements, increased expenses associated with being a publicly held company, acquisitions, and the gain on equipment disposal mentioned above.

Research and Development Expense. Research and development expense was \$1.5 million for the 1998 Fiscal Quarter, up \$0.1 million from the 1997 Fiscal Quarter. For the nine months ended June 1998, research and development expense decreased \$0.2 million, or 4.2%, to \$4.6 million from \$4.8 million for the comparable prior year period primarily due to battery tester development expense in the prior year that was discontinued.

Other Special Charges. The Company recorded \$1.0 million of special charges during the 1998 Fiscal Quarter which includes \$0.8 million related to the expenses incurred by the Company in connection with a secondary offering of the Company's stock and \$0.2 million of costs related to previously announced restructuring activities. In the 1997 Fiscal Quarter, the Company recorded charges of \$0.2 million related to the closing of its North Carolina facility.

Through the first nine months of Fiscal 1998, the Company recorded \$5.0 million of special charges. In addition to the \$1.0 million recorded this quarter, \$7.6 million was recorded for the restructuring of domestic and international operations announced in March 1998 offset by a \$2.4 million gain on the sale of the Company's previously closed North Carolina facility and income of \$1.2 million in connection with the buy-out of deferred compensation agreements with certain former employees. For the nine months ended June 1997, the Company recorded charges of \$4.9 million for organizational restructuring in the U.S., the discontinuation of certain manufacturing operations in the U.K., and the closing of the North Carolina facility.

Income From Operations. Income from operations increased \$1.2 million, or 14.1%, to \$9.7 million in the 1998 Fiscal Quarter from \$8.5 million in the 1997 Fiscal Quarter. Increased income generated by sales and gross profit improvements was somewhat offset by the increased operating expenses necessary to generate the increased sales. Income from operations before special charges increased \$2.0 million, or 23.0%, to \$11.7 million for the 1998 Fiscal Quarter from \$9.7 million in the 1997 Fiscal Quarter.

For the nine months ended June 1998, income from operations increased \$6.6 million, or 28.4%, to \$29.8 million from \$23.2 million for the comparable prior year period. This increase is due primarily to increased sales and gross profit margins offset by increased selling and general and administrative expense. As a percent of sales income from operations increased to 8.3% from 7.2% for the nine months driven by improved gross profit margins.

Interest Expense. Interest expense decreased \$1.9 million, or 35.2%, to \$3.5 million for the 1998 Fiscal Quarter from \$5.4 million for the 1997 Fiscal Quarter. The decrease is primarily a result of decreased indebtedness due to the Company's initial public offering ("IPO") completed in November 1997.

For the nine months ended June 1998, interest expense decreased \$7.1 million, or 37.6%, to \$11.8 million from \$18.9 million for the comparable prior year period. In addition to the effects of the IPO, the decrease was also impacted by the inclusion in 1997 of a \$2.0 million write-off of unamortized debt issuance costs.

Other Expense (Income). Interest income was offset by foreign exchange loss for the 1998 Fiscal Quarter. In the 1997 Fiscal Quarter interest income and foreign exchange gain equaled \$0.1 million.

For the nine months ended June 1998, interest income was \$0.3 million, up \$0.1 million from the prior year. Foreign exchange losses of \$0.4 million in the prior year nine month period were not repeated in the current year nine month period.

Income Tax Expense. The Company's effective tax rate for the 1998 Fiscal Quarter was 37.5% compared to 16.4% for the 1997 Fiscal Quarter. The 1998 rate includes the non-deductibility of \$0.8 million of secondary offering expenses offset by a favorable true-up of the tax provision related to the Company's September 1997 tax return. The 1997 rate includes favorable impacts due to the true-up of the tax provision related to the Company's June 1996 tax return and certain tax benefits related to a U.K. excess equipment sale.

For the nine months ended June 1998 the Company's effective tax rate was 37.7% compared to 20.0% for the comparable prior year period. The prior year period effective rate includes favorable impacts of the 1996 tax return and the U.K. equipment sale as discussed above. The impact is slightly less than for the quarter because it is spread over nine versus three months earnings.

Extraordinary Item. For the nine months ended June 1998, the Company recorded extraordinary expense of \$2.0 million, net of income tax, for the premium payment on the redemption of a portion of the Company's Senior Subordinated Notes.

Net Income. Net income for the 1998 Fiscal Quarter was \$3.9 million, a \$1.2 million, or 44.4%, improvement from \$2.7 million for the 1997 Fiscal Quarter due primarily to increased income from operations and decreased interest expense as discussed above.

For the nine months ended June 1998 net income increased \$6.1 million, or 184.8%, to \$9.4 million from \$3.3 million in the comparable prior year period even after the \$2.0 million extraordinary item discussed above. This reflects the impact of top line sales growth, improved product mix of sales and improvement in margins.

Liquidity and Capital Resources

For the nine months ended June 1998, operating activities used \$6.9 million of cash compared to generating \$32.6 million for the nine months ending June 1997. During the nine months of fiscal 1998, cash flow from operating activities before working capital requirements generated \$18.1 million compared to \$14.3 million in the comparable prior year period. Working capital used \$25.0 million of cash in the 1998 period primarily due to lower current liabilities and increased inventories. During the 1997 period working capital generated \$18.3 million primarily from decreased inventories. Costs associated with announced restructuring activities have been and are expected to be funded with cash provided from operating activities.

Capital expenditures for the nine months ended June 1998 were \$11.7 million, an increase of \$6.6 million from \$5.1 million for the comparable prior year period. This increase reflects continued spending on the implementation of new computer systems and the down payment on a new alkaline production line. The Company currently expects capital spending for fiscal 1998 to be approximately \$18.0 million due to alkaline capacity expansion, building expansion at the Company's Portage, Wisconsin, facility related to the restructuring of button cell manufacturing, and the continued implementation of the new SAP computer system.

The SAP system is also expected to substantially address the Company's Year 2000 issue. The Company has an internal project team identifying, correcting, and testing the remaining systems for Year 2000 compliance. The Company expects to incur internal staff costs as well as consulting and other expenses. Management currently estimates completion of Year 2000 compliance in mid-1999 at an estimated cost of \$1.0 million in addition to the SAP system implementation. The Company believes that the Year 2000 issue will not pose significant operational problems for the Company's computer systems after modifications to existing software and the conversion to new software. However, there can be no assurance that unforeseen difficulties will not arise for any of the Company, its customers or vendors and that related costs will not thereby be incurred.

During the nine months ended June 1998 the Company's Board of Directors granted approximately 438,000 stock options to various members of management under the 1996 Stock Option Plan and the 1997 Rayovac Incentive Plan. All grants have been at market price on the effective date of grant which ranged from \$15.875 to \$22.88 per share.

On March 30, 1998, the Company acquired the battery distribution portion of Best Labs, St. Petersburg, Florida, for \$2.1 million of which \$1.7 million was cash and \$0.4 million was a trade receivable owed by Best Labs to the Company which was offset.

The Company also acquired DPP and Brisco during the nine months of fiscal 1998 for \$4.7 million and \$4.9 million respectively of which \$7.6 million is cash already paid and \$0.5 million will be paid after a specified time for resolution of related claims. The Company also sold its previously closed North Carolina facility for approximately \$3.3 million during the 1998 nine month period.

The Company believes that cash flow from operating activities and periodic borrowings under its existing credit facilities will be adequate to meet the Company's short-term and long-term liquidity requirements prior to maturity of those credit facilities, although no assurance can be given in that regard. The Company's current credit facilities include a revolving credit facility of \$90.0 million of which \$68.8 million was outstanding at June 27, 1998, with approximately \$3.2 million utilized for outstanding letters of credit and an acquisition facility of \$70.0 million of which \$5.9 million was outstanding at June 27, 1998.

Impact of Recently Issued Accounting Standards

In March 1998 the Emerging Issues Task Force ("EITF") reached a consensus on Issue 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested". The Company has such a trust which held approximately 160,000 shares of the Company's common stock which holdings may be diversified among other investment options. During the third fiscal quarter of 1998 the trust sold approximately 136,000 shares of the Company's stock as part of the secondary offering. The proceeds have been diversified among other investment options within the trust. Currently the Company has recorded a deferred compensation liability equal to the historical cost of all shares, approximately \$1.0 million, all of which relate to awards made prior to the EITF March consensus. The EITF is expected to discuss transition treatment for deferred compensation awards prior to March at a future meeting. It is therefore uncertain what treatment may be required. The Company may be required to mark the deferred

compensation liability to market by recording compensation expense. The Company estimates this could result in a charge to earnings, net of tax, of approximately \$1.4 million.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit	Description
3.1*	Amended and Restated Articles of Incorporation of the Company.
3.2*	Amended and Restated By-Laws of the Company.
4.1**	Indenture, dated as of October 22, 1996, by and among the Company, ROV Holding, Inc. and Marine Midland Bank, as trustee, relating to the Company's 10 1/4% Senior Subordinated Notes due 2006.
4.2**	Specimen of the Notes (included as an exhibit to Exhibit 4.1).
4.3++	Amended and Restated Credit Agreement, dated as of December 30, 1997, among the Company, the lenders party thereto and Bank of America National Trust and Savings Association ("BoFA"), as Administrative Agent.
4.4**	The Security Agreement dated as of September 12, 1996 by and among the Company, ROV Holding, Inc. and BoFA.
4.5**	The Company Pledge Agreement dated as of September 12, 1996 by and between the Company and BoFA.
4.6***	Shareholders Agreement dated as of September 12, 1996 by and among the Company and the shareholders of the Company referred to therein.
4.7***	Amendment to Rayovac Shareholders Agreement dated August 1, 1997 by and among the Company and the shareholders of the Company referred to therein.
4.8+	Specimen certificate representing the Common Stock.
10.1**	Management Agreement, dated as of September 12, 1996, by and between the Company and Thomas H. Lee Company.
10.2**	Confidentiality, Non-Competition and No-Hire Agreement dated as of September 12, 1996 by and between the Company and Thomas F. Pyle.
10.3**	Employment Agreement, dated as of September 12, 1996, by and

	between the Company and David A. Jones, including the Full Recourse Promissory Note, dated September 12, 1996 by David A. Jones in favor of the Company.
10.4**	Severance Agreement by and between the Company and Trygve Lonnebotn.
10.5**	Severance Agreement by and between the Company and Kent J. Hussey.
10.6**	Severance Agreement by and between the Company and Roger F. Warren.
10.7***	Severance Agreement by and between the Company and Stephen P. Shanesy.
10.8***	Severance Agreement by and between the Company and Merrell M. Tomlin.
10.9**	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993 and December 31, 1995.
10.10**	Building Lease between the Company and SPG Partners, dated May 14, 1985, as amended June 24, 1986 and June 10, 1987.
10.11***	Rayovac Corporation 1996 Stock Option Plan.
10.12***	Rayovac Corporation 1997 Stock Option Plan.
10.13+	1997 Rayovac Incentive Plan.
10.14+	Rayovac Profit Sharing and Savings Plan.
10.15 +++	Technical Collaboration, Sale and Supply Agreement dated as of March 5, 1998 by and among the Company, Matsushita Battery Industrial Co., Ltd. and Matsushita Electric Industrial Co., Ltd.
10.16	Amended and Restated Employment Agreement, dated as of April 27, 1998, by and between the Company and David A. Jones.
10.17	Employment Agreement, dated as of April 27, 1998, by and between the Company and Kent J. Hussey.
10.18	Severance Agreement by and between the Company and Randall J. Steward.
27	Financial Data Schedule.

* -----
 * Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 filed with the Commission on December 23, 1997.

**
 ** Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-17895) filed with the Commission.

*** Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997 filed with the Commission on August 13, 1997.

+ Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-35181) filed with the Commission.

++ Incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-49281) filed with the Commission.

+++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998 filed with the Commission on May 5, 1998.

(b) Reports on Form 8-K. The Company filed a report on Form 8-K on June 15, 1998 discussing the potential effect on the Company of the Emerging Issues Task Force's consensus on Issue 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested."

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 4, 1998

RAYOVAC CORPORATION

By: /s/ Randall J. Steward

Randall J. Steward
Senior Vice President of Finance
and Chief Financial Officer

By: /s/ James A. Broderick

James A. Broderick
Vice President,
General Counsel and Secretary

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is entered into as of the 27th day of April, 1998, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and David A. Jones (the "Executive").

WHEREAS, the Executive and the Company are parties to an Employment Agreement dated September 12, 1996 with respect to the employment of the Executive by the Company (the "1996 Agreement");

WHEREAS, the Executive and the Company wish to modify the terms of the Executive's employment by the Company; and

WHEREAS, the Company desires the benefit of the experience, supervision and services of the Executive and desires to employ the Executive upon the terms and conditions set forth herein; and

WHEREAS, the Executive is willing and able to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Employment Duties and Acceptance. The Company hereby employs the Executive, and the Executive agrees to serve and accept employment, as the Chairman of the Board of Directors and Chief Executive Officer of the Company, reporting directly to the Board of Directors of the Company (the "Board"). In connection therewith, as Chairman of the Board and Chief Executive Officer, the Executive shall oversee and direct the operations of the Company and perform such other duties consistent with the responsibilities of Chairman of the Board and Chief Executive Officer, all subject to the direction and control of

the Board. During the Term (as defined below), the Executive shall devote substantial time to such employment which will be his primary business activity.

2. Term of Employment. Subject to Section 4 hereof, the Executive's employment and appointment hereunder shall be for a term commencing on the date hereof and expiring on April 30, 2001 (the "Term").

3. Compensation. In consideration of the performance by the Executive of his duties hereunder, the Company shall pay or provide to the Executive the following compensation which the Executive agrees to accept in full satisfaction for his services, it being understood that necessary withholding taxes, FICA contributions and the like shall be deducted from such compensation:

- (a) Base Salary. The Executive shall receive a base salary equal to Five Hundred Thousand Dollars (\$500,000) per annum during the Term ("Base Salary"), which Base Salary shall be paid in equal monthly installments each year, to be paid monthly in arrears. The Board will review from time to time the Base Salary payable to the Executive hereunder and may, in its discretion, increase the Executive's Base Salary. Any such increased Base Salary shall be and become the "Base Salary" for purposes of this Agreement.
- (b) Bonus. The Executive shall receive a bonus for each fiscal year ending during the Term, payable annually in arrears, which shall be based, as set forth on Schedule A hereto, on the Company achieving certain annual performance goals established by the Board from time to time (the "Bonus"). The Board may, in its discretion, increase the annual Bonus. Any such increased annual Bonus shall be and become the "Bonus" for such fiscal year for purposes of this Agreement.
- (c) Additional Salary. In addition to the compensation described above,
 - (i) so long as the promissory note (the "Note") of the Execu-

tive attached hereto as Exhibit A is not due and payable in full, the Executive shall receive additional compensation at an initial rate of Thirty-five Thousand Dollars (\$35,000) per annum during the Term, payable (A) at the time the Bonus is payable hereunder, (B) if no Bonus is payable hereunder, at the time the Board determines that no Bonus is payable hereunder or (C) if payment of principal of and interest on the Note is accelerated, at the time of the Executive's payment in full of the Note; provided, however, that to the extent the Note is prepaid, the rate set forth above shall be decreased by the amount by which interest on the Note has been reduced as a result of such prepayment and (ii) the Executive shall also receive an additional \$18,500 per annum during the Term, payable at the time the first monthly installment of Base Salary is payable hereunder and on each anniversary thereafter (all such payments set forth in clauses (i) and (ii) above are referred to herein as the "Additional Salary").

- (d) Insurance Coverages and Pension Plans. The Executive shall be entitled to such insurance, pension and all other benefits as are generally made available by the Company to its executive officers from time to time.
- (e) Stock Options. All stock options previously granted to the Executive shall remain in full force and effect in accordance with their terms. If the Company implements a new stock option program in the future, the Executive may participate to the extent authorized by the Board.
- (f) Vacation. The Executive shall be entitled to four (4) weeks vacation each year.
- (g) Housing and other Expenses. The Executive shall be entitled to reimbursement of all reasonable and documented expenses actually incurred or paid by the Executive in the performance of the Executive's duties under this Agreement, upon presentation of expense state-

ments, vouchers or other supporting information in accordance with Company policy. In addition, the Company will reimburse the Executive for expenses associated with reasonable travel to and from Atlanta and will pay or reimburse the Executive for the reasonable expenses associated with providing the Executive with the use of a suitable home purchased by the Company in the Madison area, other than utilities and maintenance. All expense reimbursements and other perquisites of the Executive are reviewable periodically by the Compensation Committee of the Board, if there be one, or the Board.

- (h) Automobile. The Company shall provide the Executive with the use of a leased automobile suitable for a chief executive officer of a company similar to the Company.
- (i) D&O Insurance. The Executive shall be entitled to indemnification from the Company to the maximum extent provided by law, but not for any action, suit, arbitration or other proceeding (or portion thereof) initiated by the Executive, unless authorized or ratified by the Board. Such indemnification shall be covered by the terms of the Company's policy of insurance for directors and officers in effect from time to time (the "D&O Insurance"). Copies of the Company's charter, by-laws and D&O Insurance will be made available to the Executive upon request.
- (j) Legal Fees. The Company shall pay the Executive's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.
- (k) Retention Bonus; House Sale.

 - (i) If the Executive remains in the employment of the Company through April 30, 2001, then on April 30, 2001, the Company shall pay the Executive an additional amount equal to the sum of that year's annual Base Salary and the

Bonus previously paid or required to be paid pursuant to this Agreement for the last full fiscal year immediately prior to April 30, 2001.

- (ii) If the Company does not terminate the Executive's employment hereunder pursuant to Section 4(a) and the Executive does not terminate his employment hereunder pursuant to Section 4(d) (other than following a Sale as described in the second sentence of Section 4(d)), then on the earlier of April 30, 2001 or the date on which the Executive's employment is terminated, at the request of the Executive or his estate, the Company shall sell to the Executive or his estate fee simple title to the home purchased by the Company for the use of the Executive, free and clear of all liens and encumbrances arising after the date of the Company's acquisition of the home and not created by the Executive other than liens or encumbrances that do not materially affect the use or value thereof; the purchase price shall be equal to the home's depreciated value on the Company's books as of April 30, 2001.

4. Termination.

- (a) Termination by the Company with Cause. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the occurrence of any of the following (any such termination being referred to as a termination for "Cause"):
 - (i) the commission by the Executive of any deliberate and premeditated act taken by the Executive in bad faith against the interests of the Company;
 - (ii) the Executive has been convicted of, or pleads nolo contendere with respect to, any felony, or of any lesser crime or

offense having as its predicate element fraud, dishonesty or misappropriation of the property of the Company;

- (iii) the habitual drug addiction or intoxication of the Executive which negatively impacts his job performance or the Executive's failure of a Company-required drug test;
- (iv) the willful failure or refusal of the Executive to perform his duties as set forth herein or the willful failure or refusal to follow the direction of the Board, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from the Board of such failure or refusal, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such failure or refusal is not remedied within such thirty (30) day period; or
- (v) the Executive breaches any of the terms of this Agreement or any other agreement between the Executive and the Company which breach is not cured within thirty (30) days subsequent to notice from the Company to the Executive of such breach, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such breach is not cured within such thirty (30) day period.

If the definition of termination for "Cause" set forth above conflicts with such definition in the Executive's time-based or performance-based Stock Option Agreement to purchase 455,786 shares of Common Stock at an exercise price of \$4.39 per share (collectively the "Stock Option Agreements"), or any agreements referred to therein, the definition set forth herein shall control.

- (b) Termination by Company for Death or Disability. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the Executive's inability to perform his duties hereunder by reason of any mental, physical or other disability for a period of at least six (6) consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy). The Company's obligations hereunder shall, subject to the provisions of Section 5(b), also terminate upon the death of the Executive.
- (c) Termination by Company without Cause. The Company shall have the right at any time to terminate the Executive's employment for any other reason without Cause upon sixty (60) days prior written notice to the Executive.
- (d) Voluntary Termination by Executive. The Executive shall be entitled to terminate his employment and appointment hereunder upon sixty (60) days prior written notice to the Company, or upon thirty (30) days prior written notice after a Sale (as such term is defined in the Stock Option Agreements). Any such termination shall be treated as a termination by the Company for "Cause" under Section 5, unless notice of such termination was given within thirty (30) days after a Sale (as such term is defined in the Stock Option Agreements), in which case such termination shall be treated in accordance with Section 5(d) hereof.
- (e) Constructive Termination by the Executive. The Executive shall be entitled to terminate his employment and appointment hereunder, without prior notice, upon the occurrence of a Constructive Termination. Any such termination shall be treated as a termination by the Company without Cause. For this purpose, a "Constructive Termination" shall mean:
 - (i) a reduction in Base Salary or Additional Salary (other than as permitted hereby);

- (ii) a reduction in annual Bonus opportunity;
- (iii) a change in location of office of more than seventy-five (75) miles from Madison, Wisconsin;
- (iv) unless with the express written consent of the Executive, (a) the assignment to the Executive of any duties inconsistent in any substantial respect with the Executive's position, authority or responsibilities as contemplated by Section 1 of this Agreement or (b) any other substantial change in such position, including titles, authority or responsibilities from those contemplated by Section 1 of the Agreement; or
- (v) any material reduction in any of the benefits described in Section 3(f), (g), (h) or (i) hereof.

For purposes of the Stock Option Agreements, Constructive Termination shall be treated as a termination of employment by the Company without "Cause."

- (f) Notice of Termination. Any termination by the Company for Cause or by the Executive for Constructive Termination shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" means a written notice given prior to the termination which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than fifteen (15) days after the giving of such notice). The failure by any party to set forth in the Notice of Termination any fact or circumstance which contributes to a

showing of Cause or Constructive Termination shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing its rights hereunder.

5. Effect of Termination of Employment.

- (a) With Cause. If the Executive's employment is terminated with Cause, the Executive's salary and other benefits specified in Section 3 shall cease at the time of such termination, and the Executive shall not be entitled to any compensation specified in Section 3 which was not required to be paid prior to such termination; provided, however, that the Executive shall be entitled to continue to participate in the Company's medical benefit plans to the extent required by law.
- (b) Death or Disability. If the Executive's employment is terminated by the death or disability of the Executive (pursuant to Section 4(b)), the Executive's compensation provided in Section 3 shall be paid to the Executive or, in the event of the death of the Executive, the Executive's estate, as follows:
 - (i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive or the Executive's estate breaches the provisions of Sections 6 or 7 of this Agreement;
 - (ii) a pro rata portion (based on days worked and percentage of achievement of annual performance goals) of the annual Bonus payable to the Executive, if any, specified in Section 3(b) shall be paid, unless the Board determines to pay a greater amount in its sole discretion;
 - (iii) the Executive's Additional Salary (or, for any partial year, the pro rata por-

tion thereof) specified in Section 3(c) shall continue to be paid until the first to occur of (i) the remaining period of the Term or (ii) such time as the Executive or the Executive's estate breaches the provisions of Sections 6 or 7 of this Agreement;

- (iv) If the Executive's employment is terminated as a result of disability, the Executive's additional benefits specified in Section 3(d) shall continue to be available to the Executive until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement; and
 - (v) the Executive's accrued vacation (determined in accordance with Company policy) at the time of termination shall be paid as soon as reasonably practicable.
- (c) Without Cause. If the Executive's employment is terminated by the Company without Cause (pursuant to Section 4(c) or 4(e)), the Executive's compensation provided in Section 3 shall be paid as follows:
- (i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement;
 - (ii) the Executive's annual Bonus shall continue to be paid in accordance with this Section 5(c) at the times set forth in Section 3(b) until the first to occur of (i) the remaining period of the Term or (ii) such time as the Executive breaches

the provisions of Sections 6 or 7 of this Agreement. The annual Bonus payable pursuant to this Section 5(c) shall equal the amount of the annual Bonus (if any) previously paid or required to be paid pursuant to this Agreement (or the 1996 Agreement) for the full fiscal year immediately prior to the Executive's termination of employment;

(iii) the Executive's Additional Salary (or, for any partial year, the pro rata portion thereof) specified in Section 3(c) shall continue to be paid until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if longer) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement; and

(iv) the Executive's additional benefits specified in Section 3(d) shall continue to be available to the Executive until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement.

(d) Following Sale. If the Executive elects to terminate his employment within thirty (30) days following a Sale in accordance with Section 4(d), such termination by the Executive shall be treated as a termination by the Company without Cause, and the Executive shall be entitled to the compensation provided in Section 5(c), except that in no event shall Executive receive less than twelve (12) months Base Salary and annual Bonus following the expiration of the Post-Term Period (as defined below). Notwithstanding the foregoing, the Company may require that the Executive continue to remain in the employ of the Company for up to a maximum of thirty (30) days following the Sale (the "Post-Term Period"). The Company shall place the maximum cash payments payable

pursuant to Section 5(c) in escrow with a commercial bank or trust company mutually acceptable to the Company and the Executive as soon as practicable following the Sale. For the Post-Term Period, the Company shall make the cash payments that would otherwise be required pursuant to Section 3 (all such cash payments to be deducted from the amount placed in escrow). At the expiration of the Post-Term Period, the Executive shall receive all cash amounts due the Executive from the remaining amount held in escrow ratably monthly over the Non-Competition Period (as defined below), with the balance (if any) returned to the Company. If the Company does not require that the Executive remain in the employ of the Company, the Company shall pay the Executive all cash amounts payable pursuant to Section 5(c) ratably monthly over the Non-Competition Period (all such cash payments to be deducted from the amount placed in escrow) with the balance (if any) returned to the Company.

The Executive shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, and if the Executive does obtain other employment, all amounts payable by the Company under this Agreement shall remain fully due and payable.

6. Agreement Not to Compete.

- (a) The Executive agrees that during the Non-Competition Period (as defined below), he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market). The "Non-Competition Period" is (a) the

longer of the Executive's employment hereunder or time period which he serves as a director of the Company plus (b) a period of one (1) year thereafter.

- (b) Without limiting the generality of clause (a) above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.
- (c) The Executive agrees that during the Non-Competition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of Company who is or was an employee of Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.
- (d) If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.
- (e) For purposes of this Section 6 and Section 7, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

7. Secret Processes and Confidential Information.

- (a) The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 7(a), confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.
- (b) The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the

sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

(c) Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

8. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail. The addresses for such notices shall be as follows:

(a) For notices and communications to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711
Facsimile: (608) 278-6666
Attention: Board of Directors

with a copy to:

Thomas H. Lee Company
75 State Street
Boston, MA 02109
Facsimile: (617) 227-3514
Attention: Warren C. Smith, Jr.

and a copy to:

Skadden, Arps, Slate,
Meagher & Flom LLP
One Beacon Street,
Boston, MA 02108
Facsimile: (617) 573-4822
Attention: Louis A. Goodman, Esq.

(b) For notices and communications to the Executive:

David A. Jones
2910 Coles Way
Atlanta, GA 30350
Facsimile: (770) 671-0536

with a copy to:

Sutherland, Asbill & Brennan LLP
999 Peachtree Street, N.E.
Atlanta, GA 30309
Facsimile: (404) 853-8806
Attention: Mark D. Kaufman, Esq.

Any party hereto may, by notice to the other, change its address for receipt of notices hereunder.

9. General.

9.1 Governing Law. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles.

9.2 Amendment; Waiver. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto

or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

9.3 Successors and Assigns. This Agreement shall be binding upon the Executive, without regard to the duration of his employment by the Company or reasons for the cessation of such employment, and inure to the benefit of his administrators, executors, heirs and assigns, although the obligations of the Executive are personal and may be performed only by him. This Agreement shall also be binding upon and inure to the benefit of the Company and its subsidiaries, successors and assigns, including any corporation with which or into which the Company or its successors may be merged or which may succeed to their assets or business.

9.4 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

9.5 Attorneys' Fees. In the event that any action is brought to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of one of the parties to this Agreement, all expenses, including reasonable attorneys' fees, shall be paid by the non-prevailing party.

9.6 Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation during his employment hereunder in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliates and for which the Executive may qualify. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any affiliated company at or subsequent to the

date of the Executive's termination of employment with the Company shall, subject to the terms hereof or any other agreement entered into by the Company and the Executive on or subsequent to the date hereof, be payable in accordance with such plan or program.

9.7 Mitigation. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. In the event that the Executive shall give a Notice of Termination for Constructive Termination and it shall thereafter be determined that Constructive Termination did not take place, the employment of the Executive shall, unless the Corporation and the Executive shall otherwise mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, and the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date had he terminated his employment voluntarily at such date under Section 4(d) of this Agreement.

9.8 Equitable Relief. The Executive expressly agrees that breach of any provision of Sections 6 or 7 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.

9.9 Termination of 1996 Agreement. The 1996 Agreement is hereby terminated.

9.10 Entire Agreement. This Agreement and the exhibit and schedule hereto constitute the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings and agreements between them.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ Kent J. Hussey

Kent J. Hussey
President and Chief
Operating Officer

EXECUTIVE:

/s/ David A. Jones

David A. Jones

SCHEDULE A

Executive Bonus Schedule

Percentage of Plan Achieved	Bonus Available as Percentage of Annual Base Salary
137.5%	100%
130	90
122.5	80
115	70
107.5	60
100	50
90	25
80	0

Any level of Company performance which falls between two specific points set forth above under "Percentage of Plan Achieved" shall entitle the Executive to receive a percentage of Base Salary determined on a straight line basis between such two points. Such amount shall be calculated as follows:

$$[(A-B) \times .1] \times (C-D) + D$$

Where:

A = The actual Percentage of Plan Achieved.

B = The Percentage of Plan Achieved set forth above which is less than and closest to actual results.

C = The Bonus Available as Percentage of Base Salary set forth above which is greater than and closest to the percentage that would apply based on actual results.

D = The Bonus Available as Percentage of Base Salary set forth above which is less than and closest to the percentage that would apply based on actual results.

EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered into as of the 27th day of April, 1998, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Kent J. Hussey (the "Executive").

WHEREAS, the Company desires the benefit of the experience, supervision and services of the Executive and desires to employ the Executive upon the terms and conditions set forth herein; and

WHEREAS, the Executive is willing and able to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. Employment Duties and Acceptance. The Company hereby employs the Executive, and the Executive agrees to serve and accept employment, as the President and Chief Operating Officer of the Company, reporting directly to the Chief Executive Officer of the Company (the "CEO"). In connection therewith, as President and Chief Operating Officer, the Executive shall have general supervision of the day-to-day affairs of the Company and the supervision and direction of the actions of the other officers of the Company, subject to the supervision of the CEO. During the Term (as defined below), the Executive shall devote all of his working time to such employment and appointment, shall devote his best efforts to advance the interests of the Company and shall not engage in any other business activities, as an employee, director, consultant or in any other capacity, whether or not he receives any compensation therefor, without the prior written consent of the Board. During the Term (as hereinafter defined) or any extension thereof,

the Executive shall maintain his principal residence in the Madison, Wisconsin area.

2. Term of Employment. Subject to Section 4 hereof, the Executive's employment and appointment hereunder shall be for a term commencing on the date hereof and expiring on April 30, 2001 (the "Term"). Upon expiration of the Term, this Agreement shall automatically extend for successive periods of one (1) year, unless the Executive or the Company shall give notice to the other at least ninety (90) days prior to the end of the Term (or any annual extension thereof) indicating that it does not intend to renew the Agreement.

3. Compensation. In consideration of the performance by the Executive of his duties hereunder, the Company shall pay or provide to the Executive the following compensation which the Executive agrees to accept in full satisfaction for his services, it being understood that necessary withholding taxes, FICA contributions and the like shall be deducted from such compensation:

(a) Base Salary. The Executive shall receive a base salary equal to Three Hundred Twenty-Five Thousand Dollars (\$325,000) per annum during the Term ("Base Salary"), which Base Salary shall be paid in equal monthly installments each year, to be paid monthly in arrears. The Board will review from time to time the Base Salary payable to the Executive hereunder and may, in its discretion, increase the Executive's Base Salary. Any such increased Base Salary shall be and become the "Base Salary" for purposes of this Agreement.

(b) Bonus. The Executive shall receive a bonus for each fiscal year ending during the Term, payable annually in arrears, which shall be based, as set forth on Schedule A hereto, on the Company achieving certain annual performance goals established by the Board from time to time (the "Bonus"). The Board may, in its discretion,

increase the annual Bonus. Any such increased annual Bonus shall be and become the "Bonus" for such fiscal year for purposes of this Agreement.

- (c) Insurance Coverages and Pension Plans. The Executive shall be entitled to such insurance, pension and all other benefits as are generally made available by the Company to its executive officers from time to time.
- (d) Stock Options. All stock options previously granted to the Executive shall remain in full force and effect in accordance with their terms. In connection with the Executive's employment and appointment hereunder, the Executive is being granted certain time-based and performance-based options to purchase, in the aggregate, 72,106 shares of Common Stock at an exercise price of \$22.88 per share. If the Company implements a new stock option program in the future, the Executive may participate to the extent authorized by the Board.
- (e) Vacation. The Executive shall be entitled to four (4) weeks vacation each year.
- (f) Other Expenses. The Executive shall be entitled to reimbursement of all reasonable and documented expenses actually incurred or paid by the Executive in the performance of the Executive's duties under this Agreement, upon presentation of expense statements, vouchers or other supporting information in accordance with Company policy. All expense reimbursements and other perquisites of the Executive are reviewable periodically by the Compensation Committee of the Board, if there be one, or the Board.
- (g) Automobile. The Company shall provide the Executive with the use of a leased automobile suitable for a chief operating officer of a company similar to the Company.

- (h) D&O Insurance. The Executive shall be entitled to indemnification from the Company to the maximum extent provided by law, but not for any action, suit, arbitration or other proceeding (or portion thereof) initiated by the Executive, unless authorized or ratified by the Board. Such indemnification shall be covered by the terms of the Company's policy of insurance for directors and officers in effect from time to time (the "D&O Insurance"). Copies of the Company's charter, by-laws and D&O Insurance will be made available to the Executive upon request.
- (i) Legal Fees. The Company shall pay the Executive's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.

4. Termination.

- (a) Termination by the Company with Cause. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the occurrence of any of the following (any such termination being referred to as a termination for "Cause"):
 - (i) the commission by the Executive of any deliberate and premeditated act taken by the Executive in bad faith against the interests of the Company;
 - (ii) the Executive has been convicted of, or pleads nolo contendere with respect to, any felony, or of any lesser crime or offense having as its predicate element fraud, dishonesty or misappropriation of the property of the Company;
 - (iii) the habitual drug addiction or intoxication of the Executive which negatively impacts his job performance or the

Executive's failure of a Company-required drug test;

- (iv) the willful failure or refusal of the Executive to perform his duties as set forth herein or the willful failure or refusal to follow the direction of the CEO or the Board, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from the CEO or the Board of such failure or refusal, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such failure or refusal is not remedied within such thirty (30) day period; or
- (v) the Executive breaches any of the terms of this Agreement or any other agreement between the Executive and the Company which breach is not cured within thirty (30) days subsequent to notice from the Company to the Executive of such breach, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such breach is not cured within such thirty (30) day period.

If the definition of termination for "Cause" set forth above conflicts with such definition in the Executive's time-based or performance-based Stock Option Agreements to purchase 227,894 shares of Common Stock at an exercise price of \$4.39 per share (collectively, the "Stock Option Agreements") or any agreements referred to therein, the definition set forth herein shall control.

- (b) Termination by Company for Death or Disability. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the Executive's in-

ability to perform his duties hereunder by reason of any mental, physical or other disability for a period of at least six (6) consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy). The Company's obligations hereunder shall, subject to the provisions of Section 5(b), also terminate upon the death of the Executive.

- (c) Termination by Company without Cause. The Company shall have the right at any time to terminate the Executive's employment for any other reason without Cause upon sixty (60) days prior written notice to the Executive.
- (d) Voluntary Termination by Executive. The Executive shall be entitled to terminate his employment and appointment hereunder upon sixty (60) days prior written notice to the Company. Any such termination shall be treated as a termination by the Company for "Cause" under Section 5, unless notice of such termination was given within sixty (60) days after a Sale (as such term is defined in the Stock Option Agreements), in which case such termination shall be treated in accordance with Section 5(d) hereof.
- (e) Constructive Termination by the Executive. The Executive shall be entitled to terminate his employment and appointment hereunder, without prior notice, upon the occurrence of a Constructive Termination. Any such termination shall be treated as a termination by the Company without Cause. For this purpose, a "Constructive Termination" shall mean:
 - (i) a reduction in Base Salary (other than as permitted hereby);
 - (ii) a reduction in annual Bonus opportunity;

- (iii) a change in location of office of more than seventy-five (75) miles from Madison, Wisconsin;
- (iv) unless with the express written consent of the Executive, (a) the assignment to the Executive of any duties inconsistent in any substantial respect with the Executive's position, authority or responsibilities as contemplated by Section 1 of this Agreement or (b) any other substantial change in such position, including titles, authority or responsibilities from those contemplated by Section 1 of the Agreement; or
- (v) any material reduction in any of the benefits described in Section 3(e), (f), (g) or (h) hereof.

For purposes of the Stock Option Agreements, Constructive Termination shall be treated as a termination of employment by the Company without "Cause."

- (f) Notice of Termination. Any termination by the Company for Cause or by the Executive for Constructive Termination shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" means a written notice given prior to the termination which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than fifteen (15) days after the giving of such notice). The failure by any party to set forth in the Notice of Termination

any fact or circumstance which contributes to a showing of Cause or Constructive Termination shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing its rights hereunder.

5. Effect of Termination of Employment.

- (a) With Cause. If the Executive's employment is terminated with Cause, the Executive's salary and other benefits specified in Section 3 shall cease at the time of such termination, and the Executive shall not be entitled to any compensation specified in Section 3 which was not required to be paid prior to such termination; provided, however, that the Executive shall be entitled to continue to participate in the Company's medical benefit plans to the extent required by law.
- (b) Death or Disability. If the Executive's employment is terminated by the death or disability of the Executive (pursuant to Section 4(b)), the Executive's compensation provided in Section 3 shall be paid to the Executive or, in the event of the death of the Executive, the Executive's estate, as follows:
 - (i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive or the Executive's estate breaches the provisions of Sections 6 or 7 of this Agreement;
 - (ii) a pro rata portion (based on days worked and percentage of achievement of annual performance goals) of the annual Bonus payable to the Executive, if any, specified in Section 3(b) shall be paid, un-

less the Board determines to pay a greater amount in its sole discretion;

(iii) If the Executive's employment is terminated as a result of disability, the Executive's additional benefits specified in Section 3(c) shall continue to be available to the Executive until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement; and

(iv) the Executive's accrued vacation (determined in accordance with Company policy) at the time of termination shall be paid as soon as reasonably practicable.

(c) Without Cause. If the Executive's employment is terminated by the Company without Cause (pursuant to Section 4(c) or 4(e)), the Executive's compensation provided in Section 3 shall be paid as follows:

(i) the Executive's Base Salary specified in Section 3(a) shall continue to be paid in monthly installments until the first to occur of (i) the remaining period of the Term (or twelve (12) months following such termination, if greater) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement;

(ii) the Executive's annual Bonus shall continue to be paid in accordance with this Section 5(c) at the times set forth in Section 3(b) until the first to occur of (i) the remaining period of the Term or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement. The annual Bonus pay-

able pursuant to this Section 5(c) shall equal the amount of the annual Bonus (if any) previously paid or required to be paid pursuant to this Agreement for the full fiscal year immediately prior to the Executive's termination of employment. For purposes of this calculation, if termination occurs any time during the fiscal year ending September 30, 1998, the annual bonus shall be \$162,500; and

(iii) the Executive's additional benefits specified in Section 3(c) shall continue to be available to the Executive until the first to occur of (i) twelve (12) months following such termination or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement.

(d) Following Sale. If the Executive elects to terminate his employment within sixty (60) days following a Sale in accordance with Section 4(d), such termination by the Executive shall be treated as a termination by the Company without Cause, and the Executive shall be entitled to the compensation provided in Section 5(c), except that in no event shall Executive receive less than twelve (12) months Base Salary and annual Bonus following the expiration of the Post-Term Period (as defined below). Notwithstanding the foregoing, the Company may require that the Executive continue to remain in the employ of the Company for up to a maximum of six (6) months following the Sale (the "Post-Term Period"). The Company shall place the maximum cash payments payable pursuant to Section 5(c) in escrow with a commercial bank or trust company mutually acceptable to the Company and the Executive as soon as practicable following the Sale. For the Post-Term Period, the Company shall make the cash payments that would otherwise be required pursuant

to Section 3 (all such cash payments to be deducted from the amount placed in escrow). At the expiration of the Post-Term Period, the Executive shall receive all cash amounts due the Executive from the remaining amount held in escrow ratably monthly over the Non-Competition Period (as defined below), with the balance (if any) returned to the Company. If the Company does not require that the Executive remain in the employ of the Company, the Company shall pay the Executive all cash amounts payable pursuant to Section 5(c) ratably monthly over the Non-Competition Period (all such cash payments to be deducted from the amount placed in escrow) with the balance (if any) returned to the Company.

Notwithstanding the foregoing, although the Executive shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, if the Executive does obtain other employment, the amount of each dollar (\$1.00) of compensation received from such other employment source during the period that the Company is required to make payments hereunder shall reduce by fifty cents (\$.50) the amount otherwise payable by the Company under Section 5(c)(i) and (ii).

6. Agreement Not to Compete.

- (a) The Executive agrees that during the Non-Competition Period (as defined below), he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Mar-

ket). The "Non-Competition Period" is (a) the longer of the Executive's employment hereunder or time period which he serves as a director of the Company plus (b) a period of one (1) year thereafter.

- (b) Without limiting the generality of clause (a) above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.
- (c) The Executive agrees that during the Non-Competition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of Company who is or was an employee of Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.
- (d) If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.
- (e) For purposes of this Section 6 and Section 7, the "Company" refers to the Company and any

incorporated or unincorporated affiliates of the Company.

7. Secret Processes and Confidential Information.

- (a) The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 7(a), confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.
- (b) The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the

actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

(c) Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

8. Notices. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail. The addresses for such notices shall be as follows:

(a) For notices and communications to the Company:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711
Facsimile: (608) 278-6666
Attention: Board of Directors

with a copy to:

Thomas H. Lee Company
75 State Street
Boston, MA 02109
Facsimile: (617) 227-3514
Attention: Warren C. Smith, Jr.

and a copy to:

Skadden, Arps, Slate,
Meagher & Flom LLP
One Beacon Street,
Boston, MA 02108
Facsimile: (617) 573-4822
Attention: Louis A. Goodman, Esq.

(b) For notices and communications to the Executive:

Kent J. Hussey
7801 Noll Valley Road
Verona, WS 53593
Facsimile: (608) 798-0715

with a copy to:

Sutherland, Asbill & Brennan LLP
999 Peachtree Street, N.E.
Atlanta, GA 30309
Facsimile: (404) 853-8806
Attention: Mark D. Kaufman, Esq.

Any party hereto may, by notice to the other, change its address for receipt of notices hereunder.

9. General.

9.1 Governing Law. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles.

9.2 Amendment; Waiver. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

9.3 Successors and Assigns. This Agreement shall be binding upon the Executive, without regard to the duration of his employment by the Company or reasons for the cessation of such employment, and inure to the benefit of his administrators, executors, heirs and assigns, although the obligations of the Executive are personal and may be performed only by him. This Agreement shall also be binding upon and inure to the benefit of the Company and its subsidiaries, successors and assigns, including any corporation with which or into which the Company or its successors may be merged or which may succeed to their assets or business.

9.4 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

9.5 Attorneys' Fees. In the event that any action is brought to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, and such action results in the award of a judg-

ment for money damages or in the granting of any injunction in favor of one of the parties to this Agreement, all expenses, including reasonable attorneys' fees, shall be paid by the non-prevailing party.

9.6 Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation during his employment hereunder in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliates and for which the Executive may qualify. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any affiliated company at or subsequent to the date of the Executive's termination of employment with the Company shall, subject to the terms hereof or any other agreement entered into by the Company and the Executive on or subsequent to the date hereof, be payable in accordance with such plan or program.

9.7 Mitigation. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement. In the event that the Executive shall give a Notice of Termination for Constructive Termination and it shall thereafter be determined that Constructive Termination did not take place, the employment of the Executive shall, unless the Corporation and the Executive shall otherwise mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, and the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date had he terminated his employment voluntarily at such date under Section 4(d) of this Agreement.

9.8 Equitable Relief. The Executive expressly agrees that breach of any provision of Sections 6 or 7 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction

without the necessity of proving the actual damage to the Company.

9.9 Entire Agreement. This Agreement and the schedule hereto constitute the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings and agreements between them.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By /s/ David A. Jones

David A. Jones
Chief Executive Officer

EXECUTIVE:

/s/ Kent J. Hussey

Kent J. Hussey

SCHEDULE A
Executive Bonus Schedule

Percentage of Plan Achieved	Bonus Available as Percentage of Annual Base Salary
137.5%	100%
130	90
122.5	80
115	70
107.5	60
100	50
90	25
80	0

Any level of Company performance which falls between two specific points set forth above under "Percentage of Plan Achieved" shall entitle the Executive to receive a percentage of Base Salary determined on a straight line basis between such two points. Such amount shall be calculated as follows:

$$[(A-B) \times .1] \times (C-D) + D$$

Where:

A = The actual Percentage of Plan Achieved.

B = The Percentage of Plan Achieved set forth above which is less than and closest to actual results.

C = The Bonus Available as Percentage of Base Salary set forth above which is greater than and closest to the percentage that would apply based on actual results.

D = The Bonus Available as Percentage of Base Salary set forth above which is less than and closest to the percentage that would apply based on actual results.

SEVERANCE AGREEMENT

This Agreement, dated as of 19 March 1998, is made by and between Rayovac Corporation (the "Company"), a Wisconsin corporation with its principal business address at 601 Rayovac Drive, Madison, Wisconsin 53711, and Randall J. Steward, an individual residing at 3024 Woodland Trail, Middleton, Wisconsin 53562 (the "Executive").

BACKGROUND

The Company considers it essential to the best interests of its shareholders to foster the continued employment of key managers.

UNDERTAKINGS

Now therefore, the parties agree:

1. Term of Agreement. The term of this Agreement (the "Term") shall commence on 19 March 1998 and shall continue in effect through 18 March 1999; and shall continue thereafter for additional one year Terms unless, not later than 30 days prior to the end of the preceding Term, the Company or the Executive shall give notice not to extend the Term.
2. Severance Payments.
 - 2.1 If the Executive's employment is terminated during the Term (a) by the Company without Cause (as defined below) or (b) by reason of death or Disability (as defined below), then the Company shall pay the Executive the amounts, and provide the Executive the benefits, described in Section 2.2 (the "Severance Payments").
 - 2.2 (a) The Company shall pay to the Executive as severance, an amount in cash equal to the sum of (i) the Executive's base salary as in effect for the fiscal year ending immediately prior to the fiscal year in which such termination occurs, and (ii) the annual bonus (if any) earned by the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the termination occurs, such cash amount to be paid to the Executive ratably monthly in arrears over the Non-Competition Period (as defined below).

(b) For the 12-month period immediately following such termination, the Company shall arrange to provide the Executive and his dependents insurance benefits substantially similar to those provided to the Executive and his dependents immediately prior to the date of termination, at no greater cost to the Executive than the cost to the Executive immediately prior to such date. Benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Sections 5 or 6 hereof. In addition, benefits otherwise receivable by the Executive pursuant to this Section 2.2(b) shall be reduced to the extent benefits of the same type are received by or made available to the Executive during the 12-month period following the Executive's termination of employment (and any such benefits received by or made available to the Executive shall be reported to the Company by the Executive); provided, however, that the Company shall reimburse the Executive for the excess, if any, of the cost of such benefits to the Executive over such cost immediately prior to the date of termination.

2.3 Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state, or local law and any additional withholding to which the Executive has agreed.

2.4 If the Executive's employment with the Company terminates during the Term, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 2.

3. Termination Procedures. During the Term, any purported termination of the Executive's employment (other than by reason of death) shall be communicated by written notice of termination from one party to the other in accordance with Section 8 hereof. The notice of termination shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

4. No Rights to Employment. This Agreement shall not be construed as creating an express or implied contract of employment, and except as otherwise agreed in writing between the Executive and the Company and authorized by the Board of Directors of the Company, the Executive shall not have any right to be retained in the employ of the Company.

5. Executive's Covenant Not to Compete.

- 5.1 During the Non-Competition Period, the Executive will not, directly or indirectly, in any capacity, either separately, jointly, or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner, or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing, or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of a class listed on an exchange or the Nasdaq Stock Market). For purposes of this Agreement, the "Non-Competition Period" means the period beginning on the date hereof and continuing until the date which is the one-year anniversary of the later to occur of (a) the end of the Term and (b) the date of termination.
- 5.2 Without limiting the generality of Section 5.1 above, during the Non-Competition Period the Executive will not, directly or indirectly, in any capacity, either separately, jointly, or in association with others, solicit or otherwise contact any of the Company's customers or prospects that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.
- 5.3 During the Non-Competition Period, the Executive shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of the Company who is or was an employee of the Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.
- 5.4 If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.

5.5 For purposes of this Section 5 and Section 6, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

6. Secret Processes and Confidential Information.

6.1 The Executive will hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company or any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 6.1, confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques, and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also will return to the Company promptly upon its request any Company information or materials in the Executive's possession or under the Executive's control.

6.2 The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive will assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.

6.3 Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals, and all other tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

7. Successors; Binding Agreement

7.1 In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to the Severance Payments, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination. For purposes of this Agreement, "Company" shall mean Rayovac Corporation, a Wisconsin corporation, and shall include any successor to its business or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

7.2 This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

8. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail.

9. Survival. The obligations of the Company and the Executive under this Agreement which by their nature may require either partial or total performance after the expiration of the Term (including, without limitation, those under Sections 2, 5 and 6 hereof) shall survive such expiration.
10. Amendment; Waiver. This Agreement may be amended, modified, superseded, or canceled, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.
11. Equitable Relief. Breach of any provision of Sections 5 or 6 of this Agreement would result in irreparable injuries to the Company, the remedy at law for any such breach will be inadequate, and upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.
12. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, discussions, writings, and agreements between them.
13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
14. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.
15. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated below:

- (a) "Cause" for termination by the Company of the Executive's employment shall mean (i) the commission by the Executive of any fraud, embezzlement or other material act of dishonesty with respect to the Company or any of its affiliates (including the unauthorized disclosure of confidential or proprietary information of the Company or any of its affiliates or subsidiaries); (ii) Executive's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude; (iii) Executive's willful misconduct; (iv) willful failure or refusal by Executive to perform his duties and responsibilities to the Company or any of its affiliates which failure or refusal to perform is not remedied within 30 days after receipt of a written notice from the Company detailing such failure or refusal to perform; or (v) Executive's breach of any of the terms of this Agreement or any other agreement between Executive and the Company which breach is not cured within 30 days subsequent to notice from the Company to Executive of such breach.

- (b) "Disability" shall be deemed the reason for the termination by the Company of the Executive's employment, if, as a result of the Executive's inability to perform his duties by reason of any mental, physical or other disability for a period of at least 6 consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy), the Company shall have given the Executive a notice of termination for Disability, and, within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of the Executive's duties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

EXECUTIVE

By: /s/ Kent J. Hussey

Kent J. Hussey
President

/s/ Randall J. Steward

Randall J. Steward

3-MOS

DEC-31-1998		
MAR-29-1998		
JUN-27-1998		
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	2,810	
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		0
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		0.13