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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended September 30, 2002.

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

For the transition period from _____ to _____

Commission file No. 001-13615

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 Number)
601 Rayovac Drive	**53711-2497**
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $.01	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No o

On March 28, 2002, the aggregate market value of the voting stock held by non-affiliates of the registrant was $414,944,914. As of December 9, 2002, there were outstanding 32,531,665 shares of the registrant's Common Stock, $0.01 par value.

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PART I

ITEM 1. BUSINESS

General

Rayovac Corporation is the leading value brand manufacturer of general alkaline batteries in the U.S. We are also the leading worldwide manufacturer of hearing aid batteries and the leading manufacturer of zinc carbon household batteries marketed in North America and Latin America. In addition, we are a leading marketer of rechargeable batteries and battery-powered lighting products in the U.S. The RAYOVAC brand name enjoys broad recognition in the battery industry and was first used as a trademark for batteries more than 80 years ago. We became a Wisconsin corporation in 1986.

On October 1, 2002, we completed our acquisition of the consumer battery business of VARTA AG ("VARTA") for an aggregate purchase price, before acquisition related expenses, of approximately 262 million Euros ($258 million U.S. based on exchange rates on October 1, 2002). VARTA is the leading European-based battery manufacturer of general batteries, is the market leader in Germany and holds strong market positions elsewhere on the European continent and in Colombia and Mexico. Our acquisition consisted of the purchase of all of VARTA's consumer battery subsidiaries and business outside of Germany and a majority interest in a new joint venture entity that will operate the VARTA consumer battery business in Germany. The acquisition did not include VARTA's Brazilian joint venture, Microlite, SA, nor did it include VARTA's automotive and micropower battery businesses. As the closing of the VARTA transaction took effect after the close of our fiscal year 2002, we generally do not refer to these events or their effects in this Annual Report except where specifically noted.

Products

We develop, manufacture and/or market a wide variety of batteries and battery-powered lighting devices. Our broad line of products includes general batteries, hearing aid batteries, specialty batteries

and lighting products and lantern batteries. A description of our major battery products and their typical uses is set forth below.

	General Batteries			Hearing Aid Batteries		Specialty Batteries		Lantern Batteries
Technology:	Alkaline	Zinc	Nickel Metal Hydride	Zinc Air	Lithium	Silver	Nickel Metal Hydride	Zinc
Types/Common Name:	—Disposable —Rechargeable	Heavy Duty (Zinc Chloride and Zinc Carbon)	Rechargeable	—	—	—	Rechargeable	Lantern (Alkaline, Zinc Chloride and Zinc Carbon)
Brand; Sub-brand Names:	RAYOVAC; MAXIMUM,	RAYOVAC	RAYOVAC, RAYOVAC ULTRA	RAYOVAC; LOUD "N CLEAR,	RAYOVAC	RAYOVAC	RAYOVAC ULTRA Rechargeable	RAYOVAC

	MAXIMUM PLUS, RENEWAL	Rechargeable	PROLINE, EXTRA, RAYOVAC ULTRA, AIR 4000, XCELL and AIRPOWER			
Sizes:	D, C, AA, AAA, and 9-volt	5 sizes	5 primary sizes	10 primary sizes	Packs	Standard lantern
Typical Uses:	All standard household applications including flashlights, electronic toys, electronic and video games, pagers, CD and cassette players, radios, remote controls, digital cameras, PDAs, pocket televisions, fire alarms, smoke detectors, communication devices and a wide variety of industrial applications	Hearing aids	Personal computer clocks and memory back-up	Watches	Cordless phones	Beam lanterns, camping lanterns

Net sales data for our products as a percentage of net sales for each of fiscal 2000, fiscal 2001 and fiscal 2002 is set forth below.

	Percentage of Company Net Sales Fiscal Year Ended September 30,		
Product Type	**2000**	**2001**	**2002**
Battery Products:			
Alkaline	44.5%	49.2%	51.6%
Heavy Duty	22.6	22.6	16.9
Rechargeables	4.7	4.8	5.6
Hearing Aid	9.6	10.6	11.8
Specialty Batteries	6.6	2.9	2.7
Total	88.0	90.1	88.6
Lighting Products and Lantern Batteries	12.0	9.9	11.4
Total	100.0%	100.0%	100.0%

General Batteries. Our general batteries category includes alkaline, heavy duty, rechargeable alkaline and nickel metal hydride batteries ("NiMH"), and chargers for rechargeable batteries. We market a full line of alkaline batteries (D, C, AA, AAA and 9-volt sizes) for both consumers and

industrial customers. Our alkaline batteries are marketed and sold primarily under the MAXIMUM PLUS brand, although we also engage in limited private label manufacturing of alkaline batteries. Our heavy duty batteries are designed for low and medium-drain battery-powered devices such as flashlights.

During fiscal 2002, we announced the development of our revolutionary new I-C3 rechargeable technology. The patent-pending I-C3 (In-Cell Charge Control) technology puts the control of recharging into the NiMH battery, instead of the charger, resulting in a system capable of recharging NiMH batteries in as little as 15 minutes. We also offer our RENEWAL rechargeable alkaline battery, which is the leading rechargeable alkaline battery in the U.S. market. RENEWAL batteries can be recharged up to 100 times, providing many times the life of disposable alkaline batteries.

Hearing Aid Batteries. We are currently the largest worldwide seller of hearing aid batteries. Our RAYOVAC ULTRA zinc air hearing aid battery is the world's longest-lasting hearing aid battery in the most commonly-used battery sizes. We also sell hearing aid batteries under other brand names and under several private labels, including Beltone, Miracle Ear, Siemens and Starkey.

Specialty Batteries. Our specialty battery products include non-hearing aid button cells, lithium coin cells, photo batteries and keyless entry batteries. We market button and coin cells for use in watches, cameras, calculators, communications equipment and medical instrumentation. Our lithium coin cells are high-quality lithium batteries with certain performance advantages over other lithium battery systems and are marketed for use in calculators and personal computer clocks and memory back-up systems.

Lighting Products and Lantern Batteries. We are a leading marketer of battery-powered lighting products, including flashlights, lanterns and similar portable devices for the retail and industrial markets.

Operating Segments

Our business is organized and managed according to three geographic regions: (1) North America, which includes the U.S. and Canada; (2) Latin America, which includes Mexico, Central America, South America and the Caribbean; and (3) Europe and the rest of the world (which we refer to as "Europe/ROW"), which includes the United Kingdom, continental Europe and all other countries in which we do business. Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each operating segment is responsible for implementing the defined strategic initiatives and achieving the financial objectives. Each geographic region has a manager responsible for all the sales and marketing initiatives for all product lines within that region.

Financial information pertaining to our operating segments is contained in Note 12 of the Notes to Consolidated Financial Statements filed with this report and is incorporated herein by reference. Financial information pertaining to our foreign and domestic operations is also set forth in Note 12 of the Notes to Consolidated Financial Statements filed with this report, and is incorporated herein by reference.

Sales and Distribution

North America. We align our internal sales force by distribution channel. We maintain separate sales forces primarily to service (1) our retail sales and distribution channels and (2) our hearing aid professionals, industrial distributor and original equipment manufacturer sales and distribution channels. In addition, we use a network of independent brokers to service participants in selected distribution channels.

We have established our position as the leading value brand manufacturer in the North American general alkaline battery market by focusing on mass merchandisers. Over the last several years, we have

further penetrated the mass merchandiser channel while broadening our business in other distribution channels to include home centers; warehouse clubs; food, drug and convenience stores; electronic specialty stores and department stores; hardware and automotive centers; specialty retailers; hearing aid professionals; industrial distributors; government agencies; and original equipment manufacturers. Only Wal-Mart Stores, Inc. accounted for more than 10% of our consolidated net sales in fiscal year 2002 (26%). Our sales to Wal-Mart Stores, Inc. primarily occur in North America.

Latin America. We align our internal sales force by distribution channel. We maintain two separate sales groups: one group that directly services large retailers and food and drug chains located mainly in urban areas and a second group that services through distributors and wholesalers, secondary channels (such as photo, grocery, hardware and stationary), industrial and other retailers located in both urban and rural areas. This sales structure enables us to focus on the rapid expansion of the alkaline category while consolidating our leadership position in the heavy duty category.

Europe/ROW. We maintain a separate sales force in Europe to promote the sale of all of our products. We have adopted the strategies, programs and category management expertise used in our North American business in our European business.

Raw Materials

Zinc powder, electrolytic manganese dioxide powder and steel are the most significant raw materials we use to manufacture batteries and a number of worldwide sources of such materials exist. We believe we will continue to have access to adequate quantities of these materials at competitive prices.

Technology, Patents and Trademarks

Our success and ability to compete depends, in part, upon our technology and the protection of our intellectual property rights. We rely upon a combination of methods to establish and protect our technology and other intellectual property rights, such as our own research and development activities, the purchase of third-party technology, intellectual property laws, technology licenses, confidentiality agreements and other contractual covenants.

In fiscal 2002, in addition to ongoing alkaline and hearing aid developments, we focused on our NiMH battery technology, which resulted in the development of our revolutionary new I-C3 rechargeable technology. Our research and development group is comprised of approximately 100 employees. We enhance our internal research and development efforts by purchasing or licensing state-of-the-art manufacturing technology from third parties. In fiscal 2002, 2001 and 2000, we invested $13.1 million, $12.2 million and $10.8 million, respectively, on research and development. The U.S. government also funds some of our research and development expenditures.

We own or license from third parties a considerable number of patents and patent applications throughout the world, primarily for battery product improvements, additional features and manufacturing equipment. We license alkaline battery designs, technology and manufacturing equipment (and related updates and innovations) from Matsushita Battery Industrial Co., Ltd. through March 2003, after which time we may license the designs, technology and manufacturing equipment as it exists at that date through March 2022. We also obtained a non-exclusive license to use certain technology underlying our rechargeable alkaline battery line to manufacture rechargeable alkaline batteries in the U.S., Puerto Rico and Mexico and to sell and distribute batteries worldwide based on this licensed technology. This license terminates in 2015.

We also use a number of trademarks in our business, including RAYOVAC, MAXIMUM, MAXIMUM PLUS, RENEWAL, LOUD 'N CLEAR, PROLINE, RAYOVAC ULTRA, WORKHORSE, ROUGHNECK, SPORTSMAN, AIR 4000, XCELL, EXTRA and AIRPOWER. We

rely on both registered and common law trademarks in the U.S. to protect our trademark rights. The RAYOVAC mark is also registered in countries outside the U.S., including Europe, Latin America and Asia. We do not have any right to the trademark RAYOVAC in Brazil, where an independent third-party battery manufacturer owns the mark.

Competition

In the markets for our products, companies compete for consumer acceptance and limited shelf space based upon brand name recognition, perceived quality, price, performance, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies. We believe the markets for our products are highly competitive.

Our primary competitors in the U.S. are Duracell International, Inc., a subsidiary of The Gillette Company, and Energizer Holdings, Inc. Both of our competitors have greater financial and other resources and greater overall market share than we do. They have committed significant resources to protect their own market shares or to capture market share from us in the past and may continue to do so in the future. Private label offerings by major retailers are also a source of competition.

Internationally, the general battery market is as highly competitive as the U.S. market with a greater number of competitors. Competition is primarily based upon pricing, product performance, promotion and distribution strategies.

Seasonality

Sales of our products are seasonal, with the highest sales typically occurring in the first fiscal quarter ending on or about December 31, during the holiday season. Our lowest sales occur in the fiscal quarter ending on or about March 31. For a more detailed discussion of the seasonality of our product sales, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonal Product Sales."

Governmental Regulations and Environmental Matters

Due to the nature of our operations, our facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with releases of hazardous substances at our facilities. We believe that compliance with the federal, state, local and foreign regulations to which we are subject will not have a material effect upon our capital expenditures, earnings and competitive position. See Item 3 ("Legal Proceedings") for additional information regarding environmental matters.

Employees

As of September 30, 2002, and prior to closing of the VARTA transaction, we had approximately 2,480 full-time employees.

Available Information

Our Internet website is http://www.rayovac.com and you may access, free of charge, through the Investor Relations portion of our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

ITEM 2. PROPERTIES

The following table lists our primary manufacturing, packaging, and distribution facilities, including those which were part of the acquisition of the consumer battery business of VARTA as further described in Item 1.

	Manufacturing	Packaging and Distribution
North America	Fennimore, Wisconsin Portage, Wisconsin	Madison, Wisconsin(1) Middleton, Wisconsin(1) Dixon, Illinois(1),(2)
Europe/ROW	Dischingen, Germany(3) Breitenbach, France(3) Washington, UK(2)	Ellwangen, Germany(3)
Latin America	Guatemala City, Guatemala Manizales, Colombia(3) Mexico City, Mexico(4)	

We also own and/or operate distribution centers, sales offices, and administrative offices throughout the world in support of our business. Our administrative headquarters and our primary research and development facility are located in Madison, Wisconsin(2).

We continually evaluate our facilities' capacity and related utilization. As a result of such analyses, we have closed a number of manufacturing facilities during the past five years. We believe our existing facilities, in general, are adequate for our present and currently foreseeable needs.

(1) Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution center will be closed during fiscal 2003. These operations will be transferred to the Dixon, Illinois combined packaging and distribution center which is currently being constructed.

(2) Facility is leased.

(3) Acquired as a result of the VARTA transaction.

(4) The Mexico City, Mexico manufacturing facility was closed in October 2002.

ITEM 3. LEGAL PROCEEDINGS

We are subject to litigation from time to time in the ordinary course of business. Although the amount of any liability with respect to such litigation cannot currently be determined, other than the matters set forth below, we are not party to any pending legal proceedings which, in the opinion of management, are material to our business or financial condition.

Our facilities are subject to a broad range of federal, state, local and foreign laws and regulations relating to the environment, including those governing discharges to the air and water and land, the handling and disposal of solid and hazardous substances and wastes, and the remediation of contamination associated with releases of hazardous substances at our facilities and at off-site disposal locations. We have a proactive environmental management program that includes the

use of periodic environmental audits to detect and correct practices that may violate environmental laws or that are inconsistent with best management practices. Based on information currently available to our management, we believe that we are substantially in compliance with applicable environmental regulations at our facilities. There are no pending proceedings against us alleging that we are or have been in violation of environmental laws, and we are not aware of any such proceedings contemplated by governmental authorities. We are, however, subject to certain proceedings under CERCLA or analogous state laws, as described below.

We have from time to time been required to address the effect of historic activities on the environmental condition of our properties, including without limitation, the effect of releases from underground storage tanks. Several of our facilities have been in operation for decades and are constructed on fill that includes, among other materials, used batteries containing various heavy metals. We have accepted a deed restriction on one such property in lieu of conducting remedial activities, and may consider similar actions at other properties, if appropriate. Although we are currently engaged in investigative or remedial projects at a few of our facilities, we do not expect that such projects will cause us to incur material expenditures.

Our former manganese processing facility in Covington, Tennessee was accepted into TDEC's Voluntary Cleanup, Oversight and Assistance Program in February 1999. Under Tennessee's voluntary cleanup program, we negotiated a Consent Order and Agreement with the TDEC, dated February 12, 1999, covering investigation, and if necessary, remediation of the facility. Groundwater monitoring conducted with respect to a capped non-hazardous landfill at the facility, and groundwater testing beneath former process areas of the facility, indicated elevated levels of certain inorganic contaminants, particularly (but not exclusively) manganese, in the groundwater underneath the facility. We have completed closure of lagoons on the property and have completed the remediation of a stream that borders the facility.

Upon successful completion of the requirements of the Consent Order and Agreement, we expect that no further action will be required at the facility. While remediation costs are uncertain at this time, we do not expect the matter to have a material adverse financial impact on us.

In addition, on February 9, 2001, the Wisconsin Department of Natural Resources approved our request to proceed under Wisconsin's Voluntary Party Liability Exemption program to investigate and, if necessary, remediate environmental matters at our Wonewoc, Wisconsin, manufacturing facility. Investigative work to date suggests there may be battery materials containing various heavy metals in fill on the property. However, we do not expect this matter to result in material expenditures.

We are also subject to proceedings related to our disposal of industrial and hazardous waste at off-site disposal locations, under CERCLA or analogous state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for the costs incurred in responding to the release or threatened release of hazardous substances from such sites. Current and former owners and operators of such sites, and transporters of waste who participated in the selection of such sites, are also strictly liable for such costs. Liability under CERCLA is "joint and several," so that a responsible party under CERCLA theoretically may be held liable for all of the costs incurred at a particular site. However, as a practical matter, liability at such sites generally is allocated among all of the viable responsible parties. Some of the most significant factors for allocating liabilities to persons that disposed of wastes at Superfund sites are the relative volume of waste such persons sent to the site and the toxicity of such waste. We do not believe that any of our pending proceedings under CERCLA or analogous state laws will have a material impact on our operations, financial condition or liquidity, and we are not aware of any such matters contemplated by governmental agencies that will have such an impact.

As of September 30, 2002, we have reserved approximately $1.6 million for known on-site and off-site environmental liabilities. We believe these reserves are adequate, although there can be no assurance that this amount will ultimately be adequate to cover such environmental liabilities. We may also be named as a potentially responsible party at additional sites in the future, and the costs associated with such additional or existing sites may be material. In addition, certain of our facilities have been in operation for decades and, over such time, we and other prior operators of such facilities have generated and disposed of wastes resulting from the battery manufacturing process which are or may be considered hazardous, such as cadmium and mercury.

On April 11, 2001, Eveready Battery Company, Inc. filed a complaint against us in U.S. District Court for the Northern District of Ohio, Eastern Division, alleging that we have infringed on a patent held by Eveready relating to alkaline batteries that are substantially free of mercury. We were served with the complaint in August 2001. Eveready is seeking injunctive relief as well as treble damages and other costs and expenses. We have answered the complaint and have denied all material allegations as we believe we have meritorious defenses. Since this lawsuit commenced, we have vigorously defended our position. We cannot estimate at this time the effect, if any, that this claim may have on our business or financial condition.

On May 31, 2002, a plaintiff represented by the law firm of Milberg Weiss Bershad Hynes & Lerach filed a class action lawsuit in the United States District Court for the Western District of Wisconsin against defendants Rayovac Corporation and several of its current and former executive officers and directors alleging that the defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder *(Eli Friedman v. Rayovac Corporation, Kenneth V. Biller, Kent J. Hussey, David A. Jones, Scott A. Schoen, Stephen P. Shanesy, Thomas R. Shepherd, Randall J. Steward, Warren C. Smith, Jr., and Merrell Tomlin,* Case No. 02 C 0308 C, United States District Court, Western District of Wisconsin). The complaint alleges that defendants made various false and misleading statements which had the alleged effect of artificially inflating the price of Rayovac stock during the period from April 26, 2001 until September 19, 2001. Substantially similar lawsuits were subsequently filed on June 11, 2002 *(Richard Slatten v. Rayovac Corporation, Kenneth V. Biller, Kent J. Hussey, David A. Jones, Scott A. Schoen, Stephen P. Shanesy, Thomas R. Shepherd, Randall J. Steward, Warren C. Smith, Jr., and Merrell Tomlin,* Case No. 02 C 0325 C, United States District Court, Western District of Wisconsin) and on June 28, 2002 *(David Hayes v. Rayovac Corporation, Kenneth V. Biller, Kent J. Hussey, David A. Jones, Scott A. Schoen, Stephen P. Shanesy, Thomas R. Shepherd, Randall J. Steward, Warren C. Smith, Jr., Merrell Tomlin, and Luis Cancio* 02 C 0308 C, United States District Court, Western District of Wisconsin) Rayovac and the individual defendants have not yet answered these complaints, but they intend to deny all material allegations and vigorously defend themselves in these actions.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on July 24, 2002. The directors standing for election were elected in an uncontested election. The directors elected were David A. Jones and Barbara S. Thomas. Mr. Jones received 26,979,326 votes in favor of his election and 1,874,132 votes were withheld. Ms. Thomas received 27,184,028 votes in favor of her election and 1,669,430 votes were withheld. In addition to the election of directors, the Company submitted the ratification of the appointment of KPMG LLP as our independent auditors to a vote of the shareholders. The vote in favor of ratification was: For: 27,306,114; Against: 1,540,507; Abstained: 6,837.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock, $0.01 par value per share (the "Common Stock"), is traded on the New York Stock Exchange (the "NYSE") under the symbol "ROV". The Common Stock commenced public trading on November 21, 1997. As of November 30, 2002, there were approximately 279 holders of record of Common Stock based upon data provided by the transfer agent for the Common Stock. The following table sets forth the reported high and low prices per share of the Common Stock as reported on the New York Stock Exchange Composite Transaction Tape for the fiscal periods indicated:

	High	Low
Fiscal 2002		
Quarter ended December 30, 2001	$ 18.05	$ 13.60
Quarter ended March 31, 2002	$ 17.93	$ 12.81
Quarter ended June 30, 2002	$ 19.10	$ 14.80
Quarter ended September 30, 2002	$ 18.52	$ 11.75
Fiscal 2001		
Quarter ended December 31, 2000	$ 18.81	$ 11.69
Quarter ended April 1, 2001	$ 20.78	$ 13.63
Quarter ended July 1, 2001	$ 25.25	$ 16.93
Quarter ended September 30, 2001	$ 23.50	$ 12.60

We have not declared or paid and do not anticipate paying cash dividends in the foreseeable future, but intend to retain any future earnings for reinvestment in our business. In addition, the terms of our credit facility restrict our ability to pay dividends to our shareholders. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements, contractual restrictions and such other factors as the Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical financial data is derived from our audited consolidated financial statements. Only the most recent three fiscal years audited statements are included elsewhere in this Annual Report on Form 10-K. The following selected financial data should be read in conjunction with our consolidated financial statements and the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	Fiscal Year Ended September 30,				
	1998	1999	2000	2001	2002
	(In millions, except per share data)				
Statement of Operations Data:					
Net sales(1)	$ 441.8	$ 504.2	$ 630.9	$ 616.2	$ 572.7
Gross profit(1)	172.9	198.2	259.4	232.9	237.4
Income from operations	40.5	53.6	89.3	54.4	63.0
Income before income taxes and extraordinary item	25.0	37.6	58.0	26.1	45.7
Income before extraordinary item	16.4	24.1	38.4	16.9	29.2
Net income(2)	14.4	24.1	38.4	11.5	29.2
Per Share Data:					
Income per common share before extraordinary item:					
Basic	$ 0.62	$ 0.88	$ 1.39	$ 0.59	$ 0.92
Diluted	0.58	0.83	1.32	0.57	0.90
Net income per share:					
Basic	$ 0.54	$ 0.88	$ 1.39	$ 0.40	$ 0.92
Diluted	0.51	0.83	1.32	0.39	0.90
Average shares outstanding:					
Basic	26.5	27.5	27.5	28.7	31.8
Diluted	28.1	29.2	29.1	29.7	32.4
Impact of Unusual Items within the Statement of Operations:					
Income from operations	$ 40.5	$ 53.6	$ 89.3	$ 54.4	$ 63.0
Special charges within gross profit(3)	—	1.3	—	22.1	1.2
Special charges within operating expenses(4)	6.2	8.1	—	0.2	—

Total unusual items	6.2	9.4	—	22.3	1.2
Income from operations before unusual items	$ 46.7	$ 63.0	$ 89.3	$ 76.7	$ 64.2
Cash Flow and Related Data:					
Cash flow from operating activities	$ (1.9)	$ 13.3	$ 32.8	$ 18.0	$ 66.8
Capital expenditures	15.9	24.1	19.0	19.7	15.6
EBITDA(5)	53.0	67.4	108.6	74.5	80.8
EBITDA before unusual items(5)	59.2	76.8	108.6	96.8	82.0

	September 30,				
	1998	1999	2000	2001	2002
Balance Sheet Data:					
Working capital	$ 81.6	$ 104.4	$ 104.7	$ 158.5	$ 140.5
Total assets(1)	267.9	513.1	549.6	566.5	533.2
Total long-term debt	148.7	307.4	272.8	233.5	188.5
Total debt	152.3	330.3	317.6	258.0	201.9

(1) Certain reclassifications have been made to reflect the adoption of EITF 00-14 and 00-25 in all periods presented. See also Footnote 2(v) in the Notes to Consolidated Financial Statements.

(2) The Company recorded extraordinary expenses within Net income as follows during the fiscal years ended September 30:

In fiscal 1998, extraordinary expense of $2.0 million, net of income taxes, was recorded for the premium on the repurchase or redemption of the senior term notes in connection with the Company's initial public offering ("IPO") completed in November 1997.

In fiscal 2001, extraordinary expense of $5.4 million, net of income taxes, was recorded for the premium on the repurchase of $65.0 million Senior Subordinated Notes and related write-off of unamortized debt issuance costs in connection with a primary offering in June 2001.

(3) The Company recorded special charges within Gross profit as follows during the fiscal years ended September 30:

In fiscal 1999, $1.3 million was recognized related to the discontinuation of silver cell manufacturing at the Company's Portage, Wisconsin facility.

In fiscal 2001, $22.1 million was recognized related to (i) an organizational restructuring in the U.S., (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in our European operations, (iii) the closure of the Company's Wonewoc, Wisconsin manufacturing facility, and (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin manufacturing facility, and rationalization of packaging operations and product lines.

In fiscal 2002, $1.2 million was recognized related to a restructuring initiative in Latin America and reversal of previously accrued amounts. A $2.3 million charge was recorded for Latin American initiatives which included: (i) the closure of the Company's Santo Domingo, Dominican Republic manufacturing operations, and (ii) outsourcing a portion of its heavy duty battery production, previously manufactured at its Mexico City, Mexico location. The net charge during the year also includes the reversal of expenses previously accrued in fiscal 2001 of $1.3 million which were ultimately not realized.

(4) The Company recorded net special charges within Operating expenses as follows during the fiscal years ended September 30:

In fiscal 1998, $6.2 million was recognized, consisting of the following: (i) $2.0 million associated with consolidating domestic battery packaging operations and outsourcing the manufacture of heavy duty batteries, (ii) $2.2 million associated with closing the Company's Appleton, Wisconsin manufacturing plant and consolidating it into its Portage, Wisconsin manufacturing plant, (iii) $5.3 million associated with closing the Company's Newton Aycliffe, United Kingdom facility, phasing out direct distribution in the United Kingdom and closing one of the Company's German sales offices, (iv) a $2.4 million gain on the sale of the Company's previously closed Kinston, North Carolina facility, (v) income of $1.2 million in connection with the settlement of deferred compensation agreements with certain former employees, (vi) $0.8 million associated with the secondary offering of Common Stock (the "Secondary Offering") which was completed in June 1998, and (vii) miscellaneous credits of $0.5 million.

In fiscal 1999, $8.1 million was recognized related to: (i) $2.5 million of employee termination benefits related to organizational restructuring, (ii) $2.1 million of charges associated with the termination of non-performing foreign distributors and exiting the respective territory, (iii) $1.9 million of costs related to the previously announced closing of the Appleton, Wisconsin facility, (iv) $0.8 million related to the closing of the Newton Aycliffe, United Kingdom facility, and (v) $0.8 million of one-time expenses associated with the Latin American acquisition.

In fiscal 2001, $0.2 million was recognized attributable to our secondary offering of Common Stock in June 2001.

(5) EBITDA represents income from operations plus other (income) expense, net, plus depreciation and amortization (excluding amortization of debt issuance costs). The Company believes that EBITDA and related measures are commonly used by certain investors and analysts to analyze and compare, and provide useful information regarding the Company's ability to service its indebtedness. However, the following factors should be considered in evaluating such measures: EBITDA and related measures (i) should not be considered in isolation, (ii) are not measures of performance calculated in accordance with generally accepted accounting principles ("GAAP"), (iii) should not be construed as alternatives or substitutes for income from operations, net income or cash flows from operating activities in analyzing the Company's operating performance, financial position or cash flows (in each case, as

determined in accordance with GAAP) and (iv) should not be used as indicators of the Company's operating performance or measures of its liquidity. Additionally, because all companies do not calculate EBITDA and related measures in a uniform fashion, the calculations presented herein may not be comparable to other similarly titled measures of other companies.

Unless otherwise noted, EBITDA includes expenses related to all identified unusual items in the fiscal years ended September 30, 1998, 1999, 2000, 2001 and 2002. EBITDA before unusual items is as follows:

	Fiscal Year Ended September 30,				
	1998	1999	2000	2001	2002
EBITDA	$ 53.0	$ 67.4	$ 108.6	$ 74.5	$ 80.8
Total unusual items	6.2	9.4	—	22.3	1.2
EBITDA before unusual items	$ 59.2	$ 76.8	$ 108.6	$ 96.8	$ 82.0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion of the financial results, liquidity, and other key items related to the Company's performance. This section should be read in conjunction with the "Selected Financial Data", and our Consolidated Financial Statements and related notes in the "Financial Statements" section of this report. Certain prior year amounts have been reclassified to conform to current year presentation. All references to 2000, 2001, 2002, and 2003 refer to fiscal year periods ended September 30, 2000, 2001, 2002, and 2003, respectively.

INTRODUCTION

Rayovac Corporation is one of the oldest battery companies in the United States, founded in 1906 as the French Battery Company. Rayovac's product portfolio includes alkaline, rechargeable, and heavy duty batteries, hearing aid batteries, lighting products, and other specialty batteries.

Our financial performance is influenced by a number of factors including: general economic conditions and trends in consumer markets; our overall product line mix, including sales prices and gross margins which vary by product line; and our general competitive position, especially as impacted by our competitors' promotional activities and pricing strategies. These influencing factors played significant roles in our financial results during 2000, 2001 and 2002.

We manage our business based upon three geographic regions. The regions are as follows: North America, which includes the United States and Canada; Latin America, which includes Mexico, Central America, South America and the Caribbean; and Europe/Rest of World ("Europe/ROW"), which includes the United Kingdom, continental Europe and all other countries in which we do business.

Set forth below are other significant developments that have impacted our results and may continue to affect our performance.

Continued Manufacturing Cost Reduction Initiatives

We continually assess our worldwide manufacturing capacity and product costs in light of existing and forecasted market demand. With our continued focus on cost reduction and rationalization, we believe we can continue to drive down our cost of goods manufactured with continued focus on cost reduction initiatives.

In furtherance of this goal, we closed our Wonewoc, Wisconsin plant during 2001 and now source lighting products previously made at this plant from third party suppliers. With this closure, we now outsource all of our lighting products.

Similarly, we closed our zinc carbon battery plants in Tegucigalpa, Honduras, and Santo Domingo, Dominican Republic in 2001 and 2002, respectively. We closed the Mexico City, Mexico plant in October 2002. With the closure of the Mexico City, Mexico plant, and prior to the acquisition discussed below, the Guatemala City, Guatemala plant is our only remaining zinc carbon manufacturing plant. The consolidation of our zinc carbon capacity within Latin America is consistent with the global market trend away from zinc carbon toward alkaline batteries.

In October 2002, we announced the closure of operations at our Madison, Wisconsin packaging center and Middleton, Wisconsin distribution center and combination of the two operations into a new leased complex being built in Dixon, Illinois. Transition to the new facililty is expected by June 2003.

Meeting Consumer Needs through Technology and Development

We continue to focus our efforts on meeting consumer needs for portable power and lighting products through new product development and technology innovations. We have announced improvements and new developments in our rechargeable, alkaline, hearing aid, and lighting products product lines.

During 2001, we introduced a one-hour charger for nickel metal hydride (NiMH) batteries, and began selling higher performing NiMH batteries. In 2002, we announced the development of a revolutionary rechargeable NiMH battery system capable of recharging batteries in as little as 15 minutes and which we anticipate will be available in the retail market during 2003. These technological advancements are expected to provide consumers with portable, rechargeable power as the use of digital cameras and other high drain devices continues to grow.

In 2002, we launched our new, more powerful Maximum Plus™ alkaline batteries, with bold new graphics. Also during 2001 and 2002, we increased the performance of our hearing aid batteries, and launched innovative packaging allowing consumers to more easily dispense the hearing aid batteries. Finally, we rejuvenated our lighting products product line through a series of new product launches designed to reach unique markets within the mass and retail channels.

We believe that our products are well poised to meet the portable power and lighting needs for consumers. We will continue to focus on identifying new technologies necessary to meet consumer and retailer needs within the marketplace.

Competitive Landscape

The alkaline battery business is highly competitive on a global scale. Within North America, there are three primary branded providers of alkaline batteries. The alkaline marketplace has seen changes in recent years related to product line segmentation, with attempts to segment the category into high-performance, regular and value positions, combined with the introduction of private label batteries at certain retailers. In addition, market participants continue to engage in high levels of promotional activities to gain market share.

Within Latin America, poor economic conditions have dramatically impacted battery sales especially within the heavy duty product line. Heavy duty batteries continue to be the largest share of

the battery market in Latin America. In North America the majority of consumers purchase alkaline batteries.

The rechargeable business has experienced dramatic changes over the past three years. Primary rechargeable alkaline sales have declined over this period with a shift towards rechargeable batteries, such as NiMH, which are higher performing in high drain devices. Our development of a one-hour charger and an innovative 15-minute rechargeable battery technology help us maintain the number one market position within the rechargeable category in the United States with approximately 60% market share, as estimated by management.

Within the hearing aid battery category, we continue to hold the number one global market position based on management estimates. We believe that our close relationship with hearing aid manufacturers and other customers, as well as our product performance improvements and packaging innovations position us for continued success in this category.

Recent Developments

On October 1, 2002, we acquired the consumer battery business of VARTA AG (VARTA). The combination of the Rayovac and VARTA brands makes us a much stronger global competitor selling in more than 100 countries worldwide. We believe that the combination of these two businesses provides us with a strong platform for market growth, improved customer service, and technology advancements for consumers. We are now one of the largest consumer battery companies in the world with the number one market position in Germany, the largest European battery market, number two overall market position in Europe, a stronger number one position in Latin America, excluding Brazil, as well as the leading value brand in North America (all market shares based on management estimates on a unit basis).

On October 10, 2002, we announced a series of initiatives to position the combined company for future growth opportunities and to optimize the global resources of the combined VARTA and Rayovac organizations. These initiatives include the elimination of duplicate costs in the VARTA and Rayovac organizations and are expected to provide significant benefit to the combined organization. We expect that all geographies will benefit from these initiatives.

Seasonal Product Sales

Rayovac's quarterly results are impacted by our seasonal sales. Sales during the first and fourth fiscal quarters of the year are generally higher than other quarters due to the impact of the December holiday season. The seasonality of our sales during the last three fiscal years is as follows:

	Percent of Annual Sales		
Fiscal Quarter Ended	**2000**	**2001**	**2002**
December	30%	27%	28%
March	20	22	21
June	22	24	24
September	28	27	27

Fiscal Year Ended September 30, 2002 Compared to Fiscal Year Ended September 30, 2001

Highlights of consolidated operating results

Net Sales. Our net sales decreased $43.5 million, or 7.1%, to $572.7 million in fiscal 2002 from $616.2 million the previous year. Increases in hearing aid battery and lighting product sales were unable to offset declines in heavy duty and alkaline sales.

Net Income. Our net income for fiscal 2002 increased $17.7 million, or 153.9%, to $29.2 million from $11.5 million the previous year. The increase reflects a reduction in interest expense attributable

to the retirement of $65.0 million in Senior Subordinated Notes following the June 2001 stock offering, plus a $56.1 million reduction in debt during fiscal 2002 due to strong cash flow from operations. In addition, fiscal 2001 results reflect a $22.3 million pretax restructuring charge, and a $5.4 million extraordinary loss, net of tax. These improvements were partially offset by a bad debt reserve of $7.5 million, net of tax, recognized in fiscal 2002 related to the bankruptcy filing of a key customer.

Segment Results. We evaluate segment profitability based on income from operations before special charges and corporate expenses, which includes corporate purchasing expense, general and administrative expense and research and development expense. All depreciation and amortization included in income from operations is related to a segment. Total segment assets are set forth in Note 12 of Notes to Consolidated Financial Statements filed herewith.

North America

	2001	2002
Revenue from external customers	$ 448.8	$ 435.6
Segment profit	80.8	85.5
Segment profit as a % of net sales	18.0%	19.6%

Our revenue from external customers decreased $13.2 million, or 2.9%, to $435.6 million in fiscal 2002 from $448.8 million the previous year. Heavy duty sales decreases of $12.3 million, or 33.8%, reflect the trend in the industry toward alkaline and the discontinuation of certain products at selected stores of a major retailer. Alkaline sales decreases of $4.8 million, or 1.8% were attributable to the decline in sales to a key customer in bankruptcy, a cautious retail inventory environment and continued promotional activity, and our inability to anniversary sales to an OEM customer in the previous year. Increases in lighting products of $4.3 million, or 7.6%, resulted from new product launches and distribution gains.

Our profitability increased $4.7 million, or 5.8%, to $85.5 million in fiscal 2002 from $80.8 million the previous year. This increase was primarily attributable to cost containment programs that lowered operating expenses, and improved gross profit margins reflecting the benefits of the 2001 plant closures and other cost improvement initiatives. This was partially offset by a $12.0 million bad debt reserve, net of recoveries, resulting from the bankruptcy filing of a key customer.

Latin America

	2001	2002
Revenue from external customers	$ 118.7	$ 84.7
Segment profit	16.9	5.3
Segment profit as a % of net sales	14.2%	6.3%

Our revenue from external customers decreased $34.0 million, or 28.6%, to $84.7 million in fiscal 2002 from $118.7 million the previous year due primarily to decreased sales of zinc carbon batteries. Net sales were impacted by unfavorable economic conditions, curtailment of shipments to certain distributors and wholesalers who were delinquent on payments, political uncertainties in Argentina and Venezuela, and the unfavorable impacts of currency devaluation which contributed approximately $9.3 million of the sales decline versus fiscal 2001.

In spite of the sales decline, the segment remained profitable, with profit of $5.3 million in fiscal 2002. However, this was a decrease of $11.6 million, or 68.6%, from the previous year. This decrease was primarily attributable to the impact of the sales decline, partially offset by lower advertising expenses and a reduction in other operating expenses in the region. As of October 1, 2001, the Company adopted Financial Accounting Standards Board Statement No. 142 which resulted in a reduction of amortization expense of $3.0 million for the year. Segment profit margins decreased

primarily due to an unfavorable customer mix compounded by relatively fixed operating expenses spread over lower sales.

Europe/ROW

	2001	2002
Revenue from external customers	$ 48.7	$ 52.5
Segment profit	4.1	5.1
Segment profit as a % of net sales	8.4%	9.7%

Our revenue from external customers increased $3.8 million, or 7.8%, to $52.5 million in fiscal 2002 from $48.7 million the previous year, primarily reflecting increased sales of alkaline and hearing aid batteries, and favorable impacts of foreign currency movements.

Our profitability increased $1.0 million, or 24.4%, due primarily to sales gains and a reduction in operating expenses due to cost containment programs and the adoption of Statement No. 142, which resulted in lower amortization expense.

Corporate Expenses. Our corporate expenses increased $6.6 million, or 26.3%, to $31.7 million in fiscal 2002 from $25.1 million the previous year. The increase was primarily due to higher legal expenses, technology spending, and management incentives.

Special Charges. In 2002, we recorded net special charges of $1.2 million related to: (i) the closure of our manufacturing facility in Santo Domingo, Dominican Republic, (ii) certain rationalization efforts in our Mexico City, Mexico manufacturing facility, and (iii) the reversal of $1.3 million of expenses related to the December 2000 restructuring announcement which were not realized. Special charges of $22.3 million were recorded in 2001.

Income from Operations. Our income from operations increased $8.6 million, or 15.8%, to $63.0 million in fiscal 2002 from $54.4 million the previous year. This increase was primarily due to reduction in special charges of $21.1 million offset by a $12.0 million bad debt reserve, net of recoveries, resulting from the bankruptcy filing of a key customer.

Interest Expense. Interest expense decreased $11.2 million, or 41.2%, to $16.0 million in fiscal 2002 from $27.2 million in the previous year primarily due to the retirement of $65.0 million in Senior Subordinated Notes in June 2001 using proceeds from our primary offering and the repayment of $56.1 million in debt from our strong cash flow from operations.

Income Tax Expense. Our effective tax rate for fiscal 2002 was 36.0% compared to 35.4% for fiscal 2001. The higher rate for fiscal 2002 primarily reflects a change in geographic profitability away from lower tax jurisdictions, primarily within Latin America, and proportionately higher income in the United States.

Extraordinary Item. In fiscal 2001, we recorded extraordinary expense of $5.4 million, net of tax, resulting from the premium on the repurchase of $65.0 million of Senior Subordinated Notes and the related write-off of unamortized debt issuance costs.

Fiscal Year Ended September 30, 2001 Compared to Fiscal Year Ended September 30, 2000

Highlights of consolidated operating results

Net Sales. Our net sales decreased $14.7 million, or 2.3%, to $616.2 million in fiscal 2001 from $630.9 million the previous year. Increases in alkaline and hearing aid battery sales were offset by decreased specialty battery sales and lighting products sales.

Net Income. Our net income for fiscal 2001 decreased $26.9 million, or 70.0%, to $11.5 million from $38.4 million the previous year. The decrease reflects the impact of a $22.3 million pretax

restructuring charge, a $5.4 million extraordinary loss, net of tax, and sales softness in North America and Europe/ROW.

North America

	2000	2001
Revenue from external customers	$ 468.2	$ 448.8
Segment profit	95.3	80.8
Segment profit as a % of net sales	20.4%	18.0%

Our revenue from external customers decreased $19.4 million, or 4.1%, to $448.8 million in fiscal 2001 from $468.2 million the previous year due primarily to increased sales of alkaline batteries and hearing aid batteries offset by decreased sales of lighting products and specialty batteries.

Alkaline sales increases of $15.1 million, or 5.9%, were driven by distribution gains, product line expansion, and strong sales in the mass merchandiser and OEM trade channels partially offset by the impacts of Y2K on sales volumes and lower promotional activity at certain food retailers this year. Hearing aid battery sales increases of $4.7 million, or 13.0%, were driven by strength in the professional channel and expanded retail distribution in fiscal 2001. Lighting product sales decreases of $14.9 million, or 20.9%, were driven by weakness in the lights and lantern battery category reflecting the lingering impact of the Y2K phenomenon and our inability to anniversary a strong hurricane season in the previous year. Specialty battery sales decreases versus last year primarily reflect softness in camcorder and lithium battery sales reflecting general softness in lithium battery demand from OEM customers in the PC, telecommunications, and electronics industries and the transition to a camcorder battery licensing agreement.

Our profitability decreased $14.5 million, or 15.2%, to $80.8 million in fiscal 2001 from $95.3 million the previous year. This decrease was primarily attributable to sales volume decreases and operating expense increases partially offset by improved gross profit margins. The operating expense increases were primarily driven by increased distribution costs reflecting fuel surcharges, higher shipping and handling costs and bad debt write-offs due to customer bankruptcies. The improvement in gross profit margins was primarily the result of previously announced cost rationalization initiatives and a favorable shift in product mix away from lower margin lithium, camcorder, and lighting products to more profitable alkaline and hearing aid batteries.

Latin America

	2000	2001
Revenue from external customers	$ 112.2	$ 118.7
Segment profit	20.3	16.9
Segment profit as a % of net sales	18.1%	14.2%

Our revenue from external customers increased $6.5 million, or 5.8%, to $118.7 million in fiscal 2001 from $112.2 million the previous year due primarily to increased sales of alkaline batteries partially offset by lower sales of zinc carbon batteries and unfavorable impacts of currency devaluation of $1.7 million.

The alkaline sales growth in Latin America primarily reflects new distribution in mass merchandiser chains compounded by the expansion into the Southern region of South America. Heavy duty sales were affected by a slowing economic environment and the impact of currency devaluation.

Our profitability decreased $3.4 million, or 16.8%, to $16.9 million in fiscal 2001 from $20.3 million the previous year. This decrease was primarily attributable to operating expense increases partially offset by improved gross profit margins. The operating expense increases were primarily driven by increased promotional and marketing support associated with new distribution initiatives in the Southern region and higher operating expenses associated with our expansion at larger mass merchandiser chains in Mexico.

Europe/ROW

	2000	2001
Revenue from external customers	$ 50.6	$ 48.7
Segment profit	6.1	4.1
Segment profit as a % of net sales	12.1%	8.4%

Our revenue from external customers decreased $1.9 million, or 3.8%, to $48.7 million in fiscal 2001 from $50.6 million the previous year, due primarily to the unfavorable impacts of currency devaluation of $3.4 million. Excluding the negative impact of currency devaluation net sales increased 3.0% reflecting sales increases in hearing aid and alkaline batteries. Alkaline battery sales increases were driven primarily by new distribution.

Our profitability decreased $2.0 million, or 32.8%, due primarily to lower gross profit margins attributable to an unfavorable product mix and increased operating expenses attributable to our new distribution.

Corporate Expenses. Our corporate expenses decreased $7.3 million, or 22.5%, to $25.1 million in fiscal 2001 from $32.4 million the previous year. As a percentage of total sales, our corporate expense was 4.1% compared to 5.1% in the previous year. These decreases were primarily due to lower management incentives and legal expenses partially offset by higher research and development expenses reflecting an increase in technology spending.

Special Charges. We recorded special charges of $22.3 million related to: (i) an organizational restructuring in the U.S., (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in our European operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines, and (v) costs associated with our secondary offering in June 2001. The amount recorded includes $10.1 million of employee termination benefits for approximately 570 employees, $10.2 million of equipment, inventory, and other asset write-offs, and $2.0 million of other expenses.

Income from Operations. Our income from operations decreased $34.9 million, or 39.1%, to $54.4 million in fiscal 2001 from $89.3 million the previous year. This decrease was primarily due to special charges of $22.3 million and decreased profitability attributable to sales volume decreases.

Interest Expense. Interest expense decreased $3.4 million, or 11.1%, to $27.2 million in fiscal 2001 from $30.6 million in the previous year primarily due to lower effective interest rates and the redemption of the majority of our subordinated debt in June 2001.

Income Tax Expense. Our effective tax rate for fiscal 2001 was 35.4% compared to 33.8% for fiscal 2000. The higher rate for fiscal 2001 primarily reflects a higher foreign tax rate attributable to increased tax rates in certain Latin America countries and startup losses in the Southern region of South America not fully benefited.

Extraordinary Item. We recorded extraordinary expense of $5.4 million, net of tax, resulting from the premium on the repurchase of $65.0 million of Senior Subordinated Notes and the related write-off of unamortized debt issuance costs.

Liquidity and Capital Resources

During fiscal 2002, our operating activities generated $66.8 million of cash, compared to $18.0 million in fiscal 2001, an increase of $48.8 million. Operating cash flows from changes in working capital accounted for $48.1 million of the increase which were primarily driven by lower investments in receivables and inventory, slightly offset by higher prepaid and other assets and lower accrued special charges reflecting the completion of the December 2000 restructuring initiatives.

Capital expenditures for fiscal 2002 were $15.6 million, a decrease of $4.1 million from fiscal 2001. Capital expenditures in 2002 were funded by cash flow from operations. Capital expenditures for fiscal 2003 are expected to be approximately $28.0 million which will include spending for leasehold improvements on our new North American packaging and distribution center, spending required by newly acquired VARTA entities, and continued technology investments as well as continued investment in our manufacturing operations.

As of September 30, 2002, our current credit facilities include a revolving credit facility of $250.0 million and a $75.0 million five-year amortizing term loan. As of September 30, 2002, $174.5 million and $23.1 million, respectively, of the revolver and the term loan were outstanding. In addition, approximately $5.8 million of the remaining availability under the revolver was utilized for outstanding letters of credit. The term facility also provides for annual prepayments, over and above the normal amortization. Such payments would be a portion of "Excess Cash Flow" (EBITDA, as defined, less certain operating expenditures including scheduled principal payments of long-term debt). The quarterly amortization is reduced prorata for the effect of prepayments made as a result of Excess Cash Flow. The fees associated with these facilities have been capitalized and are being amortized over the term of the facilities. Indebtedness under these amended facilities is secured and is guaranteed by certain of our subsidiaries.

During fiscal 2002, our board of directors granted 1,057,190 options to purchase shares of our Common stock to various employees of the Company under the 1997 Rayovac Incentive Plan. All grants were at an exercise price equal to the market price of our Common stock on the date of grant with prices ranging from $13.00 to $16.00 per share. We also granted approximately 24,000 shares of restricted stock on August 16, 2002, from the 1997 Rayovac Incentive Plan to a member of management; the restrictions on these shares will lapse on September 30, 2003. The total market value of the restricted shares on the date of grant totaled approximately $0.3 million and has been recorded as unearned compensation as a separate component of shareholders' equity. Unearned compensation is being amortized to expense over the vesting period.

We believe our cash flow from operating activities and periodic borrowings under our credit facilities will be adequate to meet the short-term and long-term liquidity requirements of our existing business previous to the expiration of those credit facilities, although no assurance can be given in this regard.

We engage in hedging transactions in the ordinary course of our business. See Note 2(r) to the Consolidated Financial Statements.

On October 1, 2002, the Company entered into an Amended and Restated Agreement ("Third Restated Agreement") to finance the acquisition of the consumer battery business of VARTA AG. The Third Restated Agreement includes a $100 million seven-year revolving credit facility, a EUR 50 million seven-year revolving credit facility, a $300 million seven-year amortizing term loan, a EUR 125 million seven-year amortizing term loan and a EUR 50 million six-year amortizing term loan. The term facilities provide for quarterly amortization totaling (assuming an exchange rate of the Euro to the Dollar of 1 to 1) of approximately $9.3 million in 2003 and 2004, $14.3 million in 2005, 2006, and 2007, $61.3 million in 2008 and $352.5 million in 2009. The term facility also provides for annual prepayments, over and above the normal amortization. Such payments would be a portion of "Excess Cash Flow" (EBITDA, as defined, less certain operating expenditures including scheduled principal payments of long-term debt). The quarterly amortization is reduced prorata for the effect of prepayments made as a result of Excess Cash Flow. The fees associated with these facilities will be capitalized and amortized over the term of the facilities.

Unamortized fees associated with the replaced facilities will be written off as a charge to earnings in the quarter ended December 29, 2002. Indebtedness under these amended facilities is secured, is guaranteed by certain of our subsidiaries and the Euro-denominated revolving facility is subject to a borrowing base ("Borrowing Base") of certain European assets.

Impact of Recently Issued Accounting Standards

See discussion in Note 2(w) to the Consolidated Financial Statements.

Critical Accounting Policies

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and fairly present the financial position and results of operations of the Company. We believe the following accounting policies are critical to an understanding of our financial statements. The application of these policies requires management judgment and estimates in areas that are inherently uncertain.

Valuation of Assets and Asset Impairment

We evaluate certain long-lived assets, such as property, plant and equipment, and certain intangibles for impairment based on the expected future cash flows or earnings projections. An asset's value is deemed impaired if the discounted cash flows or earnings projections generated do not substantiate the carrying value of the asset. The estimation of such amounts requires significant management judgment with respect to revenue and expense growth rates, changes in working capital, and selection of an appropriate discount rate, as applicable. The use of different assumptions would increase or decrease discounted future operating cash flows or earnings projections and could, therefore, change impairment determination.

We adopted Financial Accounting Standards Statement No. 142, *Goodwill and Other Intangible Assets*, effective October 1, 2001. Statement No. 142 requires goodwill and other intangible assets with indefinite useful lives not be amortized, and that impairment of such assets be evaluated as discussed above at least annually.

We evaluate deferred tax assets based on future earnings projections. An asset's value is deemed impaired if the earnings projections do not substantiate the carrying value of the asset. The estimation of such amounts requires significant management judgment with respect to revenue and expense growth rates, changes in working capital, and other assumptions, as applicable. The use of different assumptions would increase or decrease future earnings projections and could, therefore, change the determination of whether the asset is realizable.

See Notes 2(c), 2(h), 2(i), 2(v), 4, 5, and 9 to the Consolidated Financial Statements for more information about these assets.

Revenue Recognition and Concentration of Credit Risk

We recognize revenue from product sales at the point at which all risks and rewards of ownership have passed to the customer. The Company is not obligated to allow for product returns.

The Company enters into various promotional arrangements, primarily with retail customers, which require the Company to estimate total purchases from the Company. In addition, the Company enters into promotional programs, primarily with retail customers, which require the Company to estimate and accrue the estimated costs of the promotional program. The Company monitors its commitments for promotional arrangements and programs, and uses statistical measures and past experience to record a liability for the estimate of the earned, but unpaid, promotional costs. The use of different assumptions would increase or decrease the estimate of the earned, but unpaid, promotional costs and could, therefore, change the liability recorded.

The Company's trade receivables subject the Company to credit risk which is evaluated based on changing economic, political, and specific customer conditions. The Company assesses these risks and makes provisions for collectibility based on our best estimate of the risks present and information available at the date of the financial statements. The use of different assumptions may change the estimate of collectibility.

See Notes (2b), (2c), and (2e) to the Consolidated Financial Statements for more information about our Revenue Recognition and Credit policies.

Pensions

Our accounting for pension benefits is primarily based on discount rate, expected and actual return on plan assets, and other assumptions made by management, and is impacted by outside factors such as equity and fixed income market performance. Pension liability is principally the estimated present value of future benefits, net of plan assets. Pension expense is principally the sum of interest and service cost of the plan, less the expected return on plan assets and the amortization of the difference between our assumptions and actual experience. The expected return on plan assets is calculated by applying an assumed rate of return to the fair value of plan assets. If plan assets decline due to poor performance by the markets and/or interest rate declines, as was experienced in fiscal 2002, our pension liability increases, ultimately increasing future pension expense. See Notes 2(c) and 11 to the Consolidated Financial Statements for a more complete discussion of our employee benefit plans.

Restructuring

Restructuring liabilities are recorded for estimated cost of facility closures, significant organizational adjustments, and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating detailed analyses of the costs incurred. Such liabilities could include amounts for items such as severance costs and related benefits (including settlements of pension plans), impairment of property and equipment and other current or long term assets, lease termination payments, plus any other items directly related to the exit costs. While the actions are carried out as expeditiously as possible, changes in estimates, resulting in an increase to or a reversal of a previously recorded liability, may be required as management executes the restructuring plan. See Notes 15 and 18 to the Consolidated Financial Statements for discussion of recent restructuring initiatives and related costs.

Loss Contingencies

Loss contingencies are recorded as liabilities when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The outcome of existing litigation and the impact of environmental matters are examples of situations evaluated as loss contingencies. Estimating the probability and magnitude of losses is often dependent upon management judgments of potential actions by third parties and regulators. It is possible that changes in estimates or an increased probability of an unfavorable outcome could materially affect future results of operations. See further discussion in Item 3 ("Legal Proceedings"), and Notes 2(c), 2(t), and 13 to the Consolidated Financial Statements.

Other Significant Accounting Policies

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed above, are also critical to understanding the Consolidated Financial Statements. Our notes to the Consolidated Financial Statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Factors

We have market risk exposure from changes in interest rates, foreign currency exchange rates and commodity prices. We use derivative financial instruments for purposes other than trading to mitigate the risk from such exposures.

A discussion of our accounting policies for derivative financial instruments is included in Note 2 in the Consolidated Financial Statements.

Interest Rate Risk

We have bank lines of credit at variable interest rates. The general level of U.S. interest rates, LIBOR, IBOR, and to a lesser extent European Base rates, primarily affects interest expense. We use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements 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 contract counter-parties are included in accrued liabilities or accounts receivable.

Foreign Exchange Risk

We are subject to risk from sales and loans to our subsidiaries as well as sales to, purchases from and bank lines of credit with, third-party customers, suppliers and creditors, respectively, denominated in foreign currencies. Foreign currency sales are made primarily in Pounds Sterling, Canadian Dollars, Euros, Mexican Pesos, Dominican Pesos, Guatemalan Quetzals, Venezuelan Bolivars, Argentine Pesos, Chilean Pesos and Honduran Lempira. Foreign currency purchases are made primarily in Pounds Sterling, Euros, Mexican Pesos and Guatemalan Quetzals. We manage our foreign exchange exposure from anticipated sales, accounts receivable, intercompany loans, firm purchase commitments and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter parties are included in accounts payable or accounts receivable.

Commodity Price Risk

We are exposed to fluctuation in market prices for purchases of zinc used in the manufacturing process. We use commodity swaps, calls and puts to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to our anticipated purchases of the commodities. The cost of 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. The related amounts payable to, or receivable from, the counterparties are included in accounts payable or accounts receivable.

Sensitivity Analysis

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

As of September 30, 2002, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1% unfavorable shift in the underlying interest rates would be a loss of $3.5 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net loss of $1.5 million.

As of September 30, 2002, the potential change in fair value of outstanding foreign exchange rate derivative instruments, assuming a 10% unfavorable change in the underlying foreign exchange rates would be immaterial. The net impact on future cash flows, after also including the gain in value on the related accounts receivable and contractual payment obligations outstanding at September 30, 2002 due to the same change in exchange rates, would be a net gain of $0.8 million.

As of September 30, 2002, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of $0.6 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of $0.2 million.

Forward Looking Statements

Certain of the information contained in this Annual Report on Form 10-K is not historical and may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking language as "expects," "anticipates,"

"intends," "believes," "will," "estimate," "should," "may" or other similar terms. In reviewing such information, you should note that such statements are based upon current expectations of future events and projections; our actual results may differ materially from those set forth in such forward-looking statements.

Important factors that could cause our actual results to differ materially from those contained in this Annual Report on Form 10-K include, without limitation, (1) competitive promotional activity or spending by competitors or price reductions by competitors, (2) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands, (3) the loss of, or a significant reduction in, sales to a significant retail customer, (4) difficulties or delays in the integration of VARTA's operations, (5) our ability to develop and successfully introduce new products and protect our intellectual property, (6) our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings, (7) the impact of unusual items resulting from the implementation of new business strategies, acquisitions and divestitures or current and proposed restructuring activities, (8) the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations

(including environmental regulations), (9) changes in accounting policies applicable to our business, (10) interest rate, exchange rate and raw material price fluctuations, (11) the effects of general economic conditions, including inflation, labor costs and stock market volatility, or changes in trade, monetary or fiscal policies in the countries where we do business, and (12) the effects of political or economic conditions or unrest in Latin America and other international markets.

Some of the above-mentioned factors are described in further detail in the section entitled "Risk Factors" beginning on page S-10 of our Prospectus Supplement (to Prospectus dated June 20, 2001) filed pursuant to Rule 424(b)(5) with the Securities and Exchange Commission on June 21, 2001. Other factors and assumptions not identified above were also involved in the derivation of the forward-looking statements contained in this Annual Report on Form 10-K. If such other factors impact our results or if such assumptions are not correct or do not come to fruition, our actual results may differ materially from those projected. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required for this Item is included in this Annual Report on Form 10-K on pages F-1 through F-43, inclusive and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information, as of December 1, 2002, regarding each of our directors and executive officers.

Name	Age	Position and Office(s)
David A. Jones	53	Chairman of the Board and Chief Executive Officer
Kent J. Hussey	56	President and Chief Operating Officer and Director
Kenneth V. Biller	54	Executive Vice President of Operations
Remy E. Burel	51	Executive Vice President-Europe
Luis A. Cancio	62	Executive Vice President-Latin America
Stephen P. Shanesy	46	Executive Vice President-North America
Randall J. Steward	48	Executive Vice President and Chief Financial Officer
Merrell M. Tomlin	50	Executive Vice President of Global Sales
Paul G. Cheeseman	44	Senior Vice President-Technology
William P. Carmichael	59	Director
John S. Lupo	56	Director
Philip F. Pellegrino	62	Director
Thomas R. Shepherd	72	Director
Barbara S. Thomas	53	Director

Mr. Jones has served as Chairman of our Board of Directors and our Chief Executive Officer since September 12, 1996. From September 1996 to April 1998, Mr. Jones also served as our President. Between February 1995 and March 1996, Mr. Jones was Chief Operating Officer, Chief Executive Officer and Chairman of the Board of Directors of Thermoscan, Inc., a manufacturer and marketer of infrared ear thermometers for consumer and professional use. From 1989 to September 1994, he served as President and Chief Executive Officer of The Regina Company, a manufacturer of vacuum cleaners

and other floor care equipment. In addition, Mr. Jones serves as a director of United Industries Corp. and Tyson Foods, Inc. Mr. Jones has over 30 years of experience working in the consumer products industry.

Mr. Hussey is a director of Rayovac and has served as our President and Chief Operating Officer since August 2002 and from April 1998 until November 30, 2001. From December 1, 2001 through July 2002, Mr. Hussey served as President and Chief Financial Officer. Prior to April 1998 and since joining us in October 1996, Mr. Hussey was our Executive Vice President of Finance and Administration, our Chief Financial Officer and a director. From 1994 to 1996, Mr. Hussey was Vice President and Chief Financial Officer of ECC International, a producer of industrial minerals and specialty chemicals and from 1991 to July 1994 he served as Vice President and Chief Financial Officer of The Regina Company. Mr. Hussey also serves as a director of American Woodmark Corporation.

Mr. Biller was named our Executive Vice President of Operations in October 1999. From August 1998 to October 1999, he was our Senior Vice President of Operations and from January to August 1998, he was our Senior Vice President of Manufacturing/Supply Chain. Prior to that time and since 1996, Mr. Biller was our Senior Vice President and General Manager of Lighting Products & Industrial and, since 1995, was our Vice President and General Manager of Lighting Products & Industrial. Mr. Biller joined us in 1972 and has held numerous positions with us, including Director of Technology/Battery Products and Vice President of Manufacturing.

Mr. Burel joined us and was named our Executive Vice President-Europe in October 2002, upon acquisition of the consumer battery division of VARTA AG. Before the acquisition, Mr. Burel had been Chief Executive Officer of VARTA Geratebatterie GmbH since January 1, 2000. From May 1990 to December 1999, Mr. Burel held positions of increasing responsibility at VARTA as International Marketing Manager, Geographical Area Manager (France, Spain and Portugal), Profit Center Manager (general purpose batteries) and Divisional Board Member. Mr. Burel started his career at Gillette/Braun and over the course of 13 years held six different positions in controlling and marketing in the United States, France and Germany from 1975 to 1988.

Mr. Cancio was named our Executive Vice President-Latin America in October 2000. He joined Rayovac in August 1999 as our Senior Vice President and General Manager of Latin America and served in that position until October 2000. In April 1997, Mr. Cancio became a founding principal of XCELL Group LLC, a private investment firm, and remains a director of that firm. From 1980 to 1996, he held positions of increasing responsibility at Duracell International Inc., beginning as Vice President in Latin America and ending his tenure as Senior Vice President in other international markets.

Mr. Shanesy has been our Executive Vice President-North America since October 2002 and previously served as Executive Vice President of Global Brand Management since April 1998. Prior to that time and from December 1997, Mr. Shanesy served as our Senior Vice President of Marketing and the General Manager of General Batteries and Lights. From December 1996 to December 1997, Mr. Shanesy was our Senior Vice President of Marketing and General Manager of General Batteries. Prior to joining us, from 1993 to 1996, Mr. Shanesy was Vice President of Marketing of Oscar Mayer.

Mr. Steward rejoined us as our Executive Vice President and Chief Financial Officer in August 2002, after leaving for personal family reasons in December 2001. He served as our Executive Vice President of Administration and Chief Financial Officer from October 1999 to December 2001. Mr. Steward initially joined us in March of 1998 as our Senior Vice President of Corporate Development and was named Senior Vice President of Finance and Chief Financial Officer in April 1998, a position he held until October 1999. From October 1997 to March 1998, Mr. Steward worked as an independent consultant, primarily with Thermoscan, Inc. and Braun AG, assisting with financial and operational issues. From March 1996 to September 1997, Mr. Steward served as President

and General Manager of Thermoscan, Inc. From January 1992 to March 1996, he served as Executive Vice President of Finance and Administration and Chief Financial Officer of Thermoscan, Inc.

Mr. Tomlin has been our Executive Vice President of Global Sales since October 2002 and previously served as Executive Vice President of Sales since October 1998. Mr. Tomlin joined Rayovac in October 1996 as Senior Vice President of Sales. From March 1996 to September 1996, Mr. Tomlin served as Vice President of Sales of Braun of North America/Thermoscan and from August 1995 to March 1996, he served as Vice President Sales of Thermoscan, Inc. Prior to that time, Mr. Tomlin was Vice President of Sales of various divisions of Casio Electronics.

Dr. Cheeseman was named our Senior Vice President-Technology on November 15, 2001. He joined Rayovac in June 1998 as our Vice President-Technology and has led all major technology initiatives at Rayovac since that time. Dr. Cheeseman came to Rayovac from Duracell, Inc., a division of Gillette, where he held various positions of increasing responsibility including Director of Operations from 1992 to 1995 and Director of Technology from 1995 to June 1998.

Mr. Carmichael has served as a director of Rayovac since August 2002. He served as Senior Managing Director of the Succession Fund from 1998 to 2001 which provided strategic financial and tax consulting to closely held private companies. Mr. Carmichael also served as Senior Vice President of Sara Lee Corporation from 1991 to 1993, Vice President and Chief Financial Officer of Beatrice Foods Company from 1985 to 1990, Vice President of E-II Holdings from 1987 to 1988 and Vice President of Esmark, Inc. from 1976 to 1984. He is a director of Cobra Electronics Corporation and Nations Funds. Mr. Carmichael is the chairperson of our Audit Committee.

Mr. Lupo has been a director of Rayovac since July 1998 and is a principal in the consulting firm Renaissance Partners, LLC, which he joined in February 2000. From October 1998 until November 1999, he served as Executive Vice President for Sales and Marketing for Bassett Furniture Industries, Inc. From April 1998 to October 1998, Mr. Lupo served as a consultant in the consumer products industry. Prior to that time and since August 1996, Mr. Lupo served as Senior Vice President and Chief Operating Officer for the international division of Wal-Mart Stores, Inc. From October 1990 to August 1996, Mr. Lupo served as Senior Vice President—General Merchandise Manager of Wal-Mart Stores, Inc. Mr. Lupo is a member of our Corporate Governance and Nominating Committee.

Mr. Pellegrino has served as a director since November 2000. He currently serves as Senior Vice President and President of Sales for Kraft Foods Inc., and has held that position since September 2000. From 1995 to September 2000, he served as Senior Vice President of Sales and Customer Service for Kraft Foods. He has been employed by Kraft Foods or its subsidiary, Oscar Mayer, since 1964 in various management and executive positions. Mr. Pellegrino is a member of both our Audit Committee and our Compensation Committee.

Mr. Shepherd has been a director of Rayovac since our September 1996 recapitalization. Mr. Shepherd is Chairman of TSG Equity Partners, LLC and is also a director of The Vermont Teddy Bear Company Inc. and various private corporations. He currently serves as a Special Partner of Thomas H. Lee Partners, L.P. and has been engaged as a consultant to Thomas H. Lee Co. since 1986. From 1986 through 1998, Mr. Shepherd served as a Managing Director of Thomas H. Lee Company. In addition, Mr. Shepherd is an officer of various other affiliates of Thomas H. Lee Company. Mr. Shepherd is the chairperson of our Compensation Committee and a member of our Audit Committee.

Ms. Thomas has served as a director of Rayovac since May 2002. She was most recently appointed interim Chief Executive Officer of The Ocean Spray Company in November 2002. Ms. Thomas was President of Warner-Lambert Consumer Healthcare, the over-the-counter pharmaceuticals business of the Warner-Lambert Company, until its purchase by Pfizer Inc. in July 2000. From 1993 to 1997,

Ms. Thomas was employed by the Pillsbury Company, serving last as President of Pillsbury Canada Ltd. Prior to joining Pillsbury, Ms. Thomas served as Senior Vice President of Marketing for Nabisco Brands, Inc. She also serves as a director of Dial Corporation and The Ocean Spray Company. Ms. Thomas is chairperson of our Corporate Governance and Nominating Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, officers and persons who own more than 10% of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely upon review of Forms 3, 4 and 5 (and amendments thereto) furnished to us during or in respect of the fiscal year ended September 30, 2002, we are not aware of any director or executive officer who has not timely filed reports required by Section 16(a) of the Exchange Act during or in respect of such fiscal year, except for the inadvertent late reporting by Thomas R. Shepherd of one sale of stock and the inadvertent late reporting by Randall J. Steward of one grant of restricted stock and one grant of stock options.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth compensation paid to our Chief Executive Officer and the other four most highly compensated executive officers during fiscal 2002, fiscal 2001 and fiscal 2000 (the "Named Executive Officers") for services rendered in all capacities to us. Certain prior year amounts have been reclassified to conform with current year presentation.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options (#)	All Other Compensation ($)
David A. Jones,	2002	$ 550,000		$ 553,900 (1)		175,000	
Chairman of the Board and	2001	550,000		361,200 (2)	$ 1,180,000(3)	50,000	$ 5,741,400 (4)
Chief Executive Officer	2000	500,000	$ 400,000	278,700 (5)			
Kent J. Hussey,	2002	385,000		196,000 (6)		75,000	
President and Chief	2001	385,000		125,200 (7)	826,000(3)	50,000	1,418,500 (4)
Operating	2000	350,000		56,500 (8)		40,000	
Officer							
Luis A. Cancio,	2002	290,000		134,600 (9)		50,000	
Executive Vice President-	2001	293,000		80,000(10)	537,500(3)	50,000	
Latin	2000	286,000		33,200(11)		50,000	
America							
Stephen P. Shanesy,	2002	290,000		136,800(12)		50,000	
Executive Vice President-	2001	290,000		84,700(13)	567,500(3)	50,000	796,200(14)
North	2000	265,000				35,000	
America							
Merrell M. Tomlin,	2002	290,000		140,000(15)		50,000	
Executive Vice President of	2001	290,000		70,800(13)	560,000(3)	50,000	924,600 (4)
Global	2000	250,000		32,500(16)		35,000	
Sales							

(1) Includes approximately $186,000 related to a special cash payment, approximately $127,000 related to a supplemental retirement program, $42,000 related to personal use of the Company aircraft, $88,000 related to interest on the Executive Note (as defined herin) and $63,000 related to a Company provided residence.

(2) Includes approximately $104,000 related to a supplemental executive retirement program, $80,000 related to personal use of the Company aircraft, $70,000 related to interest on the Executive Note (as defined herein) and $60,000 related to a Company provided residence.

(3) At September 30, 2002 an aggregate of 277,137 restricted shares were outstanding valued at $3,381,071. Vesting is scheduled for September 30, 2003 on 277,137 shares, of which 44,476 shares have vested as of September 30, 2002. The Company has the discretion to pay or defer dividends, if declared, until the expiration of restrictions.

(4) Represents compensation from the exercise of stock options.

(5) Includes approximately $70,000 related to a Company provided residence, $70,000 related to interest on the Executive Note (as defined herein) and $90,000 related to personal use of the Company aircraft.

(6) Includes approximately $84,000 related to a supplemental executive retirement program and $42,000 related to a special cash payment.

(7) Includes approximately $70,000 related to a supplemental executive retirement program.

(8) Includes approximately $20,000 related to personal use of the Company aircraft and $20,000 related to personal use of a Company provided vehicle.

(9) Includes approximately $62,000 related to a supplemental executive retirement program and $42,000 related to a special cash payment.

(10) Includes approximately $50,000 related to a supplemental executive retirement program.

(11) Represents personal use of a Company provided vehicle and contributions to 401K plan.

(12) Includes approximately $63,000 related to a supplemental executive retirement program and $48,000 related to a special cash payment.

(13) Includes approximately $55,000 related to a supplemental executive retirement program.

(14) Represents compensation from the exercise of stock options and the purchase of a company vehicle.

(15) Includes approximately $63,000 related to a supplemental executive retirement program and $48,000 related to a special cash payment.

(16) Includes approximately $20,000 related to personal use a company provided vehicle.

Option Grants and Exercises

In connection with the 1996 recapitalization, the Board adopted the Rayovac Corporation 1996 Stock Option Plan (the "1996 Plan"). Pursuant to the 1996 Plan, options may be granted with respect to an aggregate of 2,318,127 shares of Common Stock. At September 30, 2002 an aggregate of 1,237,367 options to purchase shares of Common Stock at a weighted average exercise price of $7.06 per share, 508,181 of which relate to the 911,577 granted to David A. Jones in accordance with the terms of his employment agreement, were outstanding. See "Employment Agreements". In September 1997, the Board adopted the 1997 Rayovac Incentive Plan ("Incentive Plan"). Pursuant to the Incentive Plan, stock-based awards may be granted, including options and restricted stock, to purchase up to 5,000,000 shares of Common Stock. At September 30, 2002 an aggregate of 2,867,432 options at a weighted average exercise price of $17.01 were outstanding under the Incentive Plan.

The following table discloses the grants of stock options during fiscal 2002 to the Named Executive Officers.

Option Grants in Fiscal 2002

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/share)	Expiration Date	5% ($)	10% ($)
David A. Jones	175,000	16.6	$ 14.50	9/30/2011	$ 1,595,820	$ 4,044,121
Kent J. Hussey	75,000	7.1	$ 14.50	9/30/2011	$ 683,923	$ 1,733,195
Luis A. Cancio	50,000	4.7	$ 14.50	9/30/2011	$ 455,949	$ 1,155,463
Stephen P. Shanesy	50,000	4.7	$ 14.50	9/30/2011	$ 455,949	$ 1,155,463
Merrell M. Tomlin	50,000	4.7	$ 14.50	9/30/2011	$ 455,949	$ 1,155,463

The following table sets forth information concerning options to purchase Common Stock held by the Named Executive Officers.

Aggregated Option Exercises In Fiscal 2002 And Fiscal Year-End Option Values

Name	Shares Acquired on Exercise	Value Realized $	Number of Securities Underlying Unexercised Options at Fiscal Year End (#) (Exercisable/Unexercisable)	Value of Unexercised In-the-money Options at Fiscal Year End ($)(1) (Exercisable/Unexercisable)
David A. Jones	—	—	516,431/216,750	$ 3,968,894/$0
Kent J. Hussey	—	—	174,089/156,770	732,211/0
Luis A. Cancio	—	—	83,250/166,750	0/0
Stephen P. Shanesy	—	—	63,678/154,914	457,604/0
Merrell M. Tomlin	—	—	53,849/154,914	380,839/0

(1) These values are calculated using the $12.20 per share closing price of the Common Stock as quoted on the NYSE on September 30, 2002.

Pension Plan

In fiscal 1997 we contributed to a defined benefit pension plan covering all domestic non-union employees (the "Pension Plan"). On August 1, 1997 the Pension Plan accruals were frozen and the Pension Plan was officially terminated on October 1, 1997. We made no contributions to the Pension

Plan during fiscal 2000, 2001 or 2002. Distribution of benefits due to participating employees under the Pension Plan was made during fiscal 1999. In fiscal 2000, 2001 and 2002 we contributed to a defined contribution 401(k) plan covering domestic non-union employees (the "401(k) Plan"). We made contributions allocated on the basis of compensation and age as identified in the summary compensation table.

Director Compensation

Directors who are employees of the Company receive no compensation for serving on the Board of Directors. Non-employee directors of the Company are reimbursed for their out-of-pocket expenses in attending meetings of the Board of Directors. Messrs. Lupo, Pellegrino and Shepherd and Ms. Thomas received $6,250 per quarterly meeting in their capacities as directors for fiscal year 2002, plus $1,000 for each of the four Board of Director meetings they attended. In addition, each received $500 for each Board Committee meeting they attended. Committee chairpersons each received an additional $500 for each Board Committee meeting they attended. Messrs. Lupo, Pellegrino, Shepherd and Carmichael and Ms. Thomas have received and will continue to receive fully vested options to purchase 5,000 shares of Common Stock on each October 1st that they are serving on the Board of Directors at an exercise price equal to the closing price of the Common Stock on the New York Stock Exchange on the trading day immediately preceding such grant.

Employment Agreements

We have an employment agreement with each of the Named Executive Officers. On October 1, 2002, we entered into amended and restated employment agreements with David A. Jones (the "Jones Employment Agreement") and Kent J. Hussey (the "Hussey Employment Agreement"), as well as amended and restated employment agreements with each of Luis A. Cancio, Stephen P. Shanesy and Merrell M. Tomlin (together with the Jones Employment Agreement and the Hussey Employment Agreement, the "Executive Employment Agreements").

Each of the Executive Employment Agreements:

- has a term of three years, expiring on September 30, 2005, and, except for the Jones Employment Agreement, provides for automatic renewal for successive one-year periods unless terminated earlier upon 90-days' written notice by either the respective Named Executive Officer or us;
- provides that the Named Executive Officer has the right to resign and terminate his respective Executive Employment Agreement at any time upon 60-days' notice. Upon such resignation, we must pay any unpaid base salary through the date of termination to the resigning Named Executive Officer;
- except in the case of the Jones Employment Agreement, provides that upon termination of the Named Executive Officer's employment without cause or for death or disability, we will pay to the terminated Named Executive Officer, or such Named Executive Officer's estate, two times the Named Executive Officer's base salary and annual bonus, to be paid out over the following twelve months. In addition, each Named Executive Officer shall be entitled to receive insurance and other benefits for the greater of 24 months or the remainder of the term;
- provides us with the right to terminate the Named Executive Officer's employment for "cause" (as defined therein), in which event we shall be obligated to pay to the terminated Named Executive Officer any unpaid base salary accrued through the date of termination; and
- provides that, during the term of the agreement or the period of time served as an employee or director, and for one year thereafter, the Named Executive Officer shall not engage in or have any business which is involved in the industries in which we are engaged.

Under their respective employment agreements, Mr. Jones is entitled to a base salary of $700,000 per annum, Mr. Hussey is entitled to a base salary of $435,000 per annum, Mr. Shanesy, Mr. Tomlin and Mr. Cancio are each entitled to a base salary of $325,000 per annum (such base salaries may be increased from time to time at the discretion of the Board of Directors) and each Named Executive Officer is entitled to an annual bonus based upon our achieving certain annual performance goals established by the Board of Directors.

In addition, pursuant to the Jones Employment Agreement, Mr. Jones was paid a bonus of $400,000 in October 2000 as compensation for past services and will be paid an additional bonus of $400,000 on September 30, 2003 and an additional bonus of $2,200,000 on October 1, 2005, should he remain with the Company as of such dates. In addition, the Jones Employment Agreement provides that Mr. Jones will be granted the option to purchase his Rayovac-owned home for a nominal amount on April 30, 2003. In the event of a "sale" of Rayovac (as defined in the Jones Employment Agreement), Mr. Jones' right to receive the September 30, 2003 bonus and his right to acquire his Rayovac-owned home shall accelerate to the date of the "sale". Pursuant to the terms of a previous employment agreement, Mr. Jones purchased 227,895 shares of Common Stock at approximately $4.39 per share in connection with our 1996 recapitalization. One-half of the purchase price for those shares was paid in cash and one-half was paid with a promissory note from Mr. Jones. Mr. Jones will receive additional salary at an initial rate of $35,000 annually as long as the Jones Equity Note remains outstanding and additional salary at a rate of $18,500 annually.

The Jones Employment Agreement further provides that, upon termination of Mr. Jones' employment due to death or disability, we will pay him or his estate his base salary for the next 24 months following termination and we will continue to pay him or his estate two times the pro rata portion of his annual bonus. In addition, we will continue to pay him his additional salary at an initial rate of $35,000 annually, as long as the Jones Equity Note is outstanding, and additional salary of $18,500 annually for the duration of the term of his agreement, and he shall be entitled to insurance and other specified benefits for the greater of 24 months or the remainder of the term. In the event Mr. Jones is terminated "without cause" (as defined in the Jones Employment Agreement), he shall continue to be paid his annual bonus for the greater of 24 months or the remainder of the term. Mr. Jones shall also be entitled to receive additional salary at an initial rate of $35,000 annually, as long as the Jones Equity Note is outstanding, and additional salary of $18,500 annually and insurance and other benefits for the greater of 24 months or the remainder of the term.

Compensation Committee Interlocks and Insider Participation

From October 2001 to January 2002, the Compensation Committee of the Board of Directors was comprised of Scott A. Schoen, Thomas R. Shepherd and Warren C. Smith, Jr. From January 2002 until July 2002, the Compensation Committee of the Board of Directors was comprised of Scott A. Schoen, Thomas R. Shepherd and Scott L. Jaeckel. Thereafter, the Compensation Committee of the Board of Directors has been comprised of Thomas R. Shepherd and Philip F. Pellegrino. No member of our Compensation Committee is currently or has been, at any time since our formation, one of our officers or employees. No member

of our Compensation Committee serves a member of the board of directors or compensation committee of any entity that has one of more executive officers serving as a member of our Board of Directors or Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our Common Stock as of October 31, 2002 by:

- each person who is known by us to beneficially own more than five percent of the outstanding shares of our Common Stock;

- each of our directors and each named executive officer (as defined herein); and
- all of our current directors and executive officers as a group.

This information is based upon information received from or on behalf of the individuals named herein.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. Except as otherwise indicated, we believe that each person or entity named in the table has sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to applicable community property laws. The percentage of beneficial ownership set forth below is based upon 32,474,272 shares of Common Stock outstanding as of the close of business on October 31, 2002. In computing the number of shares of Common Stock beneficially owned by a person and the percentage ownership of that person, shares of Common Stock that are subject to options held by that person that are currently exercisable or exercisable within 60 days of October 31, 2002, are deemed outstanding. These shares are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Rayovac Corporation, 601 Rayovac Drive, Madison, Wisconsin 53711.

Names and Address of Beneficial Owner	Number of Shares	Number of Shares Subject to Options(1)	Percent
Wellington Management Company, LLP(2) 75 State Street Boston, MA 02109	3,508,645	—	10.8
J.L. Kaplan Associates, LLC(3) 222 Berkley Street, Ste 2010 Boston, MA 02116	1,703,568	—	5.2
David A. Jones	183,217(4)	576,243	2.3
Kent J. Hussey	144,476(5)	224,911	1.1
Stephen P. Shanesy	61,553(6)	132,592	*
Merrell M. Tomlin	61,115(7)	122,763	*
Luis A. Cancio	62,501(8)	130,875	*
William P. Carmichael	—	5,000	*
Thomas R. Shepherd	—	10,000	*
John S. Lupo	2,500	15,000	*
Philip F. Pellegrino	2,000	12,000	*
Barbara S. Thomas	—	5,000	*
All directors and executive officers of the Company as a group (14 persons)	729,602(9)	1,569,623	6.7

* Indicates less than 1% of the total number of outstanding shares of Common Stock.

(1) Reflects the number of shares issuable upon the exercise of options exercisable within 60 days of October 31, 2002.

(2) Information is based on a Schedule 13G filed with the SEC on September 10, 2002. The Schedule 13G reports that as of August 31, 2002, Wellington Management Company, LLP, an investment advisor, has shared dispositive power with respect to 3,508,645 shares and shared voting power with respect to 2,441,045 shares. The shares are owned of record by clients of Wellington Management Company, LLP.

(3) Information is based on a Schedule 13G filed with the SEC on February 8, 2002. The Schedule 13G reports that as of December 31, 2001, J.L. Kaplan Associates, LLC has sole voting power with respect to 1,249,425 shares and sole dispositive power with respect to 1,703,568 shares.

(4) Includes 177,819 restricted shares of which restrictions have lapsed on 5,840 shares as of October 31, 2002 and 4,045 shares held in the Company's 401(k) plan.

(5) Includes 110,631 restricted shares of which restrictions have lapsed on 8,175 shares as of October 31, 2002 and 902 shares held in the Company's 401(k) plan.

(6) Represents restricted shares of which restrictions have lapsed on 5,158 shares as of October 31, 2002.

(7) Represents restricted shares of which restrictions have lapsed on 4,866 shares as of October 31, 2002.

(8) Includes 59,802 restricted shares of which restrictions have lapsed on 4,866 shares as of October 31, 2002 and 1,799 shares held in the Company 401(k) plan.

(9) Includes 656,586 restricted shares of which restrictions have lapsed on 38,637 shares as of October 31, 2002 and 11,621 shares held in the Company's 401(k) plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with our recapitalization in 1996, we entered into a Management Agreement with Thomas H. Lee Company pursuant to which Thomas H. Lee Company provided consulting and management advisory services to us for an initial period of five years through September 12, 2001, with the term renewable on a year-to-year basis thereafter. The agreement was not renewed upon expiration in September 2002.

In addition to the Jones Equity Note, we hold various promissory notes described below (together with the Jones Equity Note, the "Executive Notes") from each of the Named Executive Officers.

Mr. Shanesy previously executed three five-year promissory notes dated March 17, 1997, August 1, 1997, and September 16, 1997, in connection with his purchase of shares of Common Stock and exercise of options to purchase shares of Common Stock for a total of $130,002. On May 1, 2002, Mr. Shanesy executed a promissory note replacing the three previous notes and in the amount of $130,002. Interest on this promissory note is to be adjusted annually to the Internal Revenue Service minimum rate for 3-5 year maturities. This promissory note is secured by a security interest in shares of our Common Stock (including vested options) owned by Mr. Shanesy.

On July 20, 2000, the Board of Directors authorized additional loans to Messrs. Jones, Hussey, Shanesy, Tomlin and Cancio of up to the aggregate principal amounts of $1,950,000, $800,000, $200,000, $500,000 and $200,000, respectively. As of August 11, 2000, Messrs. Jones, Hussey, Shanesy, Tomlin and Cancio had each executed a promissory note and, as of September 30, 2002, had drawn aggregate principal amounts of $1,700,000, $750,000, $200,000, $200,000 and $200,000, respectively, under the authorized loan program. Interest on these promissory notes is to be adjusted annually to the Internal Revenue Service minimum rate for 3-5 year maturities. Each of these promissory notes is secured by a security interest in shares of our Common Stock (including vested options) owned by the respective borrower.

The largest aggregate amount of indebtedness outstanding at any time during fiscal 2002 for each of the Named Executive Officers was as follows: Mr. Jones, $2,200,000; Mr. Hussey, $750,000; Mr. Shanesy, $330,002; Mr. Tomlin, $200,000; and Mr. Cancio, $200,000. The aggregate amount of indebtedness outstanding as of September 30, 2002, for each of the Named Executive Officers is as

follows: Mr. Jones, $2,200,000; Mr. Hussey, $750,000; Mr. Shanesy, $330,002; Mr. Tomlin, $200,000; and Mr. Cancio, $200,000.

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) as of an evaluation date within 90 days prior to the filing date of this Annual Report on Form 10-K. Based on this evaluation, they have concluded that, as of the evaluation date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

Changes in Internal Controls. Since the evaluation date referred to above, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of or are included in this Annual Report on Form 10-K:

1. The financial statements listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.

2. The financial statement schedule listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.

3. The exhibits listed in the Exhibit Index filed as part of this Annual Report on Form 10-K.

(b) Reports on Form 8-K: The Company has filed the following reports on Form 8-K during the fiscal year ended September 30, 2002: None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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Consolidated Statements of Comprehensive Income

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Independent Auditors' Report

Schedule II Valuation and Qualifying Accounts

Independent Auditors' Report

The Board of Directors and Shareholders
Rayovac Corporation:

We have audited the accompanying consolidated balance sheets of Rayovac Corporation and subsidiaries as of September 30, 2001 and 2002, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rayovac Corporation and subsidiaries as of September 30, 2001 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
KPMG LLP

Milwaukee, Wisconsin
November 1, 2002

RAYOVAC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2001 and 2002

(In thousands, except per share amounts)

	2001	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 11,358	$ 9,881
Receivables:		
Trade accounts receivable, net of allowance for doubtful receivables of $2,139 and $3,293, respectively	160,943	128,927
Other	7,802	7,683
Inventories	91,311	84,275
Deferred income taxes	9,831	8,586
Prepaid expenses and other	21,843	19,970

Total current assets	303,088	259,322
Property, plant and equipment, net	107,257	102,586
Deferred charges and other	32,617	48,693
Intangible assets, net	119,074	119,425
Debt issuance costs	4,463	3,207
Total assets	$ 566,499	$ 533,233
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 24,436	$ 13,400
Accounts payable	81,990	76,155
Accrued liabilities:		
Wages and benefits	7,178	8,910
Accrued interest	1,930	1,664
Other special charges	5,883	1,701
Other	23,124	16,954
Total current liabilities	144,541	118,784
Long-term debt, net of current maturities	233,541	188,471
Employee benefit obligations, net of current portion	19,648	24,009
Deferred income taxes	7,428	20,957
Other	3,756	6,219
Total liabilities	408,914	358,440
Shareholders' equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 61,579 and 61,594 shares, respectively; outstanding 32,043 and 32,058 shares, respectively	616	616
Additional paid-in capital	180,752	180,823
Retained earnings	119,984	149,221
Accumulated other comprehensive loss	(6,868)	(19,859)
Notes receivable from officers/shareholders	(3,665)	(4,205)
	290,819	306,596
Less treasury stock, at cost, 29,536 shares	(130,070)	(130,070)
Less unearned restricted stock compensation	(3,164)	(1,733)
Total shareholders' equity	157,585	174,793
Total liabilities and shareholders' equity	$ 566,499	$ 533,233

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended September 30, 2000, 2001 and 2002

(In thousands, except per share amounts)

	2000	2001	2002
Net sales	$ 630,914	$ 616,172	$ 572,736
Cost of goods sold	371,470	361,173	334,147
Special charges	—	22,103	1,210
Gross profit	259,444	232,896	237,379
Operating expenses:			
Selling	110,559	119,606	104,374
General and administrative	48,791	46,526	56,900
Research and development	10,763	12,191	13,084

Special charges	—	204	—
	170,113	178,527	174,358
Income from operations	89,331	54,369	63,021
Interest expense	30,626	27,189	16,048
Other expense, net	753	1,094	1,290
Income before income taxes and extraordinary item	57,952	26,086	45,683
Income tax expense	19,602	9,225	16,446
Income before extraordinary item	38,350	16,861	29,237
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $3,260	—	(5,327)	—
Net income	$ 38,350	$ 11,534	$ 29,237
Basic net income per common share:			
Income before extraordinary item	$ 1.39	$ 0.59	$ 0.92
Extraordinary item	—	(0.19)	—
Net income	$ 1.39	$ 0.40	$ 0.92
Weighted average shares of common stock outstanding	27,504	28,746	31,775
Diluted net income per common share:			
Income before extraordinary item	$ 1.32	$ 0.57	$ 0.90
Extraordinary item	—	(0.18)	—
Net income	$ 1.32	$ 0.39	$ 0.90
Weighted average shares of common stock and equivalents outstanding	29,069	29,702	32,414

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended September 30, 2000, 2001 and 2002

(In thousands)

	2000	2001	2002
Net income	$ 38,350	$ 11,534	$ 29,237
Other comprehensive income:			
Foreign currency translation adjustment	(1,964)	(1,141)	(7,875)
Cumulative effect of accounting change, net of tax effect of ($167)	—	(150)	—
Loss on derivative instruments and available for sale securities, net of tax effect of ($1,973) and ($689), respectively	—	(2,929)	(1,477)
Minimum pension liability adjustment, net of tax effect of $223, ($1,776), and ($1,959), respectively	415	(3,298)	(3,639)
Comprehensive income, net of tax	$ 36,801	$ 4,016	$ 16,246

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
Years ended September 30, 2000, 2001 and 2002
(In thousands)

	Accumulated Other Comprehensive Income (Loss)	
	Unrecognized	

	Common Stock		Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Loss on Derivative Instruments and Available for Sale Securities	Minimum Pension Liability Adjustment	Total	Notes Receivable from Officers/ Shareholders	Treasury Stock	Unearned Compensation	Total Shareholders' Equity
	Shares	Amount										
Balances at September 30, 1999	27,490	$ 570	$ 103,577	$ 70,100	$ 2,666	$ —	$ (467)	$ 2,199	$ (890)	$ (129,096)	$ —	$ 46,460
Net income	—	—	—	38,350	—	—	—	—	—	—	—	38,350
Treasury stock acquired	(51)	—	—	—	—	—	—	—	—	(886)	—	(886)
Exercise of stock options	131	1	620	—	—	—	—	—	—	—	—	621
Notes receivable from officers/shareholders	—	—	—	—	—	—	—	—	(2,300)	—	—	(2,300)
Adjustment of additional minimum pension liability	—	—	—	—	—	—	415	415	—	—	—	415
Translation adjustment	—	—	—	—	(1,964)	—	—	(1,964)	—	—	—	(1,964)
Balances at September 30, 2000	27,570	571	104,197	108,450	702	—	(52)	650	(3,190)	(129,982)	—	80,696
Net income	—	—	—	11,534	—	—	—	—	—	—	—	11,534
Sale of common stock	3,500	35	64,144	—	—	—	—	—	—	—	—	64,179
Issuance of restricted stock	277	3	4,743	—	—	—	—	—	—	—	(4,746)	—
Treasury stock acquired	(5)	—	—	—	—	—	—	—	—	(88)	—	(88)
Exercise of stock options	701	7	7,668	—	—	—	—	—	—	—	—	7,675
Notes receivable from officers/shareholders	—	—	—	—	—	—	—	—	(475)	—	—	(475)
Amortization of unearned compensation	—	—	—	—	—	—	—	—	—	—	1,582	1,582
Adjustment of additional minimum pension liability	—	—	—	—	—	—	(3,298)	(3,298)	—	—	—	(3,298)
Translation adjustment	—	—	—	—	(1,141)	—	—	(1,141)	—	—	—	(1,141)
Cumulative effect of accounting change	—	—	—	—	—	(150)	—	(150)	—	—	—	(150)
Net loss on derivative instruments and available for sale securities	—	—	—	—	—	(2,929)	—	(2,929)	—	—	—	(2,929)
Balances at September 30, 2001	32,043	616	180,752	119,984	(439)	(3,079)	(3,350)	(6,868)	(3,665)	(130,070)	(3,164)	157,585
Net income	—	—	—	29,237	—	—	—	—	—	—	—	29,237
Forfeiture of restricted stock	(24)	—	(413)	—	—	—	—	—	—	—	413	—
Issuance of restricted stock	24	—	313	—	—	—	—	—	—	—	(313)	—
Exercise of stock options	15	—	171	—	—	—	—	—	—	—	—	171
Notes receivable from officers/shareholders	—	—	—	—	—	—	—	—	(540)	—	—	(540)
Amortization of unearned compensation	—	—	—	—	—	—	—	—	—	—	1,331	1,331
Adjustment of additional minimum pension liability	—	—	—	—	—	—	(3,639)	(3,639)	—	—	—	(3,639)
Translation adjustment	—	—	—	—	(7,875)	—	—	(7,875)	—	—	—	(7,875)
Net loss on derivative instruments and available for sale securities	—	—	—	—	—	(1,477)	—	(1,477)	—	—	—	(1,477)
Balances at September 30, 2002	32,058	$ 616	$ 180,823	$ 149,221	$ (8,314)	$ (4,556)	$ (6,989)	$ (19,859)	$ (4,205)	$ (130,070)	$ (1,733)	$ 174,793

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2000, 2001 and 2002

(In thousands)

	2000	2001	2002
Cash flows from operating activities:			
Net income	$ 38,350	$ 11,534	$ 29,237
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary item, loss on early retirement of debt	—	8,587	—
Amortization	6,309	5,608	1,894
Depreciation	16,024	17,667	18,828
Deferred income taxes	2,905	(3,751)	4,257
Non-cash restructuring charges	—	9,958	542
Stock option income tax benefit	625	4,348	37
Amortization of unearned restricted stock compensation	—	1,582	1,331
(Gain) loss on disposal of fixed assets	(1,297)	187	224
Changes in assets and liabilities:			
Accounts receivable	(16,140)	(35,844)	26,272
Inventories	(20,344)	5,168	3,579
Prepaid expenses and other assets	(5,416)	(1,657)	(4,221)

Accounts payable and accrued liabilities	16,973	(10,223)	(11,310)
Accrued special charges	(5,147)	4,883	(3,844)
Net cash provided by operating activities	32,842	18,047	66,826
Cash flows from investing activities:			
Purchases of property, plant and equipment	(18,996)	(19,693)	(15,641)
Investments in available for sale securities	—	(797)	—
Proceeds from sale of property, plant and equipment	1,051	863	168
Proceeds from sale of investments	—	1,354	—
Net cash used by investing activities	(17,945)	(18,273)	(15,473)
Cash flows from financing activities:			
Reduction of debt	(215,394)	(416,699)	(224,192)
Proceeds from debt financing	203,189	421,914	169,100
Debt issuance costs	—	—	(387)
Loans to officers/shareholders	(2,300)	(475)	(540)
Issuance of stock	—	64,179	—
Acquisition of treasury stock	(886)	(88)	—
Exercise of stock options	621	3,327	134
Extinguishment of debt	—	(69,652)	(239)
Payments on capital lease obligation	(1,233)	(837)	(590)
Net cash (used) provided by financing activities	(16,003)	1,669	(56,714)
Effect of exchange rate changes on cash and cash equivalents	(202)	158	3,884
Net (decrease) increase in cash and cash equivalents	(1,308)	1,601	(1,477)
Cash and cash equivalents, beginning of period	11,065	9,757	11,358
Cash and cash equivalents, end of period	$ 9,757	$ 11,358	$ 9,881
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 27,691	$ 28,938	$ 14,671
Cash paid for income taxes	14,318	8,166	11,373

See accompanying notes to consolidated financial statements.

RAYOVAC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(1) Description of Business

Rayovac Corporation and its wholly owned subsidiaries (Company) manufacture and market batteries. Products include general (alkaline, rechargeables, heavy duty, lantern and general purpose), button cell and lithium batteries. The Company also produces a variety of battery powered lighting devices such as flashlights and lanterns. The Company's products are sold primarily to retailers in the United States, Canada, Latin America, Europe, and the Far East.

(2) Significant Accounting Policies and Practices

(a) Principles of Consolidation and Fiscal Year End

The consolidated financial statements include the financial statements of Rayovac Corporation and its wholly owned subsidiaries and are prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated. The Company's fiscal year ends September 30. References herein to 2000, 2001 and 2002 refer to the fiscal years ended September 30, 2000, 2001 and 2002.

(b) Revenue Recognition

The Company recognizes revenue from product sales upon shipment to the customer which is the point at which all risks and rewards of ownership of the product is passed. The Company is not obligated to allow for returns.

(c) Use of Estimates

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

(d) Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

(e) Concentrations of Credit Risk, Major Customers and Employees

Trade receivables potentially subject the Company to credit risk. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral. The Company monitors its customer's credit and financial conditions based on changing economic conditions and will make adjustments to credit policies as required. The Company has historically incurred minimal credit losses, but in 2002 experienced a significant loss resulting from the bankruptcy filing of a large retailer in the United States.

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This major customer

represented approximately 20% and 23%, respectively, of receivables as of September 30, 2001 and September 30, 2002.

Approximately 25% of the Company's sales occur outside of North America, and these sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectablilty based on an assessment of the risks present. The Argentine Peso and Venezuelan Bolivars devaluation did not have a significant impact on the Company's estimate of collectability.

The Company has one customer that represented over 10% of its net sales. The Company derived 22%, 27% and 26% of its net sales from this customer during 2000, 2001 and 2002, respectively.

Approximately 45% of the total labor force is covered by collective bargaining agreements. The Company believes its relationship with its employees is good and there have been no work stoppages involving Company employees since 1981 in North America and since 1991 in the United Kingdom.

The Company has entered into collective bargaining agreements with expiration dates as follows:

Location	Expiration Date
Mexico City, Mexico	February 2003
Madison, WI	August 2003
Washington, UK Production	December 2003
Guatemala City, Guatemala	March 2004
Fennimore, WI	March 2005
Portage, WI	June 2006

Bargaining agreements that expire in 2003 represent approximately 14% of the total labor force.

The Mexico City, Mexico manufacturing facility was closed during the first quarter of fiscal 2003. Additionally, it was announced on October 10, 2002, that the Madison, Wisconsin facility would be closed during fiscal 2003, prior to its bargaining agreement's expiration. (see Subsequent Events footnote 18).

(f) Displays and Fixtures

The costs of temporary displays are capitalized as a prepaid asset and charged to expense when shipped to a customer location. Permanent fixtures are capitalized as deferred charges and amortized over an estimated useful life of one to two years.

(g) Inventories

Inventories are stated at lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method for approximately 83% and 78% of the inventories at September 30,

2001 and 2002, respectively. Costs for other inventories have been determined primarily using the average cost method.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Depreciable lives by major classification are as follows:

Building and improvements	20-30 years
Machinery, equipment and other	2-15 years

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to

future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(i) Intangible Assets

Intangible assets are recorded at cost. Non-compete agreements and proprietary technology intangibles are amortized, using the straight-line method, over their estimated useful lives of 5 to 17 years. Excess cost over fair value of net assets acquired (goodwill) and trade name intangibles are not amortized. Goodwill is tested for impairment at least annually at the reporting unit level. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Trade name intangibles are tested for impairment at least annually by comparing the fair value with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations.

The Company assesses the recoverability of its intangible assets with finite useful lives by determining whether the amortization of the remaining balance over its remaining life can be recovered through projected undiscounted future cash flows. If projected future cash flows indicate that the unamortized carrying value of intangible assets with finite useful lives will not be recovered, an adjustment would be made to reduce the carrying value to an amount equal to projected future cash flows discounted at the Company's incremental borrowing rate. Cash flow projections used by the Company are based on trends of historical performance and management's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. (See also Adoption of New Accounting Pronouncements footnote 2(v), and Intangible Assets footnote 5).

(j) Debt Issuance Costs

Debt issuance costs are capitalized and amortized to interest expense over the lives of the related debt agreements.

(k) Accounts Payable

Included in accounts payable at September 30, 2001 and 2002, is approximately $16,464 and $6,247, respectively, of book overdrafts on disbursement accounts which were replenished when checks were presented for payment.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(m) Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses, and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are recorded as a component of accumulated other comprehensive income. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. Currency devaluations in Argentina and Venezuela, along with the weakening currency in Mexico, had significant impacts on these balances in 2002. The changes in accumulated foreign currency translation (gains) losses for 2001 and 2002, respectively, in these countries were: Argentina, ($1) and $2,616; Venezuela, ($32) and $3,411; and Mexico, $220 and $955.

Exchange losses on foreign currency transactions aggregating $1,334, $2,091 and $2,412 for 2000, 2001 and 2002, respectively, are included in other expense, net, in the Consolidated Statements of Operations.

(n) Shipping and Handling Costs

The Company incurred shipping and handling costs of $26,086, $28,710 and $24,081 in 2000, 2001 and 2002, respectively, which are included in selling expense.

(o) Advertising Costs

The Company incurred expenses for advertising of $22,554, $19,367 and $10,317 in 2000, 2001 and 2002, respectively. The Company expenses advertising production costs the first time the advertising takes place.

(p) Research and Development Costs

Research and development costs are charged to expense in the year they are incurred.

(q) Net Income Per Common Share

Basic net income per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Basic net income per common share does not consider common stock equivalents. Diluted net income per common share reflects the dilution that would occur if convertible debt securities and employee stock options were exercised or converted into common shares or

resulted in the issuance of common shares that then shared in the net income of the entity. The computation of diluted net income per common share uses the "if converted" and "treasury stock" methods to reflect dilution. The difference between the basic and diluted number of shares is due to assumed conversion of employee stock options where the exercise price is less than the market price of the underlying stock.

Net income per common share is calculated based upon the following shares:

	2000	2001	2002
Basic	27,504	28,746	31,775
Effect of restricted stock and assumed conversion of stock options	1,565	956	639
Diluted	29,069	29,702	32,414

In 2000, 2001, and 2002, respectively, approximately 841, 1,031, and 2,998 stock options were excluded from the calculation of diluted earnings per share because their effect was antidilutive.

(r) 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 does not hold or issue derivative financial instruments for trading purposes.

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the fair value recorded as a hedge asset or liability, as applicable, with changes in fair value recorded in Other Comprehensive Income ("OCI"). The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts

receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During 2002, $5,133 of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At September 30, 2002, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 6.403% for a notional principal amount of $70,000 through October 2002, 4.458% for a notional principal amount of $70,000 from October 2002 through July 2004 and 3.769% for a notional principal amount of $100,000 through August 2004. The derivative net losses on these contracts recorded in OCI at September 30, 2002 was an after-tax loss of $3,998.

The Company enters into forward and swap foreign exchange contracts to hedge the risk from forecasted settlement in local currencies of inter-company purchases and sales, trade sales, and trade purchases. These contracts generally require the Company to exchange foreign currencies for U.S. dollars or Pounds Sterling. These contracts are designated as cash flow hedges with the fair value recorded as a hedge asset or liability, as applicable, with changes in fair value recorded in OCI. Once the forecasted transaction has been recognized as a purchase or sale and a related liability or asset recorded in the balance sheet, the gain or loss on the related derivative hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. During 2002, $17 of pretax derivative losses were recorded as an adjustment to earnings for cash flow hedges related to an asset or liability. During 2002, $61 of pretax derivative gains were recorded as an adjustment to earnings for forward and swap contracts settled at maturity. At September 30, 2002, the Company had a series of swap contracts outstanding with a contract value of $247. The derivative net loss on these contracts at September 30, 2002 was immaterial.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from changes in fair value from unrecognized firm purchase commitments. These firm purchase commitments generally require the Company to exchange U.S. dollars for foreign currencies. These hedge contracts are designated as fair value hedges with the fair value recorded as a hedge asset or liability, as applicable, with changes in fair value recorded in earnings on a pretax basis. To the extent effective, changes in the value of the forward contracts recorded in earnings will be offset by changes in the value of the hedged item, also recorded in earnings on a pretax basis and as an asset or liability, as applicable. Once the firm purchase commitment has been consummated, the firm commitment asset or liability balance will be reclassified as an addition to or subtraction from the carrying value of the purchased asset. The Company previously entered into a series of forward contracts through October 2001 to hedge the exposure from a firm commitment to purchase certain battery manufacturing equipment denominated in Japanese Yen. During 2002, $63 of pretax derivative gains were recorded as an adjustment to earnings for fair value hedges of this firm purchase commitment and $63 of pretax losses were recorded as an adjustment to earnings for changes in fair value of this firm purchase commitment. During 2002, $78 of pretax derivative losses were recorded as an adjustment to earnings for fair value hedges of this firm purchase commitment that were settled at maturity and $78 of pretax gains were recorded as an adjustment to earnings for payments made against this firm purchase commitment. No forward exchange contracts were held by the Company at September 30, 2002.

The Company is exposed to risk from fluctuating prices for zinc used in the manufacturing process. The Company hedges a portion of this risk through the use of commodity swaps. The swaps are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. The fair value of the swaps is reclassified from OCI into earnings when the hedged purchase of zinc metal-based items also affects earnings. The swaps effectively fix the floating price on a specified quantity of zinc through a specified date. During 2002, $2,645 of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At September 30, 2002, the Company had a series of swap contracts outstanding through August 2003 with a contract value of $6,350. The derivative net losses on these contracts recorded in OCI at September 30, 2002 was an after-tax loss of $328.

(s) Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and short-term debt approximate fair value. The fair values of long-term debt and derivative financial instruments are generally based on quoted market prices.

(t) Environmental Expenditures

Environmental expenditures which relate to current ongoing operations or to conditions caused by past operations are expensed. The Company determines its liability on a site-by-site basis and records a liability at the time when it is probable and can be reasonably estimated. The estimated liability is not reduced for possible recoveries from insurance carriers.

(u) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

(v) Adoption of New Accounting Pronouncements

Effective October 1, 2000, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the change in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in Other Comprehensive Income (OCI) and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of Statement No. 133 resulted in a pretax reduction to OCI of $317 ($150 after tax) in 2001. The reduction of OCI was primarily attributable to losses of approximately $500 for foreign exchange forward cash flow hedges partially offset by gains of approximately $200 on interest rate swap cash flow hedges. (See also footnote 2(r)).

In May 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives". This Issue addresses the recognition, measurement, and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products or Services". This Issue addresses when consideration from a vendor to a retailer or distributor in connection with the purchase of the vendor's products to promote sales of the vendor's products should be classified in the vendor's income statement as a reduction of revenue or expense. The Company adopted EITF 00-14 and EITF 00-25 in the second fiscal quarter of 2002.

The adoption resulted in the following reclassifications in the Company's results of operations in 2000, 2001 and 2002. Net sales were reduced by $62,452, $59,319 and $52,577, respectively; cost of sales were increased by $11,200, $12,880 and $15,480, respectively; and selling expenses were reduced by $73,652, $72,199 and $68,057, respectively.

Concurrent with the adoption of EITF 00-25, the Company reclassified certain accrued trade incentives as a contra receivable versus the Company's previous presentation as a component of accounts payable. Historically, customers offset earned trade incentives when making payments on account. Therefore, the Company believes the reclassification of these accrued trade incentives as a contra receivable better reflects the underlying economics of the Company's net receivable due from trade customers. The reclassification resulted in a reduction in accounts receivable and accounts payable in our Consolidated Balance Sheets of $21,383 and $21,277 at September 30, 2001 and September 30, 2002, respectively.

Effective July 1, 2001, the Company adopted Statement No. 141, *Business Combinations*, and effective October 1, 2001, Statement No. 142, *Goodwill and Other Intangible Assets*.

Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated or completed on or after July 1, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement No. 142. Statement No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of*. Upon the transition to Statement No. 142, no goodwill was deemed to be impaired. (See also footnote 2(i)).

The table below presents net income and earnings per share information as if Statement No. 142 had been adopted at the beginning of periods presented:

	2000	2001	2002
Reported net income	$ 38,350	$ 11,534	$ 29,237
Add back: Goodwill amortization, net of tax of $0	1,241	1,050	—
Add back: Trade name amortization, net of tax of $855	1,395	1,395	—
Adjusted net income	$ 40,986	$ 13,979	$ 29,237

Basic Earnings Per Share:			
Reported net income	$ 1.39	$ 0.40	$ 0.92
Goodwill amortization	0.05	0.04	—
Trade name amortization	0.05	0.05	—
Adjusted net income	$ 1.49	$ 0.49	$ 0.92
Diluted Earnings Per Share:			
Reported net income	$ 1.32	$ 0.39	$ 0.90
Goodwill amortization	0.04	0.03	—
Trade name amortization	0.05	0.05	—
Adjusted net income	$ 1.41	$ 0.47	$ 0.90

(w) Impact of Recently Issued Accounting Standards

In August 2001, the FASB issued Statement No. 143, *Accounting for Asset Retirement Obligations*. Statement No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is required to adopt this statement no later than its fiscal year beginning October 1, 2002. Management believes that the impact of adoption on the consolidated financial statements will be immaterial.

In October 2001, the FASB Issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* This statement supersedes FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*, and the accounting and reporting provisions of APB Opinion No. 30, *Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. The Company is required to adopt this statement no later than its fiscal year beginning October 1, 2002. Management believes that the impact of adoption on the consolidated financial statements will be immaterial.

In April 2002, the FASB issued Statement No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. The Statement addresses, among other things, the income statement treatment of gains and losses related to debt extinguishments, requiring such expenses to no longer be treated as extraordinary items, unless the items meet the definition of extraordinary per APB Opinion No. 30, *Reporting the*

Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. The Company is required to adopt this statement no later than its fiscal year beginning October 1, 2002. Upon adoption, the 2001 loss on early extinguishment of debt will be reclassified to other expense.

In July 2002, the FASB issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. The Statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Statement replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The Company is required to apply this Statement prospectively to exit or disposal activities initiated after December 31, 2002.

(3) Inventories

Inventories consist of the following:

	September 30,	
	2001	2002
Raw materials	$ 24,271	$ 19,893
Work-in-process	14,015	19,004
Finished goods	53,025	45,378
	$ 91,311	$ 84,275

(4) Property, Plant and Equipment

Property, plant and equipment consist of the following:

	September 30,	
	2001	2002
Land, buildings and improvements	$ 34,350	$ 34,559
Machinery, equipment and other	175,724	184,087
Construction in process	11,271	10,303

	221,345	228,949
Less accumulated depreciation	114,088	126,363
	$ 107,257	$ 102,586

Machinery, equipment and other includes capitalized leases, net of amortization, totaling $1,242 and $615 at September 30, 2001 and 2002, respectively.

(5) Intangible Assets

Intangible assets consist of the following:

	2001			2002		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible	Gross Carrying Amount	Accumulated Amortization	Net Intangible
Amortized Intangible Assets						
Non-compete agreement	$ 700	$ 490	$ 210	$ 700	$ 630	$ 70
Proprietary technology	525	275	250	525	308	217
	$ 1,225	$ 765	$ 460	$ 1,225	$ 938	$ 287
Pension Intangibles						
Under-funded pension	$ 3,081	$ —	$ 3,081	$ 3,446	$ —	$ 3,446
Unamortized Intangible Assets						
Trade name	$ 90,000	$ 4,875	$ 85,125	$ 90,000	$ 4,875	$ 85,125

	North America	Latin America	Europe/ROW	Total
Goodwill				
Balance as of September 30, 2001, net	$ 1,035	$ 26,884	$ 2,489	$ 30,408
Effect of translation	—	—	159	159
Balance as of September 30, 2002, net	$ 1,035	$ 26,884	$ 2,648	$ 30,567

The non-compete agreement is being amortized on a straight-line basis over 5 years. The proprietary technology assets are being amortized on a straight-line basis over 15 to 17 years.

The trade name and Latin America segment goodwill are associated with the 1999 acquisition of ROV Limited and were being amortized on a straight-line basis over 40 years. The North America segment goodwill is associated with the 1998 acquisition of Best Labs and was being amortized on a straight-line basis over 15 years. The Europe/ROW segment goodwill is associated with the 1998 acquisition of Brisco GmbH in Germany and was being amortized on a straight-line basis over 15 years.

Pursuant to Statement No. 142, the Company ceased amortizing goodwill on October 1, 2001. Upon initial application of Statement No. 142, the Company reassessed the useful lives of its intangible assets and deemed only the trade name asset to have an indefinite useful life because it is expected to generate cash flows indefinitely. Based on this, the Company ceased amortizing the trade name on October 1, 2001.

The amortization expense for 2000, 2001, and 2002 are as follows:

	2000	2001	2002
Amortization Expense			
Goodwill amortization	$ 1,241	$ 1,050	$ —
Trade name amortization	2,250	2,250	—
Non-compete and proprietary technology	429	173	173
	$ 3,920	$ 3,473	$ 173

(6) Debt

Debt consists of the following:

	September 30,

	2001	2002
Revolving credit facility	$ 213,200	$ 174,500
Term loan facility	34,365	23,061
Series B Senior Subordinated Notes, due November 1, 2006, with interest at 10 1/4% payable semi-annually	239	—
Capitalized lease obligations	1,098	500
Notes and obligations, weighted-average interest rate of 3.77% at September 30, 2002	9,075	3,810
	257,977	201,871
Less current maturities	24,436	13,400
Long-term debt	$ 233,541	$ 188,471

In 1999, the Company entered into an Amended and Restated Credit Agreement ("Second Restated Agreement"). The Second Restated Agreement provided for senior bank facilities, including term and revolving credit facilities in an aggregate amount of $325,000. Interest on borrowings was computed, at the Company's option, based on the base rate, as defined ("Base Rate"), or the Interbank Offering Rate ("IBOR"). Indebtedness under these amended facilities was secured by substantially all of the assets of the Company and was guaranteed by certain of our subsidiaries. The Company recorded fees paid as a result of the amendments as a debt issuance cost which was being amortized over the remaining life of the Second Restated Agreement.

The term facility included in the Second Restated Agreement initially totaled $75,000. The facility provided for quarterly amortization totaling $10,000 in 2000, $15,000 in 2001, 2002 and 2003, and $20,000 in 2004. The term facility also provided for annual prepayments, over and above the normal amortization. Such payments would be a portion of "Excess Cash Flow" (EBITDA less certain operating expenditures including scheduled principal payments of long-term debt). The quarterly amortization is reduced prorata for the effect of prepayments made as a result of Excess Cash Flow.

The Second Restated Agreement was subsequently amended over time primarily to permit increased levels of: letters of credit, capital spending, loans to employees and investments by a domestic subsidiary in a foreign subsidiary; and amend the definition of EBITDA to exclude certain non-recurring charges including a bad debt reserve for the Kmart bankruptcy.

Interest on these borrowings was at the Base Rate plus a margin (0.00% to 0.75%) per annum (5.00% at September 30, 2002) or IBOR plus a margin (0.75% to 1.75%) per annum. The Company was required to pay a commitment fee (0.25% to 0.50%) per annum (0.375% at September 30, 2002) on the average daily-unused portion of the revolving facility. The Company had outstanding letters of credit of approximately $5,750 at September 30, 2002. A fee (0.75% to 1.75%) per annum (1.25% at September 30, 2002) was payable on the outstanding letters of credit. The Company also incured a fixed fee of 0.25% per annum of the average daily maximum amount available to be drawn on each letter of credit issued. The facilities' margin, revolving commitment fee and fees on outstanding letters of credit could be adjusted if the Company's leverage ratio, as defined, increased or decreased.

The Second Restated Agreement contained financial covenants with respect to borrowings which included maintaining minimum interest coverage and maximum leverage ratios. In accordance with the Agreement, the limits imposed by such ratios became more restrictive over time. In addition, the Second Restated Agreement restricted the Company's ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures, and merge or acquire or sell assets.

The Series B Senior Subordinated Notes ("Notes"), initially scheduled to mature on November 1, 2006, were redeemed in connection with the Company's initial public offering of common stock, and a subsequent primary offering, with the final residual amount redeemed in November 2001.

The Company entered into no new capital leases in 2002. Aggregate capitalized lease obligations are payable in installments of $340 in 2003 and $160 in 2004.

In connection with the acquisition of the consumer battery business of VARTA AG on October 1, 2002, the Company entered into an Amended and Restated Credit Agreement ("Third Restated Agreement") which replaced the Second Restated Agreement discussed above. The Third Restated Agreement provides for senior bank facilities, including term and revolving credit facilities in an initial aggregate amount (assuming an exchange rate of the Euro to the Dollar of 1 to 1) of approximately $625,000. The Third Restated Agreement includes a $100,000 seven-year revolving credit facility, a EUR 50,000 seven-year revolving facility, a $300,000 seven-year amortizing term loan, a EUR 125,000 seven-year amortizing term loan and a EUR 50,000 six-year amortizing term loan. The U.S. Dollar revolving credit facility may be increased, at the Company's option, by up to $50,000.

The interest on Dollar-denominated borrowings is computed, at the Company's option, based on the base rate, as defined ("Base Rate"), or the London Interbank Offered Rate ("LIBOR") for Dollar-denominated deposits. The interest on Euro-denominated borrowings is computed on LIBOR for Euro-denominated deposits. The fees associated with these facilities will be capitalized and amortized over the term of the facilities. Unamortized fees associated with the replaced facilities above will be written off as a charge to earnings in the quarter ending December 29, 2002. Indebtedness under these amended facilities is secured by substantially all of the assets of the Company, is guaranteed by certain of our subsidiaries and the Euro-denominated revolving facility is subject to a borrowing base ("Borrowing Base") of certain European assets.

The term facilities provide for quarterly amortization totaling (assuming an exchange rate of the Euro to the Dollar of 1 to 1) of approximately $9,250 in 2003 and 2004, $14,250 in 2005, 2006, and 2007, $61,250 in 2008 and $352,500 in 2009. The term facility also provides for annual prepayments, over and above the normal amortization. Such payments would be a portion of "Excess Cash Flow" (EBITDA, as defined, less certain operating expenditures including scheduled principal payments of long-term debt). The quarterly amortization is reduced prorata for the effect of prepayments made as a result of Excess Cash Flow.

Interest on Dollar-denominated revolving borrowings is, at the Company's option, at the Base Rate plus a margin (1.25% to 2.50%) per annum or Dollar-denominated LIBOR plus a margin (2.25% to 3.50%) per annum. Interest on Euro-denominated revolving borrowings and the Euro-denominated six-year term loan is Euro-denominated LIBOR plus a margin (2.25% to 3.50%) per annum (6.58% at October 1, 2002). Interest on the Dollar-denominated seven-year term loan is, at the Company's option, at the Base Rate plus a fixed 2.75% margin per annum or Dollar-denominated LIBOR plus a

fixed 3.75% margin per annum (5.57% at October 1, 2002). Interest on the Euro-denominated seven-year term loan is Euro-denominated LIBOR plus a fixed 3.75% margin per annum (7.08% at October 1, 2002). The Company is required to pay a commitment fee of 0.50% per annum on the average daily-unused portion of the revolving facilities. A fee (2.25% to 3.50%) per annum (3.25% at October 1, 2002) is payable on the outstanding letters of credit. The Company also incurs a fee of 0.25% per annum of the average daily maximum amount available to be drawn on each letter of credit issued. The margin on the revolving facilities, six-year amortizing term loan and fees on outstanding letters of credit may be adjusted if the Company's leverage ratio, as defined, increases or decreases.

The Third Restated Agreement contains financial covenants with respect to borrowings which include maintaining minimum interest and fixed charge and maximum leverage ratios. In accordance with the Agreement, the limits imposed by such ratios become more restrictive over time. In addition, the Third Restated Agreement restricts the Company's ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures, and merge or acquire or sell assets.

The aggregate scheduled maturities of debt as of October 1, 2002 are as follows: (1)

2003	$	13,400
2004		9,411
2005		14,250
2006		14,250
2007		14,250
Thereafter		413,750
	$	479,311

(1) Reflects debt structure resulting from the acquisition of the consumer battery business of VARTA AG. Amounts do not include debt held by the purchased entities at October 1, 2002.

(7) Shareholders' Equity

On October 1, 2000, the Company granted approximately 277 shares of restricted stock to certain members of management. The total market value of the restricted shares on date of grant was approximately $4,746 and has been recorded as unearned compensation as a separate component of shareholders' equity. During 2002, the Company recognized the forfeiture of approximately 24 restricted shares of stock. The total market value on the date of grant for the forfeited shares was approximately $413 and has been recorded as an adjustment to unearned compensation. Approximately 186 of these shares will vest on September 30, 2003 provided the recipient is still employed by the Company. The remainder vests one third each year from the date of grant. Unearned compensation is being amortized to expense over the three-year vesting period.

On June 22, 2001, the Company completed a primary offering of 3,500 shares of Common stock. The net proceeds of approximately $64,200 after deducting the underwriting discounts and offering expenses, were used to repurchase approximately $64,800 principal amount of $10^1/_4$% Series B Senior Subordinated Notes.

Concurrently, the Thomas H. Lee Group and its affiliates sold approximately 4,200 shares and certain Rayovac officers and employees sold approximately 900 shares in a secondary offering of Common stock. The Company did not receive any proceeds from the sales of the secondary offering shares but incurred expenses for the offering of approximately $200 which are included in Special Charges.

On August 16, 2002, the Company granted approximately 24 shares of restricted stock to a certain member of management. These shares will vest on September 30, 2003 provided the recipient is still employed with the Company. The total market value of the restricted shares on the date of grant was approximately $313 and has been recorded as unearned compensation as a separate component of shareholders' equity. Unearned compensation is being amortized over a 13 month vesting period.

(8) Stock Option Plans

In 1996, the Company's Board of Directors ("Board") approved the Rayovac Corporation 1996 Stock Option Plan ("1996 Plan"). Under the 1996 Plan, stock options to acquire up to 2,318 shares of Common stock, in the aggregate, may be granted to select employees and directors of the Company under either or both a time-vesting or a performance-vesting formula at an exercise price equal to the market price of the Common stock on the date of grant. The time-vesting options become exercisable primarily in equal 20% increments over a five-year period. The performance-vesting options become exercisable at the end of ten years with accelerated vesting over each of the first five years if the Company achieves certain performance goals. Accelerated vesting may occur upon sale of the Company, as defined in the 1996 Plan. As of September 30, 2002, there were options with respect to 1,237 shares of Common stock outstanding under the 1996 Plan.

In 1997, the Board adopted the 1997 Rayovac Incentive Plan ("Incentive Plan"). The Incentive Plan replaces the 1996 Plan and no further awards will be granted under the 1996 Plan other than awards of options for shares up to an amount equal to the number of shares covered by options that terminate or expire prior to being exercised. Under the Incentive Plan, the Company may grant to employees and non-employee directors stock options, stock appreciation rights ("SARs"), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting will occur in the event of a change in control, as defined in the Incentive Plan. Up to 5,000 shares of Common stock may be issued under the Incentive Plan. The Incentive Plan expires in August 2007. As of September 30, 2002, there were options with respect to 2,868 shares of Common stock outstanding under the Incentive Plan.

A summary of the status of the Company's plans is as follows:

	2000	2001	2002

	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of period	2,832	$ 9.14	3,276	$ 12.15	3,266	$ 14.12
Granted	729	21.62	857	14.83	1,057	14.37
Exercised	(132)	4.71	(701)	4.75	(15)	8.81
Forfeited	(153)	8.39	(166)	18.43	(203)	11.30
Outstanding, end of period	3,276	$ 12.15	3,266	$ 14.12	4,105	$ 14.01
Options exercisable, end of period	1,325	$ 7.67	1,304	$ 11.81	1,884	$ 11.39

The Company also granted approximately 277 and 24 shares of restricted stock during 2001 and 2002, respectively, under the Incentive Plan. The restrictions lapse over the three-year period ending September 30, 2003. As of September 30, 2002, the restrictions had lapsed on 44 of these shares and the Company recognized the forfeiture of 24 of these shares.

The following table summarizes information about options outstanding and outstanding and exercisable as of September 30, 2002:

	Options Outstanding			Options Outstanding and Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
$4.39	1,009	4 years	$ 4.39	1,009	$ 4.39
$13.00 – $20.938	2,246	8.1	15.24	443	16.78
$21.25 – $29.50	850	6.7	22.19	432	22.22

The Company has adopted the provisions of Statement No. 123, *Accounting for Stock-Based Compensation,* and continues to apply Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock plans. Accordingly, the Company recognized $1,582 and $1,331, respectively, of compensation cost, before tax, related to restricted stock in 2001 and 2002, respectively, and no compensation cost, before tax, related to options for the stock plans. If the Company had elected to recognize compensation cost for all of the plans based upon the fair value at the grant dates for awards under those plans, consistent with an alternative method prescribed by Statement No. 123, net income per common share would have been reduced to the pro forma amounts indicated below:

	2000	2001	2002
Net income reported	$ 38,350	$ 11,534	$ 29,237
Pro forma net income	$ 35,887	$ 7,932	$ 25,271
Pro forma basic net income per common share	$ 1.30	$ 0.28	$ 0.80
Pro forma diluted net income per common share	$ 1.23	$ 0.27	$ 0.78

The fair value of the Company's stock options used to compute pro forma net income and basic and diluted net income per common share disclosures is the estimated fair value at grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2000	2001	2002
Assumptions used:			
Volatility	28.6%	34.7%	37.6%
Risk-free interest rate	6.17%	4.48%	3.40%
Expected life	8 years	8 years	8 years
Dividend yield	—	—	—
Weighted-average grant-date fair value of options granted during period	$10.49	$7.27	$6.89

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single value of its options and may not be representative of the future effects on reported net income or the future stock price of the Company. For purposes of proforma disclosure, the estimated fair value of the options is amortized to expense over the option's vesting period.

(9) Income Taxes

Pretax income (income before income taxes and extraordinary item) and income tax expense consist of the following:

	2000	2001	2002
Pretax income (loss):			

United States	$ 30,383	$ 13,660	$ 47,288
Outside the United States	27,569	12,426	(1,605)
Total pretax income	$ 57,952	$ 26,086	$ 45,683
Income tax expense (benefit):			
Current:			
Federal	$ 7,850	$ 6,617	$ 10,484
Foreign	8,142	6,217	895
State	705	142	204
Total current	16,697	12,976	11,583
Deferred:			
Federal	2,032	(1,977)	6,666
Foreign	731	(1,638)	(2,374)
State	142	(136)	571
Total deferred	2,905	(3,751)	4,863
	$ 19,602	$ 9,225	$ 16,446

In 2001, a tax benefit of $3,260 was recorded in conjunction with the loss on the early extinguishment of debt.

The following reconciles the Federal statutory income tax rate with the Company's effective tax rate:

	2000	2001	2002
Statutory Federal income tax rate	35.0%	35.0%	35.0%
Foreign Sales Corporation/Extraterritorial Income Exclusion benefit	(0.6)	(1.4)	(0.6)
Effect of foreign items and rate differentials	(0.9)	0.8	(0.1)
State income taxes and other	1.0	1.3	1.5
Adjustment of prior year taxes	(1.3)	(1.4)	0.2
Other	0.6	1.1	0.0
	33.8%	35.4%	36.0%

The tax effects of temporary differences which give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	September 30,	
	2001	2002
Current deferred tax assets:		
Employee benefits	$ —	$ 970
Restructuring and asset impairments	3,151	212
Inventories and receivables	3,019	2,105
Marketing and promotional accruals	2,113	351
Tax loss carry forwards	2,348	1,861
Currency hedges	1,731	1,370
Other	1,856	1,717
Total current deferred tax assets	14,218	8,586
Current deferred tax liabilities:		
Inventories	(2,494)	—
Other	(1,389)	—
Total current deferred tax liabilities	(3,883)	—
Net current deferred tax assets	$ 10,335	$ 8,586
Noncurrent deferred tax assets:		
Employee benefits	$ 3,462	$ 5,103
Operating loss and credit carry forwards	1,328	4,163
Property, plant and equipment	477	147
Other	3,626	2,930

Total noncurrent deferred tax assets	8,893	12,343
Noncurrent deferred tax liabilities:		
Property, plant, and equipment	(12,178)	(12,954)
Intangibles	(2,240)	(4,488)
Employee benefits	—	(2,200)
Other	(903)	(1,315)
Total noncurrent deferred tax liabilities	(15,321)	(20,957)
Net noncurrent deferred tax liabilities	$ (6,428)	$ (8,614)

At September 30, 2002, net noncurrent deferred tax assets of $12,343 are included in Deferred charges and other in the Consolidated Balance Sheets. At September 30, 2001, net noncurrent deferred tax assets of $1,505 are included in Deferred charges and other and net current deferred tax liabilities of $1 are included in Other accrued liabilities in the Consolidated Balance Sheets.

The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

Provision has not been made for United States income taxes on a portion of the undistributed earnings of the Company's foreign subsidiaries (approximately $33,366 and $30,881 at September 30, 2001 and 2002, respectively), either because any taxes on dividends would be offset substantially by foreign tax credits or because the Company intends to reinvest those earnings. Such earnings would become taxable upon the sale or liquidation of these foreign subsidiaries or upon remittance of dividends. It is not practicable to estimate the amount of the deferred tax liability on such earnings.

(10) Leases

Future minimum rental commitments under non-cancelable operating leases, principally pertaining to land, buildings and equipment, are as follows:

2003	$ 6,271
2004	5,014
2005	4,794
2006	3,959
2007	3,633
Thereafter	14,248
	$ 37,919

The leases on the properties require annual lease payments of $2,788 subject to annual inflationary increases. All of the leases expire during the years 2003 through 2014.

Total rental expenses were $6,924, $7,137 and $7,341 for 2000, 2001 and 2002, respectively.

During 2002, the Company entered into a long-term lease for a facility being built in Dixon, Illinois (see Subsequent Events footnote 18). The Company anticipates that construction will be completed and the lease payments will be fixed for this facility during the second fiscal quarter of 2003. As amounts are not fixed, minimum rental commitments for this lease are not included above.

(11) Employee Benefit Plans

Pension Benefits

The Company has various defined benefit pension plans covering substantially all of its domestic hourly employees and union members. Plans generally provide benefits of stated amounts for each year of service. The Company's practice is to fund pension costs at amounts within the acceptable ranges established by the Employee Retirement Income Security Act of 1974, as amended.

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

Other Benefits

The Company provides certain health care and life insurance benefits to eligible retired employees. Participants earn retiree health care benefits after reaching age 45 over the next 10 succeeding years of service and remain eligible until reaching age 65. The plan is contributory; retiree contributions have been established as a flat dollar amount with contribution rates expected to increase at the active

medical trend rate. The plan is unfunded. The Company is amortizing the transition obligation over a 20-year period.

	Pension Benefits		Other Benefits	
	2001	2002	2001	2002
Change in benefit obligation				
Benefit obligation at beginning of year	$ 17,731	$ 20,619	$ 2,925	$ 2,677
Service cost	616	693	343	299
Interest cost	1,415	1,512	213	188
Amendments	371	677	—	(20)
Actuarial loss (gain)	1,180	1,132	(701)	(41)
Benefits paid	(694)	(879)	(103)	(27)
Benefit obligation at end of year	$ 20,619	$ 23,754	$ 2,677	$ 3,076
Change in plan assets				
Fair value of plan assets at beginning of year	$ 11,258	$ 12,316	$ —	$ —
Actual return on plan assets	(1,252)	(1,279)	—	—
Employer contribution	3,114	1,414	103	27
Benefits paid	(694)	(879)	(103)	(27)
Plan expenses paid	(110)	(78)	—	—
Fair value of plan assets at end of year	$ 12,316	$ 11,494	$ —	$ —
Funded status	$ (8,303)	$ (12,260)	$ (2,677)	$ (3,076)
Unrecognized net transition obligation	213	168	343	309
Unrecognized prior service cost	2,917	3,278	—	—
Unrecognized net actuarial loss (gain)	3,297	6,985	(121)	(161)
Adjustment for minimum liability	(6,431)	(10,435)	—	—
Accrued benefit cost	$ (8,307)	$ (12,264)	$ (2,455)	$ (2,928)
Weighted-average assumptions:				
Discount rate	7.5%	7.0%	7.5%	7.25%
Expected return on plan assets	8.5%	8.5%	N.A.	N.A.

	Pension Benefits			Other Benefits		
	2000	2001	2002	2000	2001	2002
Components of net periodic benefit cost						
Service cost	$ 506	$ 616	$ 693	$ 335	$ 343	$ 299
Interest cost	1,239	1,415	1,512	209	213	188
Actual return on assets	(604)	1,252	1,279	—	—	—
Amortization of prior service cost	234	311	315	—	—	—
Recognized net actuarial (gain) loss	(272)	(2,368)	(2,433)	96	61	32
Net periodic benefit cost	$ 1,103	$ 1,226	$ 1,366	$ 640	$ 617	$ 519

Pension plan assets and obligations are measured at June 30 each year. The contributions to the pension plans between July 1 and September 30 were $495 and $2,814 in 2001 and 2002, respectively.

The Company has recorded an additional minimum pension liability of $6,431 and $10,435 at September 30, 2001 and 2002, respectively, to recognize the under funded position of its benefit plans.

An intangible asset of $3,081 and $3,446 at September 30, 2001 and 2002, respectively, equal to the unrecognized prior service cost of these plans, has also been recorded. The excess of the additional minimum liability over the unrecognized prior service cost of $3,350 and $6,989 at September 30, 2001 and 2002, respectively, has been recorded as a component of accumulated other comprehensive income, net of tax.

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company contributes annually from 3% to 6% of participants' compensation based on age, and may make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for 2000, 2001 and 2002 were $2,171, $2,147, and $1,804, respectively.

For measurement purposes, annual rates of increase of 8.0% in the per capita costs of covered health care benefits were assumed for 2000, 2001 and 2002, respectively, gradually decreasing to 5.5%. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing

the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2002 by $181 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended September 30, 2002 by $51. Decreasing the assumed health care cost trend rates by one percentage point in each year would decrease the accumulated postretirement benefit obligation as of September 30, 2002 by $166 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year ended September 30, 2002 by $46.

(12) Segment Information

The Company manages operations in three reportable segments based upon geographic area. North America includes the United States and Canada; Latin America includes Mexico, Central America, South America, and the Caribbean; Europe/Rest of World ("Europe/ROW") includes the United Kingdom, continental Europe and all other countries in which the Company does business.

The Company manufactures and markets dry cell batteries including alkaline, zinc carbon, alkaline rechargeable, hearing aid, and other specialty batteries and lighting products throughout the world. These product lines are sold in all geographic areas. Latin America revenues have historically been derived primarily from zinc carbon and alkaline batteries.

Net sales and cost of sales to other segments have been eliminated. The gross contribution of inter segment sales is included in the segment selling the product to the external customer. Segment revenues are based upon the geographic area in which the product is sold.

The reportable segment profits do not include interest expense, interest income, and income tax expense. Also, not included in the reportable segments are corporate expenses including corporate purchasing expense, general and administrative expense and research and development expense. All depreciation and amortization included in income from operations is related to reportable segments. Costs are identified to reportable segments or corporate, according to the function of each cost center.

The reportable segment assets do not include cash, deferred tax benefits, investments, long-term intercompany receivables, most deferred charges, and miscellaneous assets. All capital expenditures are related to reportable segments. Variable allocations of assets are not made for segment reporting.

Wal-Mart Stores, Inc., the Company's largest mass merchandiser customer, represented 22%, 27% and 26% of its net sales during 2000, 2001 and 2002, respectively, primarily in North America.

Revenues from external customers

	2000	2001	2002
North America	$ 468,150	$ 448,788	$ 435,600
Latin America	112,150	118,665	84,677
Europe/ROW	50,614	48,719	52,459
Total segments	$ 630,914	$ 616,172	$ 572,736

Inter segment revenues

	2000	2001	2002
North America	$ 23,563	$ 30,634	$ 34,069
Latin America	1,293	9,518	5,556
Europe/ROW	1,058	2,593	2,504
Total segments	$ 25,914	$ 42,745	$ 42,129

Depreciation and amortization

	2000	2001	2002
North America	$ 13,266	$ 14,253	$ 15,401
Latin America	5,253	5,393	2,879
Europe/ROW	1,504	1,573	715
Total segments	$ 20,023	$ 21,219	$ 18,995

Segment profit

	2000	2001	2002
North America	$ 95,351	$ 80,774	$ 85,490
Latin America	20,273	16,913	5,330
Europe/ROW	6,085	4,061	5,087
Total segments	121,709	101,748	95,907
Corporate expenses	32,378	25,072	31,676

Special charges	—	22,307	1,210
Interest expense	30,626	27,189	16,048
Other expense, net	753	1,094	1,290
Income before income taxes and extraordinary items	$ 57,952	$ 26,086	$ 45,683

Segment assets

	September 30,		
	2000	2001	2002
North America	$ 274,798	$ 289,215	$ 256,446
Latin America	199,865	205,918	191,002
Europe/ROW	31,233	30,010	31,356
Total segments	505,896	525,143	478,804
Corporate	43,708	41,356	54,429
Total assets at year end	$ 549,604	$ 566,499	$ 533,233

Expenditures for segment assets

	2000	2001	2002
North America	$ 14,668	$ 17,521	$ 13,158
Latin America	3,448	1,761	1,514
Europe/ROW	880	411	969
Total segments	$ 18,996	$ 19,693	$ 15,641

Product Line Revenues

	2000	2001	2002
Alkaline	$ 280,700	$ 302,900	$ 295,700
Heavy Duty	142,300	139,100	96,500
Rechargeables	29,700	29,800	31,800
Hearing Aid batteries	60,800	65,300	67,600
Specialty batteries	41,400	17,800	15,300
Lighting products and Lantern batteries	76,000	61,300	65,800
Total revenues from external customers	$ 630,900	$ 616,200	$ 572,700

(13) Commitments and Contingencies

In March 1998, the Company entered into an agreement to purchase certain equipment and to pay annual royalties. In connection with this 1998 agreement, the Company committed to pay royalties of $2,000 in 1999, $3,000 in 2000 through 2002, and $500 in each year thereafter, as long as the related equipment patents are enforceable (until 2022). The Company incurred royalty expenses of $2,250 for 2000, $3,000 for 2001, and $3,000 for 2002.

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 $1,640, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity, or cash flow of the Company.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. Such litigation includes the suit filed against the Company by Eveready Battery Company and shareholder lawsuits. In the opinion of management, such contingent liabilities are not likely to have a material adverse effect on the financial condition, liquidity or cash flow of the Company.

(14) Related Party Transactions

The Company and Thomas H. Lee Company (THL Co.) were parties to a Management Agreement pursuant to which the Company engaged THL Co. to provide consulting and management advisory services for an initial period of five years through September 2001. The agreement was renewed for another year

through 2002. The agreement was not renewed upon expiration in September 2002. The Company paid THL Co. aggregate fees and expenses of $458, $473 and $364 for 2000, 2001 and 2002, respectively.

The Company has notes receivable from officers/shareholders in the amount of $3,665 and $4,205 at September 30, 2001 and 2002, respectively, generally payable in fiscal 2003 through fiscal 2005, which bear interest at 4.6% to 8.0%. Since the officers utilized the proceeds of the notes to purchase common stock of the Company, directly or through the exercise of stock options, the notes have been recorded as a reduction of shareholders' equity.

(15) Special Charges

During 1999, the Company recorded special charges as follows: (i) $2,528 of employee termination benefits for 43 employees related to organizational restructuring in the U.S. and Europe, (ii) $1,300 of charges related to the discontinuation of the manufacturing of silver-oxide cells at the Company's Portage, Wisconsin, facility, and (iii) $2,100 of charges related to the termination of non-performing foreign distributors. The Company also recognized special charges of $803 related to the investigation of financing options and developing organizational strategies for the Latin American acquisition. A summary of the 1999 restructuring activities follows:

1999 Restructuring Summary

	Termination Benefits	Other Costs	Total
Expense accrued	$ 2,500	$ 3,400	$ 5,900
Cash expenditures	(200)	—	(200)
Balance September 30, 1999	$ 2,300	$ 3,400	$ 5,700
Change in estimate	—	100	100
Cash expenditures	(2,200)	—	(2,200)
Non cash charges	—	(3,300)	(3,300)
Balance September 30, 2000	$ 100	$ 200	$ 300
Cash expenditures	(100)	—	(100)
Non cash charges	—	(200)	(200)
Balance September 30, 2001	$ —	$ —	$ —

During 2001, the Company recorded special charges related to: (i) an organizational restructuring in the U.S., (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in our European operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines, and (v) costs associated with our June 2001 secondary offering. The amount recorded includes $9,100 of employee termination benefits for approximately 570 employees, $9,900 of equipment, inventory, and other asset write-offs, and $2,000 of other expenses. A summary of the 2001 restructuring activities follows:

2001 Restructuring Summary

	Termination Benefits	Other Costs	Total
Expense accrued	$ 5,000	$ 11,000	$ 16,000
Change in estimate	4,400	100	4,500
Expense as incurred	700	1,100	1,800
Cash expenditures	(5,800)	(1,300)	(7,100)
Non cash charges	—	(9,300)	(9,300)
Balance September 30, 2001	$ 4,300	$ 1,600	$ 5,900
Change in estimate	(1,000)	(300)	(1,300)
Cash expenditures	(3,100)	—	(3,100)
Non cash charges	—	(700)	(700)
Balance September 30, 2002	$ 200	$ 600	$ 800

During 2002, the Company announced a restructuring initiative in Latin America including: (i) the closure of the Company's Santo Domingo, Dominican Republic manufacturing operations, and (ii) outsourcing a portion of its heavy duty battery production, previously manufactured at its Mexico City, Mexico location. The amount recorded includes $1,200 of employee termination benefits for approximately 115 employees, $900 of equipment, inventory, and other asset write-offs, and $300 of other expenses. A summary of the 2002 restructuring activities follows:

2002 Restructuring Summary

	Termination Benefits	Other Costs	Total
Expense accrued	$ 1,200	$ 1,400	$ 2,600

Change in estimate	—	(400)	(400)
Expense as incurred	—	200	200
Cash expenditures	(1,100)	(200)	(1,300)
Non cash charges	—	(1,000)	(1,000)
Balance September 30, 2002	$ 100	$ —	$ 100

(16) Acquisitions and Divestitures

In 2000, the Company entered into an asset purchase agreement and a license agreement with a Hong Kong company to sell certain inventory and for the exclusive right to use the Rayovac trade

name for the manufacture, sale and distribution of the Company's camcorder battery product line. In exchange for the license, the Company received a $6,000 promissory note, payable over five years, and will receive a royalty on future sales of camcorder batteries. The Company will receive a minimum royalty of $100 over the balance of the license arrangement and will receive a variable royalty on sales of camcorder batteries. The Company has no substantive future obligation relative to this agreement. As a result of this transaction, the Company recognized a pretax gain on the sale of the trade name licensing rights of $1,997, net of write-off of related tangible and intangible assets.

In 2002, the Company entered into similar agreements with the same Hong Kong company for the cordless product line and licensing agreements on other product lines not currently sold by the Company. The Company received promissory notes in the amount of $800 payable over terms of up to five years. The Company will receive variable royalties on sales of product lines licensed. As a result of these transactions, the Company recognized a pretax gain of $701.

(17) Quarterly Results (unaudited)

	Quarter Ended			
	December 30, 2001	March 31, 2002	June 30, 2002	September 30, 2002
Net sales	$ 161,883	$ 121,153	$ 135,412	$ 154,288
Gross profit	62,732	49,934	54,401	70,312
Net income	402	5,380	10,314	13,141
Basic net income per common share	0.01	0.17	0.32	0.41
Diluted net income per common share	0.01	0.17	0.32	0.41

	Quarter Ended			
	December 31, 2000	April 1, 2001	July 1, 2001	September 30, 2001
Net sales	$ 164,307	$ 134,679	$ 146,969	$ 170,217
Gross profit	51,991	55,942	59,104	65,859
(Loss) income before extraordinary item	(1,766)	4,125	8,072	6,430
Net (loss) income	(1,766)	4,125	2,722	6,453
Basic net (loss) income per common share	(0.06)	0.15	0.10	0.20
Diluted net (loss) income per common share	(0.06)	0.14	0.09	0.20

(18) Subsequent Events

On October 1, 2002, the Company acquired the consumer battery business of VARTA AG (VARTA) for approximately 262 million Euros. The transaction did not include VARTA's Brazilian joint venture, its automotive or micro-power business. The Company acquired all of the VARTA consumer subsidiaries located outside of Germany and became the majority owner of a new joint venture entity that will conduct all consumer battery business within Germany. The Company has not yet finalized the purchase price allocation for the acquisition. (See also footnote 6.)

On October 10, 2002, the Company committed to and announced a series of initiatives to position the Company for future growth opportunities and to optimize the global resources of the combined VARTA and Rayovac companies. The Company expects to take a restructuring charge of approximately $20 million pretax to be recorded in the first quarter of fiscal 2003 and an additional $10-$15 million to be recorded as incurred. Cash cost of the restructuring program is expected to total $15-$20 million.

Cost savings related to these initiatives are projected to be in the range of $35-$40 million when fully realized in fiscal 2005. Initiatives include: closure of the Mexico City, Mexico zinc carbon manufacturing plant; closure of operations at its Middleton, Wisconsin distribution center and its Madison, Wisconsin packaging center and combination of the two operations into a new leased complex being built in Dixon, Illinois. Transition to the new facility is expected by June 2003. In addition to the manufacturing, packaging, and distribution changes, the Company anticipates a series of sales, marketing, operations and administrative restructuring initiatives on all three continents. These changes are the result of duplication synergies between the Rayovac and VARTA organizations and on-going cost containment initiatives. The combination of all these restructuring initiatives is expected to ultimately reduce the workforce by approximately 630 or 14 percent of the current worldwide workforce.

(19) Condensed Consolidating Financial Statements

The following condensed consolidating financial data illustrates the composition of the consolidated financial statements. Investments in subsidiaries are accounted for using the equity method for purposes of the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company's and

Guarantor Subsidiaries' investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the Guarantor Subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

(19) Condensed Consolidating Financial Statements (Continued)

Condensed Consolidating Balance Sheet
September 30, 2002

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,518	$ 46	$ 6,317	$ —	$ 9,881
Receivables:					
Trade accounts receivables, net of allowance for doubtful accounts	27,246	51,117	50,564	—	128,927
Other	17,418	10,762	7,107	(27,604)	7,683
Inventories	58,619	—	28,142	(2,486)	84,275
Deferred income taxes	5,607	—	2,979	—	8,586
Prepaid expenses and other	14,452	—	5,518	—	19,970
Total current assets	126,860	61,925	100,627	(30,090)	259,322
Property, plant and equipment, net	75,838	—	26,748	—	102,586
Deferred charges and other	71,492	1,599	5,890	(30,288)	48,693
Intangible assets, net	90,081	—	29,532	(188)	119,425
Debt issuance costs	3,207	—	—	—	3,207
Investments in subsidiaries	149,329	86,673	—	(236,002)	—
Total assets	$ 516,807	$ 150,197	$ 162,797	$ (296,568)	$ 533,233
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 16,985	$ —	$ 3,854	$ (7,439)	$ 13,400
Accounts payable	68,188	—	27,688	(19,721)	76,155
Accrued liabilities:					
Wages and benefits	7,182	—	1,728	—	8,910
Accrued interest	1,657	—	7	—	1,664
Other special charges	1,639	—	62	—	1,701
Other	12,027	863	4,064	—	16,954
Total current liabilities	107,678	863	37,403	(27,160)	118,784
Long-term debt, net of current maturities	188,461	—	30,298	(30,288)	188,471
Employee benefit obligations, net of current portion	23,603	—	406	—	24,009
Deferred income taxes	13,549	5	7,403	—	20,957
Other	5,354	—	865	—	6,219
Total liabilities	338,645	868	76,375	(57,448)	358,440
Shareholders' equity:					
Common stock	615	1	12,072	(12,072)	616
Additional paid-in capital	180,704	62,788	54,157	(116,826)	180,823
Retained earnings	152,745	95,099	28,449	(127,072)	149,221
Accumulated other comprehensive loss	(19,894)	(8,559)	(8,256)	16,850	(19,859)
Notes receivable from officers/shareholders	(4,205)	—	—	—	(4,205)
	309,965	149,329	86,422	(239,120)	306,596
Less treasury stock, at cost	(130,070)	—	—	—	(130,070)
Less unearned restricted stock compensation	(1,733)	—	—	—	(1,733)
Total shareholders' equity	178,162	149,329	86,422	(239,120)	174,793
Total liabilities and shareholders' equity	$ 516,807	$ 150,197	$ 162,797	$ (296,568)	$ 533,233

Condensed Consolidating Statement of Operations
Year Ended September 30, 2002

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 424,199	$ 42,132	$ 160,926	$ (54,521)	$ 572,736
Cost of goods sold	237,431	40,869	108,742	(52,895)	334,147
Special charges	(1,063)	—	2,273	—	1,210
Gross profit	187,831	1,263	49,911	(1,626)	237,379
Operating expenses:					
Selling	71,389	818	32,557	(390)	104,374
General and administrative	53,543	(11,328)	14,685	—	56,900
Research and development	13,084	—	—	—	13,084
	138,016	(10,510)	47,242	(390)	174,358
Income from operations	49,815	11,773	2,669	(1,236)	63,021
Interest expense	15,390	—	2,216	(1,558)	16,048
Equity (income) loss	(10,697)	2,389	—	8,308	—
Other (income) expense, net	(2,180)	(469)	2,131	1,808	1,290
Income (loss) before income taxes	47,302	9,853	(1,678)	(9,794)	45,683
Income tax expense (benefit)	16,579	(844)	711	—	16,446
Net income (loss)	$ 30,723	$ 10,697	$ (2,389)	$ (9,794)	$ 29,237

Condensed Consolidating Statement of Cash Flows
Year Ended September 30, 2002

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided by operating activities	$ 65,250	$ —	$ 6,615	$ (5,039)	$ 66,826
Cash flows from investing activities:					
Purchases of property, plant and equipment	(13,154)	—	(2,487)	—	(15,641)
Proceeds from sale of property, plant, and equipment	42	—	126	—	168
Net cash used by investing activities	(13,112)	—	(2,361)	—	(15,473)
Cash flows from financing activities:					
Reduction of debt	(219,343)	—	(5,088)	—	(224,431)
Proceeds from debt financing	169,100	—	—	—	169,100
Issuance of stock and exercise of stock options	134	—	—	—	134
Other	(1,360)	—	(408)	251	(1,517)
Net cash used by financing activities	(51,469)	—	(5,496)	251	(56,714)
Effect of exchange rate changes on cash and cash equivalents	—	—	(904)	4,788	3,884
Net increase (decrease) in cash and cash equivalents	669	—	(2,146)	—	(1,477)
Cash and cash equivalents, beginning of period	2,849	46	8,463	—	11,358
Cash and cash equivalents, end of period	$ 3,518	$ 46	$ 6,317	$ —	$ 9,881

Condensed Consolidating Balance Sheet
September 30, 2001

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					

Cash and cash equivalents	$ 2,849	$ 46	$ 8,463	$ —	$ 11,358
Receivables:					
Trade receivables, net of allowance for doubtful accounts	56,053	40,150	64,740	—	160,943
Other	17,965	7,637	2,579	(20,379)	7,802
Inventories	68,094	—	24,619	(1,402)	91,311
Deferred income taxes	7,748	342	1,741	—	9,831
Prepaid expenses and other	14,177	—	7,666	—	21,843
Total current assets	166,886	48,175	109,808	(21,781)	303,088
Property, plant and equipment, net	78,436	33	28,788	—	107,257
Deferred charges and other	49,575	631	2,717	(20,306)	32,617
Intangible assets, net	89,889	—	29,373	(188)	119,074
Debt issuance costs	4,463	—	—	—	4,463
Investments in subsidiaries	145,872	97,299	—	(243,171)	—
Total assets	$ 535,121	$ 146,138	$ 170,686	$ (285,446)	$ 566,499
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 22,412	$ —	$ 9,223	$ (7,199)	$ 24,436
Accounts payable	71,397	26	25,130	(14,563)	81,990
Accrued liabilities:					
Wages and benefits	4,812	—	2,366	—	7,178
Accrued interest	1,801	—	129	—	1,930
Other special charges	4,938	—	945	—	5,883
Other	13,413	—	9,711	—	23,124
Total current liabilities	118,773	26	47,504	(21,762)	144,541
Long-term debt, net of current maturities	234,271	—	17,900	(18,630)	233,541
Employee benefit obligations, net of current portion	19,086	—	562	—	19,648
Deferred income taxes	1,694	240	5,494	—	7,428
Other	1,829	—	1,927	—	3,756
Total liabilities	375,653	266	73,387	(40,392)	408,914
Shareholders' equity:					
Common stock	615	1	12,072	(12,072)	616
Additional paid-in capital	180,634	62,788	54,904	(117,574)	180,752
Retained earnings	122,022	84,151	31,089	(117,278)	119,984
Accumulated other comprehensive loss	(6,904)	(1,068)	(766)	1,870	(6,868)
Notes receivable from officers/shareholders	(3,665)	—	—	—	(3,665)
	292,702	145,872	97,299	(245,054)	290,819
Less treasury stock, at cost	(130,070)	—	—	—	(130,070)
Less unearned restricted stock compensation	(3,164)	—	—	—	(3,164)
Total shareholders' equity	159,468	145,872	97,299	(245,054)	157,585
Total liabilities and shareholders' equity	$ 535,121	$ 146,138	$ 170,686	$ (285,446)	$ 566,499

Condensed Consolidating Statement of Operations
Year Ended September 30, 2001

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 431,602	$ 45,223	$ 194,157	$ (54,810)	$ 616,172
Cost of goods sold	249,496	43,866	121,902	(54,091)	361,173
Special charges	17,399	—	4,704	—	22,103
Gross profit	164,707	1,357	67,551	(719)	232,896
Operating expenses:					
Selling	82,340	681	36,585	—	119,606
General and administrative	43,384	(11,640)	14,782	—	46,526

Research and development	12,191	—	—	—	12,191
Special charges	204	—	—	—	204
	138,119	(10,959)	51,367	—	178,527
Income from operations	26,588	12,316	16,184	(719)	54,369
Interest expense	25,860	—	3,033	(1,704)	27,189
Equity (income)	(20,008)	(6,640)	—	26,648	—
Other (income) expense, net	(1,491)	(584)	1,465	1,704	1,094
Income before income taxes and extraordinary item	22,227	19,540	11,686	(27,367)	26,086
Income tax expense (benefit)	4,647	(468)	5,046	—	9,225
Income before extraordinary item	17,580	20,008	6,640	(27,367)	16,861
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of $3,260	(5,327)	—	—	—	(5,327)
Net income	$ 12,253	$ 20,008	$ 6,640	$ (27,367)	$ 11,534

Condensed Consolidating Statement of Cash Flows
Year Ended September 30, 2001

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided by operating activities	$ 12,293	$ 2	$ 5,752	$ —	$ 18,047
Cash flows from investing activities:					
Purchases of property, plant and equipment	(17,475)	—	(2,218)	—	(19,693)
Purchases of investments	(500)	—	(297)	—	(797)
Proceeds from sale of investments	—	—	1,354	—	1,354
Proceeds from sale of property, plant, and equipment	78	—	785	—	863
Net cash used by investing activities	(17,897)	—	(376)	—	(18,273)
Cash flows from financing activities:					
Reduction of debt	(412,815)	—	(3,884)	—	(416,699)
Extinguishment of debt	(69,652)	—	—	—	(69,652)
Proceeds from debt financing	421,914	—	—	—	421,914
Issuance of stock and exercise of stock options	67,506	—	—	—	67,506
Other	(1,191)	—	(209)	—	(1,400)
Net cash provided (used) by financing activities	5,762	—	(4,093)	—	1,669
Effect of exchange rate changes on cash and cash equivalents	—	—	158	—	158
Net increase in cash and cash equivalents	158	2	1,441	—	1,601
Cash and cash equivalents, beginning of period	2,691	44	7,022	—	9,757
Cash and cash equivalents, end of period	$ 2,849	$ 46	$ 8,463	$ —	$ 11,358

Condensed Consolidating Statement of Operations
Year Ended September 30, 2000

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 443,942	$ 43,479	$ 180,213	$ (36,720)	$ 630,914
Cost of goods sold	259,438	42,175	106,349	(36,492)	371,470
Gross profit	184,504	1,304	73,864	(228)	259,444
Operating expenses:					
Selling	81,409	662	28,649	(161)	110,559
General and administrative	44,762	(11,791)	16,753	(933)	48,791

Research and development	10,646	—	117	—	10,763
Special charges	(250)	—	250	—	—
	136,567	(11,129)	45,769	(1,094)	170,113
Income from operations	47,937	12,433	28,095	866	89,331
Interest expense	30,109	—	548	(31)	30,626
Equity in profit of subsidiary	(29,685)	(17,354)	—	47,039	—
Other (income) expense, net	(844)	(134)	1,556	175	753
Income before income taxes	48,357	29,921	25,991	(46,317)	57,952
Income tax expense	10,729	236	8,637	—	19,602
Net income	$ 37,628	$ 29,685	$ 17,354	$ (46,317)	$ 38,350

Condensed Consolidating Statement of Cash Flows
Year Ended September 30, 2000

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided (used) by operating activities	$ 36,240	$ (3)	$ 4,453	$ (7,848)	$ 32,842
Cash flows from investing activities:					
Purchases of property, plant and equipment	(14,668)	—	(4,328)	—	(18,996)
Proceeds from sale of property, plant, and equipment	1,051	—	—	—	1,051
Net cash used by investing activities	(13,617)	—	(4,328)	—	(17,945)
Cash flows from financing activities:					
Reduction of debt	(199,970)	—	(15,424)	—	(215,394)
Proceeds from debt financing	182,274	—	12,966	7,949	203,189
Other	(3,607)	—	(91)	(100)	(3,798)
Net cash used by financing activities	(21,303)	—	(2,549)	7,849	(16,003)
Effect of exchange rate changes on cash and cash equivalents	—	—	(202)	—	(202)
Net increase (decrease) in cash and cash equivalents	1,320	(3)	(2,626)	1	(1,308)
Cash and cash equivalents, beginning of year	1,371	47	9,648	(1)	11,065
Cash and cash equivalents, end of year	$ 2,691	$ 44	$ 7,022	$ —	$ 9,757

Independent Auditors' Report

The Board of Directors and Shareholders
Rayovac Corporation:

On November 1, 2002, we reported on the consolidated balance sheets of Rayovac Corporation and subsidiaries as of September 30, 2001 and 2002, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2002, which are included in the 2002 Annual Report on Form 10-K. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed in Item 14(a)2. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP
KPMG LLP

Milwaukee, Wisconsin
November 1, 2002

RAYOVAC CORPORATION AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the years ended September 30, 2002, 2001 and 2000

(In thousands)

Column A	Column B	Column C	Column D	Column E
Descriptions	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
September 30, 2002:				
Allowance for doubtful accounts	$ 2,139	$ 14,869	$ 13,715	$ 3,293
September 30, 2001:				
Allowance for doubtful accounts	$ 1,020	$ 5,149	$ 4,030	$ 2,139
September 30, 2000:				
Allowance for doubtful accounts	$ 1,253	$ 583	$ 816	$ 1,020

See accompanying Independent Auditors' Report

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

RAYOVAC CORPORATION

/s/ DAVID A. JONES

David A. Jones
Chairman of the Board
and Chief Executive Officer

DATE: December 16, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the above-stated date.

Signature	Title
/s/ DAVID A. JONES David A. Jones	Chairman of the Board and Chief Executive Officer *(Principal Executive Officer)*
/s/ RANDALL J. STEWARD Randall J. Steward	Executive Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*
/s/ KENT J. HUSSEY Kent J. Hussey	Chief Operating Officer and Director
/s/ WILLIAM P. CARMICHAEL William P. Carmichael	Director
/s/ JOHN S. LUPO John S. Lupo	Director
/s/ PHILIP F. PELLEGRINO	Director

Philip F. Pellegrino	
/s/ THOMAS R. SHEPHERD	
Thomas R. Shepherd	Director
/s/ BARBARA S. THOMAS	
Barbara S. Thomas	Director

CERTIFICATIONS

I, David A. Jones, certify that:

1. I have reviewed this annual report on Form 10-K of Rayovac Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

/s/ DAVID A. JONES

David A. Jones
Chief Executive Officer

I, Randall J. Steward, certify that:

1.

I have reviewed this annual report on Form 10-K of Rayovac Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 16, 2002

/s/ RANDALL J. STEWARD

Randall J. Steward
Chief Financial Officer

Exhibit Index

Exhibit Number	Description
2.1+++	Joint Venture Agreement dated July 28, 2002, by and among the Company, VARTA and ROV German Limited GmbH, as amended.
3.1+	Amended and Restated Articles of Incorporation of the Company.
3.2	Amended and Restated By-laws of the Company, as amended through July 24, 2002.
4.1*	Specimen certificate representing the Common Stock.
10.1	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and David A. Jones.
10.2	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kent J. Hussey.
10.3	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kenneth V. Biller.
10.4	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Stephen P. Shanesy.
10.5	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Merrell M. Tomlin.
10.6	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the

	Company and Luis A. Cancio.
10.7	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Dr. Paul G. Cheeseman.
10.8	Employment Agreement, dated as of August 19, 2002, by and between the Company and Randall J. Steward.
10.9	Registered Director's Agreement, effective as of October 1, 2002, by and between ROV German Holding GmbH and Remy Burel.
10.10**	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.
10.11**	Building Lease between the Company and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987.
10.12****	Amendment, dated December 31, 1998, between the Company and SPG Partners, to the Building Lease, between the Company and SPG Partners, dated May 14, 1985.
10.13	Build-To-Suit Lease Agreement, dated as of May 2, 2002, by and among 200 Corporate Drive, L.L.C., as Landlord, the Company, as Tenant, and Higgins Development Partners, L.L.C., as Developer.
10.14+++	Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Geratebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent.
10.15***	Rayovac Corporation 1996 Stock Option Plan.
10.16*	1997 Rayovac Incentive Plan.
10.17*	Rayovac Profit Sharing and Savings Plan.
10.18++	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.
21	Subsidiaries of the Company.
23	Consent of KPMG LLP.
99.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* 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-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 Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, filed with the Commission on February 17, 1999.

\+ 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 Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, filed with the Commission on May 5, 1998.

+++ Incorporated by reference to the Company's Report on Form 8-K filed with the Commission on October 16, 2002.

EXHIBIT 3.2

AMENDED AND RESTATED BY-LAWS

OF

RAYOVAC CORPORATION
(hereinafter called the "Corporation")

ARTICLE I. OFFICES

I.1 PRINCIPAL AND BUSINESS OFFICES. The Corporation may have such principal and other business offices, either within or without the State of Wisconsin, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

I.2 REGISTERED OFFICE. The registered office of the Corporation required by the Wisconsin Business Corporation Law to be maintained in the State of Wisconsin may be, but need not be, identical with the principal office in the State of Wisconsin, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the Corporation shall be identical to such registered office.

ARTICLE II. SHAREHOLDERS

II.1 ANNUAL MEETING. The annual meeting of shareholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meeting the shareholders shall elect directors, and transact such other business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each shareholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

II.2 SPECIAL MEETING. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute or the Articles of Incorporation, may be called only by (i) the Chairman of the Board of Directors, if there be one, (ii) the President, (iii) any Vice President, if there be one, (iv) the Secretary or (v) any Assistant Secretary, if there be one, and shall be called by any such officer at the request in writing of a majority of the Board of Directors. Shareholders shall not be entitled to call a Special Meeting of the shareholders, nor to require the Board of Directors to call such a special meeting. Special meetings of the shareholders may be held on any date, at any time and at any place within or without the State of Wisconsin as shall be determined by the Board of Directors. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote at such meeting.

II.3 PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Wisconsin, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all shareholders entitled to vote at a meeting may designate any place, either within or without the State of Wisconsin, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal business office of the Corporation in the State of Wisconsin or such other suitable place in the county of such principal office as may be designated by the person calling such meeting, but any meeting may be adjourned to reconvene at any place designated by the holders of a majority of the votes represented thereat.

II.4 CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such

meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the close of business on the date on which notice of the meeting is mailed or on the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall be applied to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

II.5 VOTING RECORDS. The officer or agent having charge of the stock transfer books for shares of the Corporation shall, before each meeting of shareholders, make a complete record of the shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, and indicating the address of each shareholder, the number of shares of each class of capital stock of the Corporation entitled to vote registered in the name of such shareholder and the total number of votes to which each shareholder is entitled. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for any purpose germane to the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such record or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

II.6 QUORUM. Except as otherwise provided in the Articles of Incorporation, a quorum shall exist at a

meeting of shareholders if shares of the Corporation holding a majority of the votes entitled to be cast at such meeting are represented in person or by proxy at such meeting of shareholders, but in no event shall a quorum consist of less than one-third of the shares entitled to vote at the meeting. If a quorum is present, the affirmative vote of the holders of a majority of the votes represented at the meeting in person or by proxy voting together as a single class shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by law or the Articles of Incorporation. If a quorum shall fail to attend any meeting, the presiding officer at the meeting may adjourn the meeting to another place, date or time. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

II.7 CONDUCT OF MEETING. The Chairman of the Board, and in his absence, the President, and in their absence, any person chosen by the shareholders present shall call the meeting of the shareholders to order and shall act as chairman of the meeting, and the Secretary of the Corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting.

II.8 PROXIES. At all meetings of shareholders, a shareholder entitled to vote may vote in person or by proxy appointed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. Unless otherwise provided in the proxy, a proxy may be revoked at any time before it is voted, either by written notice filed with the Secretary or the acting secretary of the meeting or by oral notice given by the shareholder to the presiding officer during the meeting. The presence of a shareholder who has filed his proxy shall not of itself constitute a revocation. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. The Board of Directors shall have the power and authority to make rules establishing presumptions as to the validity and sufficiency of proxies.

II.9 VOTING OF SHARES. Each outstanding share shall be entitled to

one vote upon each matter submitted to a vote at a meeting of shareholders, except to the extent that voting rights of the shares of any class or classes are enlarged, limited or denied by the Articles of Incorporation.

II.10 VOTING OF SHARES BY CERTAIN HOLDERS.

(a) OTHER CORPORATIONS. Shares standing in the name of another corporation may be voted either in person or by proxy, by the president of such corporation or any other officer appointed by such president. A proxy executed by any principal officer of such other corporation or assistant thereto shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary of this Corporation, of the designation of some other person by the board of directors or the bylaws of such other corporation.

(b) LEGAL REPRESENTATIVES AND FIDUCIARIES. Shares held by any administrator, executor, guardian, conservator, trustee in bankruptcy, receiver, or assignee for creditors may be voted by him, either in person or by proxy, without a transfer of such shares into his name provided that there is filed with the Secretary before or at the time of meeting proper evidence of his incumbency and the number of shares held. Shares standing in the name of a fiduciary may be voted by him, either in person or by proxy. A proxy executed by a fiduciary, shall be conclusive evidence of the signer's authority to act, in the absence of express notice to this Corporation, given in writing to the Secretary of this Corporation, that such manner of voting is expressly prohibited or otherwise directed by the document creating the fiduciary relationship.

(c) PLEDGEES. A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(d) TREASURY STOCK AND SUBSIDIARIES. Neither treasury shares, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporation is held by this Corporation, shall be voted at any meeting or counted in determining the total number of votes represented at such a meeting, but shares of its own issue held by this Corporation in a fiduciary capacity, or held by such other corporation in a fiduciary capacity, may be voted and shall be counted in determining the total number of votes represented at such a meeting.

(e) MINORS. Shares held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the Corporation has received written notice or has actual knowledge that such shareholder is a minor.

(f) INCOMPETENTS AND SPENDTHRIFTS. Shares held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the Corporation has actual knowledge that such shareholder has been adjudicated an incompetent or spendthrift or actual knowledge of filing of judicial proceedings for appointment of a guardian.

(g) JOINT TENANTS. Shares registered in the names of two or more individuals who are named in the registration as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his legal representative is present and claims the right to participate in the voting of such shares or prior to the vote files with the Secretary of the Corporation a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be voted or (ii) all such other individuals are deceased and the Secretary of the Corporation has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

II.11 WAIVER OF NOTICE BY SHAREHOLDERS. Whenever any notice whatsoever is required to be given to any shareholder of the Corporation under the Articles of Incorporation or By-Laws or any provision of law, a waiver thereof in writing, signed at any time, whether before or after the time of the meeting, by the shareholder entitled to such notice, shall be deemed equivalent to the giving of such notice; provided that such waiver in respect to any matter of which notice is required under any provision of the Wisconsin Business Corporation Law, shall contain the same information as would have been required to be included in such notice, except the time and place of meeting.

II.12 NO ACTION BY CONSENT OF SHAREHOLDERS IN LIEU OF MEETING. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly constituted annual or special meeting of such shareholders and may not be effected by any consent in writing by such shareholders.

II.13 NOMINATION OF DIRECTORS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election as directors of the Corporation may be made at a meeting of shareholders only (i) by or at the direction of the Board of Directors, (ii) by any nominating committee or person appointed by the Board of Directors or (iii) by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.13. Such nominations, other than those made by or at the direction of the Board of Directors or by any nominating committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 50 days nor more than 75 days prior to the meeting at which directors will be elected; provided, however, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 15th day following the

day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, business address and residence of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as now or hereafter amended; and (b) as to the shareholder giving the notice, (i) the name and record address of such shareholder and (ii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The presiding officer at the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and such nomination shall be disregarded.

II.14 OTHER BUSINESS. To be properly brought before a meeting of shareholders, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before a meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal

executive offices of the Corporation, not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth with respect to each matter the shareholder proposes to bring before the meeting, (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such shareholder and others known by such shareholder to support the proposal of such business and (iv) any

material interest of such shareholder and other supporters referred to in the preceding clause (iii) in such proposed business.

Notwithstanding anything in the By-Laws to the contrary, no business shall be conducted at any meeting except in accordance with the procedures set forth in this Section 2.14, provided, however, that nothing in this Section 2.14 shall be deemed to preclude discussion by any shareholder of any business properly brought before any meeting.

The presiding officer at the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the provisions of this Section 2.14, and if he should so determine, he shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted.

ARTICLE III. BOARD OF DIRECTORS

III.1 GENERAL POWERS AND NUMBER. The business and affairs of the Corporation shall be managed by its Board of Directors. The number of directors shall be fixed from time to time by the Board of Directors, but in

no event shall the number be greater than nine (9) nor fewer than five (5).

III.2 TENURE AND QUALIFICATIONS. Each director shall serve for a term ending on the date of the third annual meeting of shareholders following the annual meeting at which such director was elected and until his successor is duly elected and duly qualified, or until his prior death, resignation or removal from office. A director may be removed from office as a director, but only for cause, by the affirmative vote of holders of at least two-thirds (66 2/3%) of the voting power of shares entitled to vote at an election of directors. A director may resign at any time by filing his written resignation with the Secretary of the Corporation. Directors need not be residents of the State of Wisconsin or shareholders of the Corporation. A director, other than the Chairman of the Board, who is an officer of the Corporation and who shall retire or otherwise terminate employment as such officer shall automatically be retired as a director of the Corporation and thereafter shall not be eligible for re-election as a director.

III.3 MEETINGS. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Wisconsin. Regular meetings of the Board of Directors may be held at such time and at such place as may from time to time be determined by the Board of Directors and, unless required by resolution of the Board of Directors, without notice. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Vice Chairman, if there be one, or a majority of the directors then in office. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile or telegram on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

III.4 QUORUM. Except as otherwise provided by law or by the Articles of Incorporation or these By-Laws, a majority of the directors shall constitute a quorum for the transaction of business at any meeting of the Board

of Directors, but a majority of the directors present (though less than such quorum) may adjourn the meeting from time to time without further notice.

III.5 MANNER OF ACTING. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the Articles of Incorporation or these By-Laws.

III.6 CONDUCT OF MEETINGS. The Chairman of the Board, and in his absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as chairman of the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any Assistant Secretary or any director or other persons present to act as secretary of the meeting.

III.7 VACANCIES. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional

director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be duly elected and shall duly qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director; provided that in case of a vacancy created by the removal of a director by vote of the shareholders, the shareholders shall have the right to fill such vacancy at the same meeting or any adjournment thereof in accordance with the Articles of Incorporation.

III.8 COMPENSATION. The Board of Directors, by affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers and employees and to their estates, families, dependents or beneficiaries on account of prior services rendered by such directors, officers and employees to the Corporation.

III.9 PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors or a committee thereof of which he is a member at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

III.10 COMMITTEES. The Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors then in office may designate one or more committees, each committee to consist of two or more directors elected by the Board of Directors, which, to the extent provided in said resolution as initially adopted, and as thereafter supplemented or amended by further resolution adopted by a like vote, shall have and may exercise, when the Board of Directors is not in session, the powers of the Board of Directors in the management of the business and affairs of the Corporation, except action in respect to dividends to shareholders, election of the principal officers or the filling of vacancies in the Board of Directors or committees created pursuant to this section. The Board of

Directors may elect one or more of its members as alternate members of any such committee who may take the place of any absent member or members at any meeting of such committee, upon request by the Chairman of the Board or upon request by the chairman of such meeting. Each such committee shall fix its own rules governing the conduct of its activities and shall make such reports to the Board of Directors of its activities as the Board of Directors may request.

III.11 UNANIMOUS CONSENT WITHOUT MEETING. Any action required or permitted by the Articles of Incorporation or By-Laws or any provision of law to be taken by the Board of Directors at a meeting or by resolution may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors then in office.

III.12 TELEPHONIC MEETINGS. Unless otherwise provided by the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.14 shall constitute presence in person at such meeting.

ARTICLE IV. OFFICERS

IV.1 NUMBER. The principal officers of the Corporation shall be a

Chairman of the Board, a President, a number of Vice Presidents as shall be determined by the Board of Directors from time to time, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may from time to time elect or appoint such officers and assistant officers as may be deemed necessary. Any number of offices may be held by the same person.

IV.2 ELECTION AND TERM OF OFFICE. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If

the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall be duly elected or until his prior death, resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Failure to elect officers shall not dissolve or otherwise affect the Corporation.

IV.3 REMOVAL. Any officer or agent may be removed by the Board of Directors at any time by the affirmative vote of a majority of the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment shall not of itself create contract rights.

IV.4 VACANCIES. A vacancy in any principal office because of death, resignation, removal, disqualification or otherwise, shall be filled by the Board of Directors for the unexpired portion of the term.

IV.5 CHAIRMAN OF THE BOARD. The Chairman of the Board shall be elected or appointed by, and from the membership of the Board of Directors. He shall, when present, preside at all meetings of the shareholders and of the Board of Directors. He shall perform such other duties and functions as shall be assigned to him from time to time by the Board of Directors or in these By-Laws. Except where by law the signature of the President of the Corporation is required, the Chairman of the Board shall possess the same power and authority to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and except as otherwise provided by law or by the Board of Directors, he may authorize the President or any Vice President or other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead. During the absence or disability of the President, or while that office is vacant, the Chairman of the Board shall exercise all of

the powers and discharge all of the duties of the President.

IV.6 PRESIDENT. The President shall be the chief executive officer and chief operations officer of the Corporation and, subject to the control of the Board of Directors, shall in general determine the direction and goals of the Corporation and supervise and control all of the business, operations and affairs of the Corporation. He shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the Corporation as he may deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. He shall have authority, co-equal with the Chairman of the Board, to sign, execute and acknowledge, on behalf of the Corporation, all deeds, mortgages, bonds, stock certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the Corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or by the Board of Directors, he may authorize any Vice President or any other officer or agent of the Corporation to sign, execute and acknowledge such documents or instruments in his place and stead. In general, he shall perform all duties incident to the office of chief executive officer, chief operating officer and President and such other duties as may be prescribed by the Board of Directors from time to time.

IV.7 VICE PRESIDENTS. In the absence of the Chairman of the Board and the President or in the event of their deaths, inability or refusal to act, or in the event for any reason it shall be impracticable for the Chairman of the Board or President to act personally, the Vice President (or in the event thereby more than one Vice President, the Vice Presidents in the order

designated by the Board of Directors, or in the absence of any designation, then in the order of their election) shall perform the duties of the Chairman of the Board and/or President (as the case may be), and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board or President (as the case may be). Any Vice President may sign, with the

Secretary or Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, President or Board of Directors. The execution of any instrument of the Corporation by any Vice President shall be conclusive evidence, as to third parties, of his authority to act in the stead of the Chairman of the Board and/or the President.

IV.8 SECRETARY. The Secretary shall: (a) keep the minutes of the meeting of the shareholders and the Board of Directors in one or more books provided for that purpose; (b) attest instruments to be filed with the Secretary of State; (c) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (d) be custodian of the corporate records; (e) keep or arrange for the keeping of a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholders; (f) sign with the Chairman of the Board or the President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the office of the Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the President or by the Board of Directors.

IV.9 TREASURER. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts from moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected by the Corporation; and (c) in general perform all of the duties and exercise such other authority as from time to time may be delegated or assigned to him by the Chairman of the Board, the Vice Chairman of the Board or the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum

and with such surety or sureties as the Board of Directors shall determine.

IV.10 ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. There shall be such number of Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The Assistant Secretaries may sign with the Chairman of the Board or the President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the Secretary or the Treasurer, respectively, or by the Chairman of the Board, the President or by the Board of Directors.

IV.11 OTHER ASSISTANTS; ACTING OFFICERS; OTHER OFFICERS. The Board of Directors shall have the power to appoint any person to act as assistant to any officer, or as agent for the Corporation in his stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors shall have the power to perform all the duties of the office to which he is so appointed to be an assistant, or as to which he is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

IV.12 SALARIES. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary

by reason of the fact that he is also a director of the Corporation.

ARTICLE V. CONTRACTS; SPECIAL CORPORATE ACTS

V.1 CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the Corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages and instruments of assignment or pledge made by the Corporation shall be executed in the name of the Corporation by the Chairman of the Board or the President or one of the Vice Presidents and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer of officers.

V.2 VOTING OF SECURITIES OWNED BY THIS CORPORATION. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the President or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

VI.1 CERTIFICATES FOR SHARES. Certificates representing shares of the Corporation shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board and by the Secretary or an

Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except as provided in Section 6.6.

VI.2 FACSIMILE SIGNATURES AND SEAL. The signature of the Chairman of the Board and the Secretary or Assistant Secretary upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent, or a registrar, other than the Corporation itself or an employee of the Corporation. The Corporation shall have a corporate seal.

VI.3 SIGNATURE BY FORMER OFFICERS. In case any officer, who has signed or whose facsimile signature has been placed upon any certificate for shares, shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue.

VI.4 TRANSFER OF SHARES. Prior to due presentment of a certificate for shares for registration of transfer, the Corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for shares is presented to the Corporation with a request to register for transfer, the Corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the Corporation had no duty to inquire into adverse claims or has discharged any such duty. The Corporation may require reasonable assurance that said endorsements are genuine and effective and in compliance with such other regulations as may be prescribed by or under the authority of the Board of Directors.

VI.5 LOST, DESTROYED OR STOLEN CERTIFICATES. Where the owner claims that his certificate for shares has been lost, destroyed or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the Corporation has notice that such shares have been acquired by a bona

fide purchaser, and (b) files with the Corporation a sufficient indemnity bond, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

VI.6 CONSIDERATION FOR SHARES. The shares of the Corporation may be issued for such consideration as shall be fixed from time to time by the Board of Directors, provided that any shares having a par value shall not be issued for a consideration less than the par value thereof. The consideration to be paid for shares may be paid in whole or in part, in money, in other property, tangible or intangible, or in labor or services actually performed for the Corporation. When payment of the consideration for which shares are to be issued shall have been received by the Corporation, such shares shall be deemed to be fully paid and nonassessable by the Corporation. No certificate shall be issued for any share until such share is fully paid.

VI.7 STOCK REGULATIONS. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with the statutes of the State of Wisconsin as it may deem expedient concerning the issue, transfer and registration of certificates representing shares of the Corporation.

ARTICLE VII. AMENDMENTS

VII.1 BY SHAREHOLDERS. Except as otherwise provided in the Articles of Incorporation, these By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the shareholders by affirmative vote of not less than a majority of the votes represented in person or by proxy entitled to be cast therefor at any annual or special meeting of the shareholders at which a quorum is in attendance.

VII.2 BY DIRECTORS. Except as otherwise provided in the Articles of Incorporation, these By-Laws may

also be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors by affirmative vote of a majority of the number of directors present at any meeting at which a quorum is in attendance; but no By-Law adopted by the shareholders shall be amended or repealed by the Board of Directors if the By-Law so adopted so provides.

VII.3 IMPLIED AMENDMENTS. Any action taken or authorized by the shareholders or by the Board of Directors, which would be inconsistent with the By-Laws then in effect but is taken or authorized by affirmative vote of not less than the number of shares or the number of directors required to amend the By-Laws so that the By-Laws would be consistent with such action, shall be given the same effect as though the By-Laws had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

ARTICLE VIII. INDEMNIFICATION

VIII.1 CERTAIN DEFINITIONS. All capitalized terms used in this Article VIII and not otherwise hereinafter defined in this Section 8.1 shall have the meaning set forth in Section 180.042 of the Statute. The following capitalized terms (including any plural forms thereof) used in this Article VIII shall be defined as follows:

(a) "Affiliate" shall include, without limitation, any corporation, partnership, joint venture, employee benefit plan, trust or other enterprise that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Corporation.

(b) "Authority" shall mean the entity selected by the Director or Officer to determine his or her right to indemnification pursuant to Section 8.4.

(c) "Board" shall mean the entire then elected and serving board of directors of the Corporation, including all members thereof who are Parties to the subject Proceeding or any related Proceeding.

(d) "Breach of Duty" shall mean the Director or Officer breached or failed to perform his or her duties to the Corporation and his or her breach of or failure to perform those duties is determined, in accordance with Section 8.4, to constitute misconduct under Section 180.044(2)(a) 1, 2, 3 or 4 of the Statute.

(e) "Corporation" as used herein and as defined in the Statute and incorporated by reference into the definitions of certain other capitalized terms used herein, shall mean this Corporation, including, without limitation, any successor corporation or entity to this Corporation by way of merger, consolidation or acquisition of all or substantially all of the capital stock or assets of this Corporation.

(f) "Director or Officer" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, it shall be conclusively presumed that any Director or Officer serving as a director, officer, partner, trustee, member of any governing or decision-making committee, employee or agent of an Affiliate shall be so serving at the request of the Corporation.

(g) "Disinterested Quorum" shall mean a quorum of the Board who are not Parties to the subject Proceeding or any related Proceeding.

(h) "Party" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Party" shall also include any Director or Officer who is or was a witness in a Proceeding at a time when he or she has not otherwise been formally named a Party thereto.

(i) "Proceeding" shall have the meaning set forth in the Statute; provided, that, for purposes of this Article VIII, the term "Proceeding" shall also include all Proceedings (i) brought under (in whole or in part) the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, their respective state counterparts, and/or any rule or regulation promulgated under any of the foregoing; (ii) brought before an Authority or otherwise to enforce rights hereunder; (iii) any appeal from a Proceeding; and (iv) any Proceeding in

which the Director or Officer is a plaintiff or petitioner because he or she is a Director or Officer; provided, however, that such Proceeding is authorized by a majority vote of a Disinterested Quorum.

(j) "Statute" shall mean Sections 180.042 through 180.059, inclusive, of the Wisconsin Business Corporation Law, Chapter 180 of the Wisconsin Statutes, as the same shall then be in effect, including any amendments thereto, but, in the case of any such amendment, only to the extent such amendment permits or requires the Corporation to provide broader indemnification rights than the Statute permitted or required the Corporation to provide prior to such amendment.

VIII.2 MANDATORY INDEMNIFICATION. To the fullest extent permitted or required by the Statute, the Corporation shall indemnify a Director or Officer against all Liabilities incurred by or on behalf of such Director or Officer in connection with a Proceeding in which the Director or Officer is a Party because he or she is a Director or Officer.

VIII.3 PROCEDURAL REQUIREMENTS.

(a) A Director or Officer who seeks indemnification under Section 8.2 shall make a written request therefor to the Corporation. Subject to Section 8.3(b), within sixty days of the Corporation's receipt of such request, the Corporation shall pay or reimburse the Director or Officer for the entire amount of Liabilities incurred by the Director or Officer in connection with the subject Proceeding (net of any Expenses previously advanced pursuant to Section 8.5).

(b) No indemnification shall be required to be paid by the Corporation pursuant to Section 8.2 if, within such sixty-day period, (i) a Disinterested Quorum, by a majority vote thereof, determines that the Director or Officer requesting indemnification engaged in misconduct constituting a Breach of Duty or (ii) a Disinterested Quorum cannot be obtained.

(c) In either case of nonpayment pursuant to Section 8.3(b), the Board shall immediately authorize by resolution that an Authority, as provided in

Section 8.4, determine whether the Director's or Officer's conduct constituted a Breach of Duty and, therefore, whether indemnification should be denied hereunder.

(d) (i) If the Board does not authorize an Authority to determine the Director's or Officer's right to indemnification hereunder within

such sixty-day period and/or (ii) if indemnification of the requested amount of Liabilities is paid by the Corporation, then it shall be conclusively presumed for all purposes that a Disinterested Quorum has determined that the Director or Officer did not engage in misconduct constituting a Breach of Duty and, in the case of subsection (i) above (but not subsection (ii)), indemnification by the Corporation of the requested amount of Liabilities shall be paid to the Director or Officer immediately.

VIII.4 DETERMINATION OF INDEMNIFICATION.

(a) If the Board authorizes an Authority to determine a Director's or Officer's right to indemnification pursuant to Section 8.3, then the Director or Officer requesting indemnification shall have the absolute discretionary authority to select one of the following as such Authority:

(i) An independent legal counsel; provided, that such counsel shall be mutually selected by such Director or Officer and by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board;

(ii) A panel of three arbitrators selected from the panels of arbitrators of the American Arbitration Association in Madison, Wisconsin; provided, that (A) one arbitrator shall be selected by such Director or Officer, the second arbitrator shall be selected by a majority vote of a Disinterested Quorum or, if a Disinterested Quorum cannot be obtained, then by a majority vote of the Board, and the third arbitrator shall be selected by the two previously selected arbitrators, and (B) in all other respects, such panel shall be

governed by the American Arbitration Association's then existing Commercial Arbitration Rules; or

(iii) A court pursuant to and in accordance with Section 180.051 of the Statute.

(b) In any such determination by the selected Authority there shall exist a rebuttable presumption that the Director's or Officer's conduct did not constitute a Breach of Duty and that indemnification against the requested amount of Liabilities is required. The burden of rebutting such a presumption by clear and convincing evidence shall be on the Corporation or such other party asserting that such indemnification should not be allowed.

(c) The Authority shall make its determination within sixty days of being selected and shall submit a written opinion of its conclusion simultaneously to both the Corporation and the Director or Officer.

(d) If the Authority determines that indemnification is required hereunder, the Corporation shall pay the entire requested amount of Liabilities (net of any Expenses previously advanced pursuant to Section 8.5), including interest thereon at a reasonable rate, as determined by the Authority, within ten days of receipt of the Authority's opinion; provided, that, if it is determined by the Authority that a Director or Officer is entitled to indemnification as to some claims, issues or matters, but not as to other claims, issues or matters, involved in the subject Proceeding, the Corporation shall be required to pay (as set forth above) only the amount of such requested Liabilities as the Authority shall deem appropriate in light of all of the circumstances of such Proceeding.

(e) The determination by the Authority that indemnification is required hereunder shall be binding upon the Corporation regardless of any prior determination that the Director or Officer engaged in a Breach of Duty.

(f) All Expenses incurred in the determination process under this Section 8.4 by either the Corporation or the Director or Officer, including, without limitation, all Expenses of the selected Authority, shall be paid by the Corporation.

VIII.5 MANDATORY ALLOWANCE OF EXPENSES.

(a) The Corporation shall pay or reimburse, within ten days after the receipt of the Director's or Officer's written request therefor, the reasonable Expenses of the Director or Officer as such Expenses are incurred; provided, the following conditions are satisfied:

(i) The Director or Officer furnishes to the Corporation an executed written certificate affirming his or her good faith belief that he or she has not engaged in misconduct which constitutes a Breach of Duty; and

(ii) The Director or Officer furnishes to the Corporation an unsecured executed written agreement to repay any advances made under this Section 8.5 if it is ultimately determined by an Authority that he or she is not entitled to be indemnified by the Corporation for such Expenses pursuant to Section 8.4.

(b) If the Director or Officer must repay any previously advanced Expenses pursuant to this Section 8.5, such Director or Officer shall not be required to pay interest on such amounts.

VIII.6 INDEMNIFICATION AND ALLOWANCE OF EXPENSES OF CERTAIN OTHERS.

(a) The Corporation shall indemnify a director or officer of an Affiliate (who is not otherwise serving as a Director or Officer) against all Liabilities, and shall advance the reasonable Expenses, incurred by such director or officer in a Proceeding to the same extent hereunder as if such director or officer incurred such Liabilities because he or she was a Director or Officer, if such director or officer is a Party

thereto because he or she is or was a director or officer of the Affiliate.

(b) The Board may, in its sole and absolute discretion as it deems appropriate, pursuant to a majority vote thereof, indemnify against Liabilities incurred by, and/or provide for the allowance of reasonable Expenses of, an employee or authorized agent of the Corporation acting within the scope of his or her duties as such and who is not otherwise a Director or Officer.

VIII.7 INSURANCE. The Corporation may purchase and maintain insurance on behalf of a Director or Officer or any individual who is or was an employee or authorized agent of the Corporation against any Liability asserted against or incurred by such individual in his or her capacity as such or arising from his or her status as such, regardless of whether the Corporation is required or permitted to indemnify against any such Liability under this Article VIII.

VIII.8 NOTICE TO THE CORPORATION. A Director or Officer shall promptly notify the Corporation in writing when he or she has actual knowledge of a Proceeding which may result in a claim of indemnification against Liabilities or allowance of Expenses hereunder, but the failure to do so shall not relieve the Corporation of any liability to the Director or Officer hereunder unless the Corporation shall have been irreparably prejudiced by such failure (as determined by an Authority selected pursuant to Section 8.4(a)).

VIII.9 SEVERABILITY. If any provision of this Article VIII shall be deemed invalid or inoperative, or if a court of competent jurisdiction determines that any of the provisions of this Article VIII contravene public policy, this Article VIII shall be construed so that the remaining provisions shall not be affected, but shall remain in full force and effect, and any such provisions which are invalid or inoperative or which contravene public policy shall be deemed, without further action or deed by or on behalf of the Corporation, to be modified, amended and/or limited, but only to the extent necessary to render the same valid and enforceable.

VIII.10 NONEXCLUSIVITY OF ARTICLE VIII. The rights of a Director or Officer (or any other person) granted under this Article VIII shall not be deemed exclusive of any other rights to indemnification against Liabilities or advancement of Expenses which the Director or Officer (or such other person) may be entitled to under any written agreement, Board resolution, vote of shareholders of the Corporation or otherwise, including, without limitation, under the Statute. Nothing contained in this Article VIII shall be deemed to limit the Corporation's obligations to indemnify against Liabilities or advance Expenses to a Director or Officer under the Statute.

VIII.11 CONTRACTUAL NATURE OF ARTICLE VIII; REPEAL OR LIMITATION OF RIGHTS. This Article VIII shall be deemed to be a contract between the Corporation and each Director and Officer and any repeal or other limitation of this Article VIII or any repeal or limitation of the Statute or any other applicable law shall not limit any rights of indemnification against Liabilities or allowance of Expenses then existing or arising out of events, acts or omissions occurring prior to such repeal or limitation, including, without

limitation, the right to indemnification against Liabilities or allowance of Expenses for Proceedings commenced after such repeal or limitation to enforce this Article VIII with regard to acts, omissions or events arising prior to such repeal or limitation.

EXHIBIT 10.1

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is entered into as of the 1st day of October, 2002 ("Effective Date"), by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and David A. Jones (the "Executive").

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

WHEREAS, the Executive and the Company modified the terms of Executive's employment with the Company by entering into an Amended and Restated Employment Agreement dated April 27, 1998 (the "1998 Agreement"), and again on October 1, 2000 (the "2000 Agreement"), and the parties wish to amend and restate the provisions of the 2000 Agreement as set forth herein; 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 September 30, 2005 (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 Seven Hundred Thousand Dollars ($700,000) per annum effective October 1, 2002 for the duration of the Term except as set forth in Section 3(n) below, ("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 on 100% of Base Salary except as set forth in Section 3(n) below, provided the Company achieves 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 Executive attached hereto as EXHIBIT A, and as previously extended, 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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) NEW STOCK OPTIONS. The Company shall Grant to Executive 175,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(g) NEW RESTRICTED STOCK AWARD. The Company also grants Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $1,400,000 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of October 1, 2005 or a Change in Control of the Company for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(h) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(i) 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 statements, 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, Georgia and Naples, Florida, 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, Wisconsin 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.

(j) 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.

(k) 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.

(l) LEGAL FEES. The Company shall pay the Executive's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.

(m) RETENTION BONUSES; HOUSE SALE.

(i) As set forth in the 2000 Agreement, on the earlier of September 30, 2003 or a Change in Control, the Company shall pay the Executive an additional amount of Four Hundred Thousand Dollars ($400,000). In addition, 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 Change in Control), then on October 1, 2005, Company shall pay the Executive Two Million Two Hundred Thousand Dollars ($2,200,000).

(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 Change in Control, then at any time after the earlier of April 30, 2003 or the date on which the Executive's employment is terminated, at the option of and upon 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 One Dollar ($1.00).

(n) OPTION TO RELINQUISH CHIEF EXECUTIVE OFFICER POSITION. Notwithstanding anything else in this Agreement to the contrary, Executive may at his discretion relinquish his role as Chief Executive Officer effective October 1, 2004 and remain as an employee of the Company and, as may be permitted under law and the Company's bylaws, as Chairman of the Board of Directors of the Company until September 30, 2005. Should Executive exercise such option, his annual Base Salary during this third year of his Agreement shall be Five Hundred Thousand Dollars ($500,000) and his Bonus shall be based on 75% of this Base Salary, and all other terms and conditions of this Agreement shall continue to apply.

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 agreements (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 Change in Control. 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 Change in Control, 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(h), (i), (j) or (k) 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) twenty-four (24) 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) double the 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 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 (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 twenty-four (24) 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 twenty-four (24) 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 twenty-four (24) months following such termination, if greater) 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 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 twenty-four (24) 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) twenty-four (24) months following such termination or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement.

(d) FOLLOWING CHANGE IN CONTROL. If the Executive elects to terminate his employment within thirty (30) days following a Change in Control 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); provided, however, that Executive's Base Salary, annual Bonus, Additional Salary and Section 3(d) additional benefits shall continue to be paid only until the first to occur of (i) the remaining period of the Term (or twelve (12) months following the expiration of the Post-Term Period (as defined below)) or (ii) such time as the Executive breaches the provisions of Sections 6 or 7 of this Agreement. In no event, however, shall Executive receive less than twelve (12) months Base Salary and annual Bonus following the expiration of the Post-Term Period. 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 Change in Control (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 Change in Control. 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:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711
Facsimile: (608) 278-6666
Attention: James T. Lucke

(b) For notices and communications to the Executive:

David A. Jones
7881 Via Vecchia
Naples, Florida 34108

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.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) ENTIRE AGREEMENT. This Agreement and the exhibit 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

Exhibit 10.2

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Kent J. Hussey (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement with the Company, dated April 27, 1998, as amended October 1, 1998, January 13, 2000 and October 1, 2000, as the Company 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 certain other officers of the Company, subject to the supervision of the CEO. During the Term (as defined below), the Executive shall devote substantially 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 approval of the Board.

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 September 30, 2006 (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 Four Hundred Thirty-Five Thousand Dollars ($435,000) per annum effective October 1, 2002 for the duration of 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 on 75% of Base Salary, provided the Company achieves 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 75,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) NEW RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in

value to $761,250 provided, however, (i) that portion of such award of stock equal in value to $507,500 as of October 1, 2002 shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and (ii) that portion of such stock equal in value to $253,750 as of October 1, 2002 shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2006 or a Change in Control. Provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of (i) October 1, 2005 (as to stock equal in value to $507,500) or (ii) October 1, 2006 (as to that portion of stock equal in value to $253,750) or a Change in Control of the Company for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(h) 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.

(i) 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. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(c), the Executive shall be entitled to purchase such automobile for $100 upon the earlier of (i) the expiration of the lease for such automobile or (ii) the termination of Executive's employment.

(j) 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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 Change in Control, in which case such termination shall be treated in accordance with Section 5(c) 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(g), (h), (i) or (j) 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to

this Section 5(b)(ii) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

(c) FOLLOWING CHANGE IN CONTROL. If the Executive elects to terminate his employment within sixty (60) days following a Change in Control 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(b) except that instead of the payment provided for in Section 5(b)(i)(ii) hereof, the Executive shall be entitled to the annual Bonus (if any) earned pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year in which such termination occurs, and he shall be entitled to the full amount of such Bonus even if he terminates his employment pursuant to this Section 5(c) before the end of such fiscal year. 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 Change in Control (the "Post-Term Period"). The Company shall place the maximum cash payments payable pursuant to Section 5(b) (as modified by the provisions of this Section 5(c) above with respect to Section 5(b)(i)(ii) hereof) in escrow with a commercial bank or trust company mutually acceptable to the Company and the Executive as soon as practicable following the Change in Control. 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(b) (as modified by the provisions of this Section 5(c) above with respect to Section 5(b)(i)(ii) hereof) 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 in this Agreement 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:

Rayovac Corporation
601 Rayovac Drive
Madison, WI 53711
Facsimile: (608) 278-6666
Attention: James T. Lucke

(b) For notices and communications to the Executive:

Kent J. Hussey
15695 Villoresi Way
Naples, FL 34110
Facsimile at Verona, WI: (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

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) ENTIRE AGREEMENT. This Agreement constitutes 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 with respect to the subject matter hereof.

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

Exhibit 10.3

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Kenneth V. Biller (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement dated October 1, 2000, as the Company 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 with the Company as Executive Vice President - Operations. 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.

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 September 30, 2005 (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 effective October 1, 2002 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly

installments each year, to be paid semi-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 on sixty percent (60%) of Base Salary, provided the Company achieves 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 50,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) NEW RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $346,667 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of

October 1, 2005 or a Change in Control for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to five (5) weeks vacation each year.

(h) 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.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the

discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Kenneth V. Biller
7801 Noll Valley Road
Verona, WI 53593

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEVERANCE AGREEMENT. The Severance Agreement between the parties dated October 1, 1998 is hereby terminated and all rights and obligations thereunder are of no further force or effect.

(j) 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 with respect to the subject matter hereof.

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/ Kenneth V. Biller
- ---
Name: Kenneth V. Biller

Exhibit 10.4

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Stephen P. Shanesy (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement dated October 1, 2000, as the Company 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 with the Company as Executive Vice President - North America. 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.

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 September 30, 2005 (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 effective October 1, 2002 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly

installments each year, to be paid semi-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 on sixty percent (60%) of Base Salary, provided the Company achieves 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 50,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) NEW RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $346,667 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of

October 1, 2005 or a Change in Control for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(h) 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.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the

discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Stephen P. Shanesy
8510 Greenway Blvd. #205
Middleton, WI 53562

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEVERANCE AGREEMENT. The Severance Agreement between the parties dated October 1, 1998 is hereby terminated and all rights and obligations thereunder are of no further force or effect.

(j) 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 with respect to the subject matter hereof.

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/ Stephen P. Shanesy
- ---
Name: Stephen P. Shanesy

Exhibit 10.5

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Merrell M. Tomlin (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement dated October 1, 2000, as the Company 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 with the Company as Executive Vice President - Global Sales. 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.

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 September 30, 2005 (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 effective October 1, 2002 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly

installments each year, to be paid semi-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 on sixty percent (60%) of Base Salary, provided the Company achieves 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 50,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) NEW RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $346,667 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of

October 1, 2005 or a Change in Control for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(h) 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.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the

discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Merrell M. Tomlin
3576 Timber Lane
Cross Plains, WI 53528

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEVERANCE AGREEMENT. The Severance Agreement between the parties dated October 1, 1998 is hereby terminated and all rights and obligations thereunder are of no further force or effect.

(j) 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 with respect to the subject matter hereof.

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/ Merrell M. Tomlin
- ---
Name: Merrell M. Tomlin

Exhibit 10.6

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Luis A. Cancio (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement dated October 1, 2000, as the Company 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 with the Company as Executive Vice President - Latin America. 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.

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 September 30, 2005 (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 effective October 1, 2002 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly

installments each year, to be paid semi-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 on sixty percent (60%) of Base Salary, provided the Company achieves 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) EXISTING STOCK OPTIONS AND RESTRICTED STOCK AWARDS. All stock options and restricted stock awards 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 50,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) NEW RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $346,667 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of

October 1, 2005 or a Change in Control of the Company for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(h) 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.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the

discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Luis A. Cancio
400 SE 5th Ave. - Apt. N-405
Boca Raton, FL 33143

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEVERANCE AGREEMENT. The Severance Agreement between the parties dated August 31, 1999 is hereby terminated and all rights and obligations thereunder are of no further force or effect.

(j) 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 with respect to the subject matter hereof.

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/ Luis A. Canco
- ---
Name: Luis A. Cancio

Exhibit 10.7

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of October, 2002, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Paul G. Cheeseman (the "Executive").

WHEREAS, the Company and the Executive wish to amend and restate the provisions of the Executive's Employment Agreement dated November 1, 2001, as the Company 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 with the Company as Senior Vice President - Technology. 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.

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 September 30, 2005 (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 Two Hundred Fifty Thousand Dollars ($250,000) per annum effective October 1, 2002 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly installments each year, to be paid semi-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 on fifty percent (50%) of Base Salary, provided the Company achieves 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) EXISTING 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.

(e) NEW STOCK OPTIONS. The Company shall Grant to Executive 25,000 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the opening price on the New York Stock Exchange as of such date. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent (50%) shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(f) RESTRICTED STOCK AWARD. The Company also grants the Executive additional restricted shares of the Company's common stock as follows. On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $375,000 provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of October 1, 2005 or a Change in Control for any reason other than (i) termination by

the Company without cause, or (ii) termination due to death or disability. The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(g) VACATION. The Executive shall be entitled to three (3) weeks vacation each year.

(h) 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.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) 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.

(k) 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 President, the CEO or the Board, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from the President, 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to

this Section 5(b)(ii) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Paul G. Cheeseman
3779 Swoboda Road
Verona, WI 53593

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEVERANCE AGREEMENT. The Severance Agreement between the parties dated October 1, 1998 is hereby terminated and all rights and obligations thereunder are of no further force or effect.

(j) 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 with respect to the subject matter hereof.

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/ Paul G. Cheeseman
- ---
Name: Paul G. Cheeseman

Exhibit 10.8

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into effective the 19th day of August, 2002 ("Effective Date"), by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Randall J. Steward (the "Executive").

WHEREAS, the Company and the Executive wish to terminate as of the Effective Date the terms of the Separation Agreement and Release between the Executive and the Company dated November 29, 2001 ("Separation Agreement") (except to the extent set forth herein) and to otherwise enter into new terms and conditions of employment as the Company desires to employ the Executive upon the terms and conditions set forth herein and the Executive desires to accept such employment on these 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 with the Company as Executive Vice President - Chief Financial Officer. 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 in this regard, without the prior written consent of the Board.

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 September 30, 2005 (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 of Three Hundred Twenty-Five Thousand Dollars ($325,000) per annum effective as of the Effective Date for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly installments each year, to be paid semi-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 (i) for the fiscal year ending September 30, 2002 shall be based on fifty percent (50%) of Executive's previous base annual salary of $275,000 and (ii) for fiscal years ending September 30, 2003, 2004 and 2005 shall be based on sixty percent (60%) of Base Salary, provided the Company achieves 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 COVERAGE AND BENEFIT PLANS. The Executive shall be entitled to such insurance and all other benefits as are generally made available by the Company to its executive officers from time to time, including participation in the company's Comprehensive Medical Plan, Dental Insurance Plan, Long Term Disability Plan, Business Travel Accident Plan, Profit Sharing and Savings Plan (401(k)), Executive Deferred Compensation and life insurance programs, and Supplemental

Employment Retirement Plan.

(d) STOCK OPTIONS. Notwithstanding anything in the Separation Agreement to the contrary, those Stock Options (as defined in the Separation Agreement) previously granted to Executive that have not vested as of the Effective Date shall be forfeited to the Company as of such date, and all unexercised Stock Options previously granted to Executive that have vested as of the Effective Date shall be exercisable by Executive pursuant to the terms of the applicable Stock Option Agreements governing such Stock Options. In addition, the Company shall grant to Executive 98,990 new Stock Options ("New Options") under The 1997 Rayovac Incentive Plan ("1997 Plan"). The grant date of such New Options shall be the Effective Date and such New Options shall have an exercise price equal to the closing price on the New York Stock Exchange as of August 16, 2002. Fifty Percent (50%) of New Options shall be Time-Vesting Options and Fifty Percent shall be Performance-Vesting Options. Time-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. Subject to the Company meeting performance goals established by the Board, the Performance-Vesting Options shall vest 1/3 October 1, 2003, 1/3 October 1, 2004 and 1/3 October 1, 2005. The terms and conditions of such New Options shall be substantially similar to the terms and conditions of previous option grants.

(e) RESTRICTED STOCK AWARD. Notwithstanding anything in the Separation Agreement to the contrary, (i) all restrictions on Executive's First Set of Restricted Stock (as defined in the Separation Agreement) have lapsed as of the Effective Date, (ii) the Second Set of Restricted Stock (as defined in the Separation Agreement) has been forfeited to the Company effective November 29, 2001, and (iii) the restrictions on the Third Set of Restricted Stock (as defined in the Separation Agreement) shall lapse in accordance with the terms of the applicable Restricted Stock Award Agreement.

Further, in connection with the Executive's employment and appointment hereunder, the Executive is also hereby be granted the following additional restricted shares of the Company's common stock:

(i) On the Effective Date, Executive shall be awarded 24,088 shares of the Company's common stock, provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance of such shares prior to the earlier of October 1, 2003 or a change in control of the Company (as defined in the 1997 Plan) ("Change in Control"), and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of October 1, 2003 or a Change in Control for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability.

(ii) On October 1, 2002, Executive shall be awarded that number of shares of the Company's common stock equal in value to $346,667; provided, however, that such award of stock shall include a restriction prohibiting the sale, transfer, pledge, assignment or other encumbrance prior to the earlier of October 1, 2005 or a Change in Control, and, provided further, that such restricted stock shall be forfeited to the Company in the event the Executive's employment with the Company terminates prior to the earlier of October 1, 2005 or a Change in Control for any reason other than (i) termination by the Company without cause, or (ii) termination due to death or disability.

The terms and conditions of such new restricted stock awards shall be substantially similar to the terms and conditions of previous restricted stock award grants.

(f) NOTES: This Agreement shall not affect or modify the terms and conditions of the First Note and Second Note as set forth in the Separation Agreement.

(g) VACATION. The Executive shall be entitled to four (4) weeks vacation each year.

(h) 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 may be reviewed periodically by the Compensation Committee of the Board or the Board.

(i) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 4(d), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.

(j) D&O INSURANCE. The Executive shall be entitled to indemnification from the Company to the maximum extent provided by law. 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.

(k) 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 (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 upon thirty (30) days prior written 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), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. 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.

(e) NOTICE OF TERMINATION. Any termination by the Company for Cause 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 the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company 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) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

(i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, 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).

(ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.

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

(iv) 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.

(v) 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 5.

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: James T. Lucke

(b) For notices and communications to the Executive:
Randall J. Steward
13035 Caminio Del Rocio
Del Mar, CA 92014

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

9. GENERAL.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) SEPARATION AGREEMENT AND RELEASE. The Separation Agreement and Release between the parties dated November 29, 2001 is hereby terminated except to the extent set forth herein and all rights and obligations thereunder are of no further force or effect (except to the extent set fort herein).

(j) 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 with respect to the subject matter hereof.

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/ Randall J. Steward
- ---
Name: Randall J. Steward

Exhibit 10.9

REGISTERED DIRECTOR'S AGREEMENT

between

ROV German Holding GmbH,

Daimlerstrasse 1D-73479, Ellwangen, Germany

represented by its shareholder(s), ROV Holding, Inc.

- hereinafter referred to as the "Company" -

and

Mr. Remy Burel,

Peutingerstr. 13, Ellwangen, Germany 73479

251 parc de Cassan, 95290 L'Isle Adam, France

- hereinafter referred to as the "Registered Director" -

Section 1 APPOINTMENT AND POWER OF REPRESENTATION

1.1 The Registered Director was appointed registered director of the Company by resolution of the shareholder(s) meeting on 06 November 2002. Continuous service with the Company is recognised as of 21 May 1990. This Agreement contains the conditions of the employment relationship.

1.2 The Registered Director shall represent the Company in court and out of court jointly with another registered director or a PROKURIST of the Company. He shall be freed from the restrictions under Section 181 German Civil Code (BGB).

1.3 The Company reserves the right to appoint other registered directors and establish different rules of representation at any time.

Section 2 DUTIES AND RESPONSIBILITIES

2.1 The Registered Director shall be responsible for the entire scope of business of the Company. He shall, in addition, take the position as Executive Vice President - Europe and be responsible for those functions and duties assigned to him from time to time by the shareholder(s). The shareholder(s) may decide on a different allocation of functions and duties at any time; provided, however, that the Registered Director is given at least three (3) months prior written notice thereof, to the extent practicable. The place of performance is currently Ellwangen, Germany, but on the Company's request the Registered Director is required to relocate to Frankfurt, Germany. In addition, upon the Company's request the Registered Director shall relocate to any other office in Germany upon no less than three (3) months prior written notice; provided, however, that the Company has determined in good faith that such relocation is reasonably necessary for the Registered Director to adequately perform his duties hereunder. The Registered Director is obligated to secure a residence near the place of performance.

The Registered Director shall conduct the business of the Company with the due care and diligence of a prudent businessman and in accordance with the provisions of all applicable laws and regulations, in particular the Law on Limited Liability Companies (GMBH-GESETZ), the Articles of Association of the Company (SATZUNG) and the internal rules of the board of directors (GESCHAFTSORDNUNG), if any, as amended from time to time, as well as the directions given by the shareholder(s). The Registered Director shall at all times comply with the instructions of the shareholder(s).

2.2 The Registered Director shall assume the rights and obligations the Company has as employer with respect to labour and social security law.

2.3 Within 3 months following the end of each business year, the Registered Director shall draw up the balance sheet and the profit and loss statement for the completed business year and shall provide these to each shareholder(s) together with a business report to be prepared by him.

Section 3 TRANSACTIONS REQUIRING PRIOR CONSENT OF SHAREHOLDER(S)

3.1 The Registered Director is entitled to carry out all measures falling within the normal scope of business of the Company.

3.2 The prior consent of the shareholder(s) shall be obtained before any legal transactions are engaged which go beyond the normal scope of business of the Company. To the extent that the consent of the shareholder(s) is required under this Agreement, but not required under applicable law, the shareholder(s) appoint the President and Chief Operating Officer of Rayovac Corporation ("Rayovac"), Wisconsin corporation and a company of which the Company is an indirect subsidiary, (or any other officer of Rayovac as determined by the shareholder(s) from time to time) as their duly authorized representative (the "Representative"), who shall be authorized and directed to act on their behalf in such instances.

This shall apply in particular to the acts and transactions as listed in the articles of association as applicable respectively amended by the shareholder(s) from time to time.

Section 4 WORKING HOURS AND SIDE ACTIVITIES

4.1 The Registered Director shall place his entire working capacity as well as all his knowledge and abilities at the disposal of the Company.

4.2 The assumption of significant activities outside the private area, whether paid or unpaid, requires the prior written consent of the shareholder(s), which consent shall not be unreasonably withheld. The same applies for the assumption of other duties and responsibilities not specifically mentioned in this Agreement if they may in any way significantly affect the interests of the Company (e.g. publications, speeches, etc.). The shareholder(s)'s consent may

be revoked at any time; in this event, any periods of notice required when giving up such functions shall be taken into account.

4.3 At the request of the shareholder(s), the Registered Director will accept other mandates where it serves the interests of the Company. Upon the termination of this Agreement or his removal as a registered director, he will resign from or terminate all such offices undertaken and assumed at the request or in the interest of the Company. The Registered Director hereby grants power of attorney to the shareholder(s) of the Company to give notice of termination on his behalf if he does not comply with the aforementioned obligation to resign or terminate, this power of attorney not terminating by virtue of any termination of this Agreement only.

Section 5 REMUNERATION

5.1 For his services, the Registered Director shall receive a fixed annual gross salary of 325,000.00 EUR (in words: Three Hundred Twenty-Five Thousand Euro) ("Fixed Salary") effective 1 October 2002, which shall be paid in twelve equal monthly instalments at the end of each month in arrears to a bank account indicated to the Company by the Registered Director. The shareholder(s) of the Company will review from time to time the Fixed Salary payable to the Registered Director hereunder and may, in their discretion, increase the Registered Director's Fixed Salary.

5.2 On or before December 31, 2002, the Company shall pay the Registered Director a one-time bonus in a gross amount equal to 29,520 EUR (in words: Twenty-Nine Thousand Five Hundred Twenty Euro), which amount represents the bonus payable to the Registered Director for the period beginning January 1, 2002 and ending September 30, 2002. The Registered Director shall receive a bonus for each fiscal year, payable annually in arrears, which shall be of up to sixty percent (60 %) of the Fixed Salary, provided Rayovac achieves certain annual performance goals or any other goals established by the Board of Directors (the "Board") of Rayovac in its discretion from time to time (the "Bonus"). The Bonus shall be paid (if payable) on or before December 31 of each year. The annual performance goals approved by the Board shall be set forth in writing and a copy shall be delivered to the Registered Director promptly after approval thereof by the Board. Such annual performance goals shall be subject to modification from time to time as approved by the Board.

5.3 The Company will pay to the Registered Director the employer's social security contributions as required under applicable laws, in particular the contributions to the pension insurance, the unemployment insurance, the health insurance and the nursing care insurance. If the Registered Director is insured in a private health insurance, the Company will, upon

submission of adequate proof, pay 50 % of the contributions to such health insurance but not more than the amount which would have to be paid if the Registered Director was covered by the AOK statutory health insurance.

5.4 With the above remuneration, any and all services of the Registered Director for the Company or on behalf of the Company or any affiliated company are compensated. There shall be no additional pay for overtime and extra work.

5.5 All work results produced or achieved by the Registered Director belong, and where applicable, all rights therein are transferred, to the Company, without the Registered Director being entitled to any additional remuneration therefore.

5.6 The assignment and pledging of claims for remuneration is subject to the prior approval of the shareholder(s) of the Company.

Section 6 OTHER BENEFITS

6.1 During the term of this Agreement, the Company shall provide the Registered Director with a company car in the "A" leasing group or car category for business and private use.

Terms and conditions are subject to the Company's car rules as amended from time to time.

The Registered Director herewith explicitly waives all claims and holds the Company harmless from any claims, to which he, his family or third parties could be entitled to in connection with the private use of the car insofar as these are not covered by the Company's insurance coverage.

6.2 The Pension Agreement concluded between VARTA Geratebatterie GmbH and the Registered Director dated 22 May 1991 including the supplement of 1 July 1999 remains in force. The Company shall cause VARTA Geratebatterie GmbH to assign such Pension Agreement to the Company, and the Company shall assume the obligations of VARTA Geratebatterie GmbH thereunder, as soon as reasonably practicable after the execution and delivery of this Agreement by the parties hereto. The Registered Director expressly agrees to such assignment, and will reasonably cooperate with the Company to effectuate such assignment.

6.3 The accident insurance coverage will be upheld. In the event a new group accident insurance policy is entered into by the Company, the Registered Director will be entitled to participate

under the then applicable new conditions; provided, however, that such conditions shall be reasonably equivalent to or more favorable than the previous conditions.

Any income taxes accruing on this benefit are to be borne by the Registered Director.

6.4 The Registered Director 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 Registered Director, unless authorized or ratified by the shareholder(s) and the Board. Such indemnification shall be covered by the terms of the Company's or Rayovac's policy of insurance for directors and officers in effect form time to time (the "D&O Insurance"). Copies of the D&O Insurance policy will be made available to the Registered Director upon request.

6.5 The Company shall pay the Registered Director's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.

6.6 All expense reimbursements and perquisites of the Registered Director are reviewable periodically by the shareholder(s) and the Board or a committee thereof.

Section 7 CHARGES AND EXPENDITURES

Travel costs and other appropriate expenditures, provided these are incurred in the interest of the Company, will be pursuant to the general provisions of the Company and the guidelines for management members of the Company, if any and as amended from time to time. The Registered Director accounts for his expenditures according to Group V (VERTRAUENSSPESEN).

Section 8 INABILITY TO WORK

8.1 In the case of an inability to work, the Registered Director will immediately inform the Company about this impairment and the expected duration thereof as well as the reasons for such impairment. At the request of the Company he shall provide a medical certificate.

8.2 Upon the Registered Director'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 or Rayovac's disability policy, if applicable) (a "Disability"), all benefits paid to the Registered Director by

a statutory or private health insurance as compensation for the loss of salary shall be deducted from any amounts paid to the Registered Director under clause 14.7 hereof. Where the Registered Director is not entitled to such benefits because he did not take out the appropriate private health insurance, the equivalent of the sick pay payable under statutory health insurance will be taken into account.

Section 9 HOLIDAY ENTITLEMENT

9.1 The Registered Director shall be entitled to 30 working days holiday per year, it being understood that, for the sole purpose of holidays, the working week will be deemed to run from Monday to Friday. The timing of any holiday must be agreed to by the Representative and shall take into account the business interests of the Company.

9.2 The holiday leave has to be granted and taken during the running calendar year. If the Registered Director is not able to take his holiday due to business needs he can transfer his remaining holiday to the following calendar year. In case of such transfer the Registered Director is required to take the holiday within the first six (6) months of the following calendar year, otherwise the holiday claim expires.

Section 10 DUTY OF CONFIDENTIALITY

10.1 The Registered Director shall maintain strict confidentiality vis-a-vis third parties as well as unauthorized staff members of the Company with respect to all confidential or business matters concerning the Company or any affiliated company and coming to his attention within the scope of his activities for the Company, irrespective of how he obtained such knowledge, except for such disclosures which follow from his duties as a registered director of the Company and are essential for the due performance of his functions. This obligation shall continue to apply following termination of this Agreement.

The term "confidential or business matters of the Company" includes all business, operational, organizational and technical knowledge and information (e.g., 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) which shall not become known to the public in accordance with the wishes or the

best interest of the Company or any affiliated company or in consideration of the nature of the information.

10.2 Business records of any kind, including private notes concerning the Company's or any affiliated company's affairs and activities, may be used for business purposes only. Business and operating records of any kind or in any form which are in the possession of the Registered Director as well as any copies thereof shall be carefully kept.

Section 11 NON-COMPETE-OBLIGATION

11.1 The Registered Director undertakes for the duration of the Agreement and for a period of 1 year after its termination (the "Non-Compete Period") not to become active for any domestic or foreign enterprise and/or person operating in the field of the design, manufacturing, marketing or sale of batteries or battery operated lighting devices competing or potentially competing with the Company or any of its subsidiaries or affiliates in the above named business.

11.2 The Registered Director in particular undertakes for the duration of the Non-Compete Period not to become active as an employee, self-employed person or consultant and not to hold any interest or acquire any participation in a company which is directly or indirectly a competitor of the Company or its affiliates and also not to conduct businesses on his own or anyone else's behalf in such fields or finance or acquire any such company except if such participation concerns shares or securities quoted on or dealt in on any recognized stock exchange, held or purchased for capital investment purposes only, provided that such an investment shall not exceed 5 % of the equity share capital of the relevant company and that the Registered Director has not concluded any agreement granting him any additional rights or he is otherwise enabled to substantially influence matters of such company, whether directly or indirectly.

Competition for the purposes hereof is determined by the business of the Company or any affiliated company at any time in the case of a termination of the employment relationship by the business at the time of the termination and in the two years prior to it, in so far as the Registered Director had access to or was responsible for the interests of the Company in such business.

11.3 As compensation for the restrictions imposed by the post-contractual non-compete-obligation, the Company will pay to the Registered Director compensation in the amount of 50 % of the remuneration as last received by him for the duration of the post-contractual non-compete-obligation, payable in monthly instalments in arrears; provided, however, that if the Registered Director's employment by the Company is terminated by the Company without

Cause or by reason of Disability, the resulting payments by the Company to the Registered Director required under clause 14.7 shall be in lieu of any payment obligations on the part of the Company under this clause 11.3. Section 74 c of the German Commercial Code (Handelsgesetzbuch, HGB) applies.

During the restriction period, the Registered Director is obliged to submit to the Company at the end of each calendar quarter a statement and proof regarding the amount of his income (after deduction of deductible expenses) as a self-employed person or of his income as an employee. As long as the Registered Director does not fulfil this obligation, the claim for compensation does not accrue.

11.4 The Company may at any time waive its rights under clause 11.1 observing a three (3) months' notice period. In such case, the Company is freed from its obligation to pay compensation pursuant to clause 11.2 with the end of the notice period after the waiver.

11.5 Unless otherwise provided herein, for the duration of the Non-Compete Period Section 61 of the German Commercial Code shall be mutually applicable.

Section 12 NON-SOLICITATION COVENANT

12.1 The Registered Director shall after the end of the Agreement be forbidden to entice away the customers of the Company or any of its affiliates. Customers of the Company or any of its affiliates are persons or entities the Company or any of its affiliates has dealt with or serviced or attempted to conclude business with within the past two (2) years preceding the termination of the Registered Director's employment hereunder. The pool of prohibited customers is limited to those with whom the Registered Director dealt personally.

12.2 The Registered Director also undertakes for the duration of the Non-Compete Period not to employ any employees of the Company or any of its affiliates and not to entice away any employees, either for himself or for third parties, and not to take part in any attempts of third parties to entice them away.

Section 13 CONTRACTUAL PENALTY

The Registered Director acknowledges that the Company or any of its affiliates may suffer irreparable loss or damage as a result of any breach of the obligations under this Agreement, in particular, Section 10, Section 11 and Section 12. In the case of any breach, the Registered Director shall pay a contractual penalty (VERTRAGSSTRAFE) of one (1) month of gross Fixed Salary monthly payments (on demand and without any court order) in respect of each breach of this obligation. The plea for continuation of offence (FORTSETZUNGSZUSAMMENHANG) shall be excluded. In the case of a continuing breach which is not remedied, there shall be deemed to be a separate breach each calendar month in respect of which a separate penalty shall be payable. The contractual penalty does not prejudice the Company's right to claim any further damages in respect of losses suffered or to exercise any other right or remedy available to it. If a court determines that any of the restrictions contained in clauses 10, 11 or 12 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 such restrictions to include the maximum restrictions allowed under applicable law.

Section 14 DURATION AND TERMINATION OF THE AGREEMENT

14.1 This Agreement shall enter into effect retrospectively on October 1, 2002 and shall continue until notice of termination thereof is delivered in accordance with this article 14 (the "Term").

14.2 During the Term either party may terminate the employment relationship by giving six (6) months notice to the end of a month.

14.3 The Company shall have the right at any time to terminate the Registered Director's employment hereunder upon three (3) months prior written notice to the end of a month upon the Registered Director's inability to perform his duties hereunder by reason of any Disability. The Registered Director's employment will be deemed automatically terminated upon his death.

14.4 Notice of termination shall be given in writing. If this Agreement is terminated by the Registered Director, notice thereof shall be given to any other registered director or, in the event that no other registered director has been appointed, to the shareholder(s) with the largest holding in the Company.

14.5 The right to terminate this Agreement for Cause shall remain unaffected. The Company shall have the right at any time to terminate the Registered Director'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 Registered Director of any deliberate and premeditated act taken by the Registered Director in bad faith against the interests of the Company or any of its affiliates;

(ii) the Registered Director 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 Registered Director which negatively impacts his job performance or the Registered Director's failure of a Company-required drug test;

(iv) the wilful failure or refusal of the Registered Director to perform his duties as set forth herein or the wilful failure or refusal to follow the direction of the shareholder(s) of the Company, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from shareholder(s) of the Company of such failure or refusal, which notice indicates the Company's intention to terminate the Registered Director's employment hereunder if such failure or refusal is not remedied within such thirty (30) day period; or

(v) the Registered Director breaches any of the material terms of this Agreement or any other agreement between the Registered Director and the Company which breach is not cured within thirty (30) days subsequent to notice from the Company to the Registered Director of such breach, which notice indicates the Company's intention to terminate the Registered Director's employment hereunder if such breach is not cured within such thirty (30) day period.

14.6 If either party gives notice to terminate this Agreement, the Company shall be entitled to release the Registered Director from his duties during the period of notice, whereby any leave to which the Registered Director may be entitled shall be deemed included in the period during which he is released of such duties. During the period of release the Company will continue to pay the Registered Director the Fixed Salary and the social security contributions according to clause 5.3. In addition, the Registered Director shall be entitled to use the Company car for private purposes during such period of release. If the Registered Director returns the Company car prior to the end of such period, then he is entitled to claim financial compensation for the loss of the cash benefit of the private use of the Company car until the end of such period.

14.7 If the Registered Director's employment is terminated by the Company without Cause or by reason of death or Disability (but not upon termination by the Company with Cause as permitted under clause 14.5 or termination by the Registered Director for any reason), then the Company shall pay the Registered Director the amounts and provide the Registered Director, or his heirs, beneficiaries or personal representatives, as applicable, the benefits as follows:

(i) The Company shall pay to the Registered Director as severance, a gross amount in cash equal to triple the sum of (i) the Registered Director's Fixed Salary, and (ii) the annual Bonus (if any) earned by the Registered Director 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 Registered Director in equal monthly instalments over the Non-Compete Period.

(ii) For the 24-month period immediately following such termination, the Company shall arrange to provide the Registered Director and his dependents the additional benefits contained in clause 5.3. Benefits otherwise receivable by the Registered Director pursuant to this clause 14.7(ii) shall cease immediately upon the discovery by the Company of the Registered Director's breach of any of the covenants contained in clauses 10 or 11.

(iii) The Registered Director's accrued vacation at the time of termination shall be paid as soon as reasonably practicable.

(iv) The provisions contained in this clause 14.7 shall be in lieu or any payment obligation accruing to the Company under clause 11 hereof, it being understood that the severance payments contained in this clause 14.7 are also as compensation for the restrictions imposed by the post-contractual non-competition obligation.

Section 15 RETURN OF COMPANY PROPERTY

Business and operating records of any kind or in any form which are in the possession of the Registered Director as well as any copies thereof shall be returned to the Company at any time upon request of the Company or the shareholder(s), at the latest upon termination of employment or in the event of release from his duties at the date of such release. This obligation to return Company property extends to any other item in the direct or indirect possession of the Registered Director, including the company car with all accessories, subject to the provisions set forth in clause 14.6.

The assertion of any counter rights or a right of retention by the Registered Director is excluded. At the request of the Company, the Registered Director shall declare in a written statement that all such items have been returned to the Company.

Section 16 FINAL PROVISIONS

16.1 This Agreement contains the complete agreement of the parties on all terms and conditions of the employment relationship. It replaces all previous agreements or contractual entitlements, in particular the service agreement with VARTA Geratebatterie GmbH dated 1 July 1999 including its supplements. No collateral agreements exist.

16.2 In order to be legally valid, any amendments or additions to this Agreement, inclusive of this provision, must be made in writing and require approval of the shareholder(s).

16.3 All notices and other communication given under this Agreement must be in writing. This written form is also observed by the sending of a telegram, telex or telecopy if the author of the document is indicated.

16.4 Should any provision of this Agreement be or become legally invalid, this shall not affect the validity of the remaining provisions. In such an event, the parties shall be obliged to replace the invalid provision with a legally permissible provision which is compatible with the other provisions hereof and which comes as close as possible to the economic intentions of the parties.

16.5 The parties confirm herewith having received a complete copy of this Agreement including enclosures.

16.6 This Agreement and all legal disputes arising hereunder or in connection therewith are subject to the laws of the Federal Republic of Germany.

16.7 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.

Dated: _____	Dated: _____
/s/ Kent J. Hussey	/s/ Remy Burel
Company	Mr. Remy Burel

Exhibit 10.13

BUILD-TO-SUIT LEASE AGREEMENT

BY AND AMONG

200 CORPORATE DRIVE, L.L.C., A DELAWARE LIMITED LIABILITY COMPANY, LANDLORD

RAYOVAC CORPORATION, A WISCONSIN CORPORATION, TENANT

HIGGINS DEVELOPMENT PARTNERS, L.L.C., A DELAWARE LIMITED LIABILITY COMPANY, DEVELOPER

THAT CERTAIN WAREHOUSE, DISTRIBUTION, PACKAGING AND OFFICE FACILITY LOCATED IN THE LEE COUNTY BUSINESS PARK IN DIXON, LEE COUNTY, ILLINOIS

DATED AS OF MAY 2, 2002

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BUILD-TO-SUIT LEASE AGREEMENT

This Build-To-Suit Lease Agreement ("LEASE") is made this 2nd day of May, 2002, by and among 200 CORPORATE DRIVE, L.L.C., a Delaware limited company ("LANDLORD"), RAYOVAC CORPORATION, a Wisconsin corporation ("TENANT"), and, for the limited purposes hereafter provided, HIGGINS DEVELOPMENT PARTNERS, L.L.C., a Delaware limited liability company ("DEVELOPER").

RECITALS

A. Subject to the Conveyance Contingency as defined and set forth in Section 1.1 hereof, Landlord, for and in consideration of the rents, covenants and agreements hereinafter contained, hereby leases, rents, lets and demises unto Tenant, and Tenant does hereby take and hire, upon and subject to the conditions and limitations hereinafter expressed, all that approximately 55 acre parcel of land situated in the Lee County Business Park ("PARK") in the City of Dixon ("CITY"), County of Lee, State of Illinois, described in EXHIBIT A attached hereto and made a part hereof (the "LAND"), together with all improvements located on and to be constructed thereon pursuant to the terms and conditions hereof. The initial improvements to be constructed on the Land on behalf of Landlord by Contractor (as hereafter defined), in accordance with the Initial Improvement Final Plans and Specifications (as hereafter defined) and as provided in the Work Letter attached to this Lease as EXHIBIT 2.1 hereof, shall consist of approximately 576,242 square foot warehouse/distribution and office facility containing approximately 20,608 square feet of office space, and the other improvements provided in the Initial Improvements Final Plans and Specifications which are collectively referred to as the "INITIAL IMPROVEMENTS." The improvements, if any, to be constructed by Landlord pursuant to Tenant's right to expand as provided in Article 2A hereof are referred to as the "EXPANSION SPACE."

B. Improvements, Expansion Space and all other improvements, machinery, equipment, fixtures and other property, real, personal or mixed, except those items of Tenant's attached or unattached personalty, which are deemed to be Trade Fixtures (as provided in Article 16, the "TRADE FIXTURES") installed or located thereon, together with all additions, alterations and replacements thereof are collectively referred to as the "IMPROVEMENTS." The Land, Improvements and any alterations, modifications or additions thereto are hereafter collectively referred to as the "DEMISED PREMISES." The structure located upon and forming a part of the Demised Premises which are constructed for human occupancy or for storage of goods, merchandise, equipment, or other personal property is collectively called the "BUILDING."

C. For the purposes of Tenant's financial reporting, it is the intent of Landlord and Tenant that this Lease constitute an operating lease pursuant to generally accepted accounting principles, consistently applied, existing as of the date of this Lease.

D. The location in this Lease of all defined terms is set forth in the Glossary of Terms attached hereto and made a part hereof.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions contained in this Lease, the foregoing Recitals which are deemed to form a part of this Lease as if

fully restated herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord, Tenant and Developer, agree as follows:

ARTICLE 1
TERM OF LEASE

SECTION 1.1 CONVEYANCE CONTINGENCY. Concurrent with the execution and delivery of this Lease, Landlord, as purchaser, entered into that certain Real Estate Purchase and Sale Agreement ("PURCHASE AGREEMENT") with LaSalle Bank National Association, not personally, but solely as Trustee under Trust

Agreement dated February 27, 2002 and known as Trust No. 128936, as seller ("SELLER"). The Purchase Agreement provides for the purchase by Landlord and the sale and conveyance by Seller of fee title to the Land.

Notwithstanding anything contained in this Lease to the contrary, if by May 31, 2002, for any reason other than a default by Landlord of its obligations under the terms of the Purchase Agreement, Tenant fails to convey title to the Land to Landlord in accordance with the terms, provisions and conditions of the Purchase Agreement, then at any time thereafter, by written notice from Landlord to Tenant ("LANDLORD TERMINATION NOTICE"), Landlord may elect to terminate and cancel this Lease. In the event Landlord delivers the Landlord Termination Notice, then on the date of receipt of the same by Tenant, this Lease shall automatically terminate and be of not further force and effect, except for the obligation of Tenant to pay to Landlord the Termination Amount (as hereafter defined) within thirty (30) days following Tenant's receipt of an invoice containing reasonable specificity and supporting documentation evidencing and setting forth the computation of the amount ("TERMINATION AMOUNT") equal to 1.03 multiplied by the sum of (i) all of the Actual Cost of the Work (as hereafter defined) incurred by Landlord up to the date of such Landlord Termination Notice, MINUS (ii) any portion of the sum of the Developer's Lump Sum Fee, Hard Cost Contingency and Contractor's Fee (as all of the preceding terms are hereafter defined), except that portion of the Contractor's Fee earned to the date of such Landlord Termination Notice. The obligation of Tenant to pay the Termination Amount shall survive such termination.

SECTION 1.2 INITIAL TERM. Subject to the Conveyance Contingency and except for the Expansion Extension (as hereafter defined), if any, the initial term of this Lease ("INITIAL TERM") shall be for fifteen (15) years (subject to renewal thereof as described in Section 1.4 hereof). The Initial Term shall commence on the Initial Term Commencement Date (as hereafter defined), and end, except for the Expansion Extension, if any, at 11:59 P.M. local time of the Demised Premises, on the date which is fifteen (15) years after the Initial Term Commencement Date ("INITIAL TERM TERMINATION DATE").

If Tenant exercises its option provided in Article 2A hereof to cause Landlord to plan, design and construct and add to the Demised Premises the Expansion Space, the Initial Term shall nonetheless commence on the Delivery Date (as hereafter defined) or on the date the Delivery Date would have occurred, but for Tenant Extensions (as hereafter defined), and shall be for the period that is the longer of and the Initial Term Termination Date shall occur (i) fifteen (15) years from and after the Delivery Date (or the date the Delivery Date would have occurred, but for Tenant Extensions), or (ii) ten (10) years from and after the Expansion Commencement Date (as hereafter

defined) ("EXPANSION EXTENSION"). Notwithstanding the foregoing, if Tenant exercises its option for Tenant Performed Expansion Work (as defined and provided in Section 2A.2 hereof), there will be no Expansion Extension.

Subject to Permitted Delays (as hereafter defined), (i) the Initial Improvements will be Substantially Complete (as hereafter defined) on and the Delivery Date will be January 28, 2003 ("INITIAL TERM COMMENCEMENT DATE"), and (ii) except in the instance of the Expansion Extension, if any, the Initial Term Termination Date will be 11:59 P.M. local time of the Demised Premises on January 27, 2018. However, nothing in this Lease shall prevent the Initial Term Commencement Date from occurring prior to January 28, 2003, but in no instance prior to January 15, 2003. The Initial Term Commencement Date and the Initial Term Termination Date are subject to adjustment as set forth in this Article 1 and in Section 2.2 hereof.

SECTION 1.3 DELIVERY DATE; INITIAL TERM COMMENCEMENT DATE. The "DELIVERY DATE" shall be the date on which all of the Initial Improvements are Substantially Complete. However, anything in this Lease (including the Work Letter) to the contrary notwithstanding, in the event that (i) the Initial Improvements are not Substantially Complete, and (ii) if applicable, the Construction Arbitrator (as defined in the Work Letter) has certified that, as of a date certain set forth in such certification, the Initial Improvements would have been Substantially Complete, but for a Tenant Extension(s), then the Initial Term shall commence on the Initial Term Commencement Date that shall nonetheless be deemed to have occurred on the date certain set forth in the Construction Arbitrator's aforesaid certification.

SECTION 1.4 OPTIONS TO RENEW. Subject to the terms, provisions and conditions of this Lease, Tenant shall have two (2) five (5)-year options to extend Tenant's rights under the terms of this Lease. In the event Tenant exercises either or both of such options to renew, the time period contained in each of the two (2) successive five (5) year periods thereafter shall be referred to, respectively, as the "FIRST RENEWAL TERM" and "SECOND RENEWAL TERM." The First Renewal Term and Second Renewal Term are sometimes hereinafter

individually referred to as a "RENEWAL TERM," and are sometimes hereinafter collectively referred to as "RENEWAL TERMS." The Initial Term and any and all Renewal Terms are sometimes hereinafter collectively referred to as the "TERM." If applicable, the First Renewal Term shall commence on the day after the Initial Term Termination Date and the Second Renewal Term shall commence on the fifth anniversary of the date on which the First Renewal Term commenced.

Except for modifications of Base Rent (as hereafter defined), and except as otherwise specifically provided herein, all of the other terms, provisions and conditions of this Lease shall apply during each Renewal Term exercised by Tenant as hereafter provided as and to the same extent as they apply during the Initial Term.

SECTION 1.5 EXERCISE OF OPTIONS TO RENEW. If Tenant wishes to exercise its options for either of the Renewal Terms, it shall give written notice thereof ("RENEWAL NOTICE") to Landlord not later than twelve (12) months prior to the expiration, as applicable, of the Initial Term and the First Renewal Term. Tenant may give its Renewal Notice at any time prior to the dates above provided, but if Tenant shall fail to give its Renewal Notice prior to the applicable date above

provided, it shall act as notice from Tenant to Landlord that Tenant has waived its right to elect to extend the Term for the applicable Renewal Term.

It shall be a condition to the exercise and effectiveness of the extension of the Term for each Renewal Term that Tenant shall not be in Default (as hereafter defined) of any of the terms, provisions or conditions of this Lease, either at the time of delivery of the applicable Renewal Notice or at the commencement of the applicable Renewal Term; provided, however, that Landlord shall have the right, in its sole discretion, to waive any such Default for purposes of Tenant's exercise of the subject Renewal Term. Notwithstanding the foregoing, Tenant shall not be permitted to exercise its right to the Second Renewal Term, unless Tenant has exercised its right to the First Renewal Term.

SECTION 1.6 LETTER OF CREDIT. Within three (3) Business Days (as hereafter defined) of the date of the execution and delivery of this Lease by Landlord and Tenant, to secure Tenant's obligations under this Lease, Tenant shall deliver to Landlord either (i) cash or other form of payment in immediately available funds in the amount required pursuant to sub-Paragraph (a) below ("CASH DEPOSIT"), or (ii) a letter of credit in accordance with the following terms, provisions and conditions:

(a) If Tenant elects not to deliver a Cash Deposit, Tenant shall deliver to Landlord an unconditional, irrevocable, standby letter of credit ("LETTER OF CREDIT") in the amount of $850,000.00 which conforms in substance to EXHIBIT 1.6(a) attached hereto and made a part hereof (or is otherwise reasonably acceptable to Issuer and Landlord) and which satisfies the following requirements:

(i) is issued by a United States federal or state chartered bank that (A) is either a member of the New York Clearing House Association or is a commercial bank or trust company reasonably acceptable to Landlord, and (B) is otherwise reasonably acceptable to Landlord ("ISSUER");

(ii) names Landlord as beneficiary thereunder;

(iii) has a term ending not less than one year after the date of issuance;

(iv) automatically renews for one (1)-year periods unless Issuer notifies beneficiary, in writing, at least sixty (60) days prior to the expiration date thereof, that Issuer elects not to renew the Letter of Credit;

(v) provides for payment to Landlord upon the occurrence of a Draw Event (as hereafter defined) of immediately available funds (denominated in United States dollars);

(vi) provides that draws may be presented, and are payable, at Issuer's letterhead office or, if permitted by Issuer, any other full service office of Issuer;

(vii) is payable in sight drafts which only require the beneficiary to state that the draw is payable to the order

of beneficiary;

(viii) permits partial and multiple draws;

(ix) permits multiple transfers by beneficiary (provided, however, Tenant shall be required to pay any required transfer fees only in the case of a transfer in connection with the sale, conveyance or transfer of title of or to the Demised Premises and provided Tenant's obligation to so pay the transfer fees does not occur more frequently than once per calendar year);

(x) waives any rights that Issuer may have, at law or otherwise, to subrogate to any claims beneficiary may have against applicant; and

(xi) is governed by the International Standby Practices 1998, published by the International Chamber of Commerce.

Subject to Section 1.6(b) hereof, the Letter of Credit (as transferred, extended, renewed or replaced) must be maintained during the entire Term, as extended or renewed, and for a period of seventy-five (75) days thereafter.

(b) In the event at any time during the Term Tenant delivers written notice to Landlord, together with reasonable supporting documentation, that Tenant's corporate credit rating achieves a so-called "investment grade" for a continuous period of not less than twelve (12) months as determined by Standard & Poors Corporation, Moody's Investors Service, Inc. or any other nationally recognized rating agency if both of the foregoing cease to exist ("RATING AGENCY"), then the amount of the Letter of Credit may be reduced to one-twelfth of the annual Base Rent for the Initial Improvements, PLUS if applicable, one-twelfth of the annual Base Rent for the Expansion Space as provided in Section 1.6(k) hereof for the remainder of the Term. Tenant shall deliver to Landlord a replacement Letter of Credit for the reduced amount, but otherwise on the same terms and conditions provided in Section 1.6(a) hereof. Upon receipt by Landlord of such replacement Letter of Credit, Landlord shall deliver to Tenant the original Letter of Credit.

(c) Landlord may freely transfer the Letter of Credit in connection with an assignment of this Lease without (i) Tenant's consent, (ii) restriction on

the number of transfers, or (iii) condition, other than presentment to Issuer of the original Letter of Credit and a duly executed transfer document conforming in substance to the form attached as Exhibit B to the form of Letter of Credit that is attached hereto as EXHIBIT 1.6(a). Tenant is solely responsible for any bank fees or charges imposed by Issuer in connection with the issuance of the Letter of Credit or any transfer, renewal, extension or replacement thereof; provided, however, Tenant shall be required to pay any required transfer fee only in the case of a transfer in connection with the sale, conveyance or transfer of title of or to the Demised Premises and provided Tenant's obligation to so pay the transfer fees does not occur more frequently than once per calendar year. Subject to the foregoing, Landlord may, at its option and without notice to Tenant, elect to pay any transfer fees to Issuer when due, and upon payment, such amount will become immediately due and payable from Tenant to Landlord as Additional Charges (as hereafter defined) under this Lease.

(d) "DRAW EVENT" means the occurrence of any of the following events:

(i) Tenant (1) fails to pay fully any installment of Base Rent or Additional Charges as and when due more than twice in any Lease Year (as hereafter defined), and such failure continues for a period of fifteen (15) days, or (2) after two late payments in any Lease Year, fails to pay any such installment and such failure continues for a period of five (5) days;

(ii) Tenant (A) breaches or fails to timely perform of any of its other obligations under this Lease, (B) such breach or failure continues for a period of thirty (30) days without regard to any cure period granted under this Lease and

without regard to whether such breach or failure is determined (upon occurrence or at any later time) to be an event of Default, and (C) Tenant has either failed to commence cure of the breach or failure or, if cure has been commenced, is not diligently pursuing such cure;

(iii) Any other of the events described in Section 10.1 hereof, but without regard to any cure period granted under such Section 10.1 (except as provided in sub-paragraphs (i) and (ii) above) and without regard to whether such event is determined (upon occurrence or at a later time) to be a Default;

(iv) A Default; or

(v) Tenant holds over or remains in possession of the Demised Premises after the expiration of the Term or earlier termination of this Lease, without Landlord's consent.

(e) Immediately upon the occurrence of any one or more Draw Events, and at any time thereafter, Landlord may draw on the Letter of Credit, in whole or in part (if a partial draw is made, Landlord may make multiple draws), as Landlord may determine in Landlord's sole and absolute discretion. The term "DRAW PROCEEDS" means the cash proceeds of any draw or draws made by Landlord under the Letter of Credit. Any delays by Landlord in drawing on the Letter of Credit or using the Draw Proceeds will not constitute a waiver by Landlord of any of its rights hereunder with respect to the Letter of Credit or the Draw Proceeds. Landlord will hold the Draw Proceeds in its own name and may co-mingle the Draw Proceeds with other accounts of Landlord or invest them as Landlord may determine in its sole and absolute discretion. In addition to any other rights and remedies Landlord may have, Landlord may, in its sole and absolute discretion and at any time or from time to time, use and apply all or any portion of the Draw Proceeds to pay Landlord for any one or more of the following:

(i) Base Rent, Additional Charges or any other sum which is from time to time is past due, or to which Landlord is otherwise entitled under the terms of this Lease, whether due to the passage of time, the existence of a Default or otherwise (including, without limitation, interest, charges and any amounts which Landlord is or would be allowed to collect under the terms of this Lease, and without deducting therefrom any offset for proceeds of any potential reletting or other potential mitigation which has not in fact occurred at the time of the draw);

(ii) any and all amounts reasonably incurred or expended by Landlord in connection with the exercise and pursuit of any one or more of Landlord's rights or remedies under this Lease, including, without limitation, reasonable attorneys' fees and costs;

(iii) any and all amounts reasonably incurred or expended by Landlord in obtaining the Draw Proceeds, including, without limitation, reasonable attorneys' fees and costs; or

(iv) any and all other damage, injury, reasonable expense or liability caused to or incurred by Landlord as a result of any Default, Draw Event or other breach, failure or default by Tenant under this Lease.

To the extent that Draw Proceeds exceed the amounts so applied, such excess Draw Proceeds will be deemed paid to Landlord to establish a credit on Landlord's books in the amount of such excess, which credit

may be applied by Landlord thereafter, in Landlord's sole and absolute discretion, to any of Tenant's obligations to Landlord under this Lease as and when they become due. Following any use or application of the Draw Proceeds, if requested by Landlord in writing, Tenant must, within ten (10) business days (i.e. all calendar days, excluding Saturdays, Sundays and any national banking holidays in the State of Illinois, are referred to as

"BUSINESS DAY(S)") after receipt of Landlord's request, cause a replacement Letter of Credit to be issued and delivered to Landlord in accordance with, as applicable, Sections 1.6(a) or 1.6(b) hereof. Upon Landlord's receipt of the replacement Letter of Credit, Landlord will deliver the prior original Letter of Credit to Issuer for cancellation (if not theretofore fully drawn) and any unapplied Draw Proceeds will be applied in accordance with Sections 1.6(e)(i), 1.6(e)(ii), 1.6(e)(iii) and 1.6(e)(iv) hereof. If it is determined or adjudicated by a court of competent jurisdiction that Landlord was not entitled to draw on the Letter of Credit or apply any Draw Proceeds, Tenant may, as its sole and exclusive remedy, (i) cause Landlord to deliver the prior original Letter of Credit to Issuer for cancellation (if not theretofore fully drawn), and (ii) recover from Landlord the Draw Proceeds and all out-of-pocket fees (including reasonable attorneys' fees), costs and interest expenses actually incurred by Tenant as a direct result of Landlord's draw on the Letter of Credit or application of any Draw Proceeds; provided, however, that Tenant may exercise its exclusive remedy only after Tenant has caused a replacement Letter of Credit to be issued and delivered to Landlord in accordance with this Section 1.6. Anything in this Lease to the contrary notwithstanding, Landlord will not be liable for any indirect, consequential, special or punitive damages incurred by Tenant in connection with either a draw by Landlord on the Letter of Credit or the use or application by Landlord of the Draw Proceeds in the absence of gross negligence or willful misconduct by Landlord. Nothing in this Lease or in the Letter of Credit will confer upon Tenant any property right or interest in any Draw Proceeds.

(f) The Letter of Credit must provide that it will be automatically renewed unless Issuer provides written notice of non-renewal to Landlord at least sixty (60) days prior to the expiration date of the Letter of Credit. If written notice of non-renewal is received from Issuer, Tenant must renew the Letter of Credit or replace it with a new Letter of Credit or a Cash Deposit, at least thirty (30) days prior to the stated expiration date of the then-current Letter of Credit. Any renewal or replacement Letter of Credit must meet the criteria set forth, as applicable, in Sections 1.6(a) or 1.6(b) hereof and have a term commencing at least one (1) day prior to the stated the expiration date of the immediately prior Letter of Credit.

(g) If an Issuer Quality Event (as hereafter defined) occurs, upon thirty (30) days' prior written notice from Landlord, Tenant must, at Tenant's own

cost and expense, provide Landlord with a replacement Letter of Credit meeting all of the requirements, as applicable, of Sections 1.6(a) or 1.6(b) hereof. The term "ISSUER QUALITY EVENT" means the quality of Issuer's creditworthiness ceases to be reasonably acceptable to Landlord.

(h) Tenant expressly acknowledges and agrees that: (i) the Letter of Credit constitutes a separate and independent contract between Landlord and Issuer, and Tenant has no right to submit a draw to Issuer under the Letter of Credit; (ii) Tenant is not a third-party beneficiary of such contract, and Landlord's ability to either draw under the Letter of Credit for the full or any partial amount thereof or to apply Draw Proceeds may not be conditioned, restricted, limited, altered, impaired or discharged in any way by virtue of any laws to the contrary, including, without limitation, any laws which restrict, limit, alter, impair, discharge or otherwise affect any liability that Tenant may have under this Lease or any claim that Landlord has or may have against Tenant; (iii) Tenant's rights and obligations in connection with the Letter of Credit and any Draw Proceeds are as specified in this Section, and neither the Letter of Credit nor any Draw Proceeds will be or become the property of Tenant, and Tenant does not and will not have any property right or interest therein; (iv) Tenant is not entitled to any interest on any Draw Proceeds; (v) neither the Letter of Credit nor any Draw Proceeds constitute an advance payment of Base Rent, security deposit or rental deposit; (vi) neither the Letter of Credit nor any Draw Proceeds constitute a measure of Landlord's damages resulting from any Draw Event, Default or other breach, failure or default (past, present or future) under this Lease; and (vii) Tenant will cooperate with Landlord, at Tenant's own expense, in promptly executing and delivering to Landlord all modifications, amendments, renewals,

extensions and replacements of the Letter of Credit, as Landlord may reasonably request to carry out the terms and conditions of this Section 1.6.

(i) Tenant hereby irrevocably waives any and all rights and claims that it may otherwise have at law or in equity, to contest, enjoin, interfere with, restrict or limit, in any way whatsoever, any requests or demands by Landlord to Issuer for a draw or payment to Landlord under the Letter of Credit which conform to the requirements set forth herein. If Tenant, or any person or entity on Tenant's behalf or at Tenant's direction, brings any proceeding or action to contest, enjoin, interfere with, restrict or limit, in any way whatsoever, any one or more draw requests or payments under the Letter of Credit and the proceeding or action is decided adversely to Tenant, Tenant will be liable for any and all direct and indirect damages resulting therefrom or arising in connection therewith, including, without limitation, reasonable attorneys' fees and costs.

(j) At any time during the Term, Tenant can elect, in its sole discretion, to substitute the Cash Deposit for the Letter of Credit, or after the

substitution of the Cash Deposit for the Letter of Credit, the re-substitution of the Letter of Credit for the Cash Deposit and so on, back and forth, but in no event more than twice in any calendar year. If Tenant elects to substitute the Cash Deposit for the Letter of Credit, promptly following the delivery to Landlord of the Cash Deposit (in the amount required pursuant to Sections 1.6(a), 1.6(b) and 1.6(k) hereof, as applicable, Landlord shall deliver to Tenant the Letter of Credit then in effect. If Tenant elects to substitute the Letter of Credit for the Cash Deposit, promptly following the delivery to Landlord of the Letter of Credit (in the amount required pursuant to Sections 1.6(a), 1.6(b) and 1.6(k) hereof, as applicable, and on the terms provided in Section 1.6(a) hereof), Landlord shall deliver to Tenant the Cash Deposit (or the amount remaining thereof if Landlord made a permitted application thereof), plus all interest or gain earned thereon that was not previously paid to Tenant as hereafter provided in this Section 1.6.

(k) In the event pursuant to Article 2A hereof, Tenant elects to have Landlord construct the Expansion Space, concurrently with the delivery of the Notice to Proceed (as hereafter defined), Tenant shall deliver to Landlord a replacement Letter of Credit in the amount provided in Section 1.6(a) (reduced, if applicable, pursuant to Section 1.6(b) hereof), PLUS an amount equal to one-half of the amount of the annual Base Rent for the Expansion Space contained in Landlord's Proposal (as hereafter defined), but if the provisions of Section 1.6(b) are then applicable, then only one-twelfth of the such annual Base Rent for the Expansion Space. Tenant shall deliver to Landlord such replacement Letter of Credit for the reduced amount, but otherwise on the same terms and conditions provided in Section 1.6(a) hereof. Upon receipt by Landlord of such replacement Letter of Credit, Landlord shall deliver to Tenant the original Letter of Credit.

In the event Tenant elects to deliver the Cash Deposit in lieu of or in substitution of the Letter of Credit, the Cash Deposit shall be deposited by Landlord into an account separate from all of Landlord's other accounts and into which Landlord shall not co-mingle any other funds. The Cash Deposit may be invested in any of the following: (i) U.S. Government obligations, (ii) securities as to which the principal and interest are unconditionally guaranteed by the United State of America, (iii) obligations of any corporation whose commercial paper is rated "A1" or "P1" by any Rating Agency, (iv) repurchase agreements fully secured by U.S. Government obligations, or (v) interest-bearing accounts, time deposits, and certificates of deposit issued by any bank, trust company or national banking association which has capital, surplus, and undivided profits in excess of $50,000,000.00, but Landlord shall not be liable for the performance of any such investment. The Cash Deposit may be applied by Landlord and Landlord shall be liable to Tenant for the application of all of any portion of the Cash Deposit in the same manner and to the same extent to the application by Landlord of Draw Proceeds above provide.

To the extent (i) any investment of the Cash Deposit reduces the principal

amount of the Cash Deposit, or (ii) Landlord applies any portion of the Cash Deposit to remedy any obligation of Tenant hereunder Landlord has right to so remedy, Landlord shall promptly notify Tenant of the same, in writing, and within fifteen (15) days following receipt of such notice, Tenant shall deposit with Landlord for deposit by Landlord in the separate account above provided the amount by which the original principal amount of the Cash Deposit was reduced as aforesaid.

All interest earned on or gain realized on the investment as aforesaid of the Cash Deposit, after deducting the reasonable out-of-pocket cost and expense, if any, incurred by Landlord that is charged by any third party for making any of the foregoing investments shall be paid by Landlord to Tenant, not more frequently than annually during the Term, within thirty (30) days following Landlord's receipt of written request from Tenant for the payment of such interest or gain.

ARTICLE 2
CONSTRUCTION OF INITIAL IMPROVEMENTS

SECTION 2.1 PLANS - CONSTRUCTION - COST OF WORK - TENANT IMPROVEMENT ALLOWANCE.

In accordance with the terms and provisions of the Work Letter ("WORK LETTER") attached hereto as EXHIBIT 2.1 and the appendices attached thereto, Landlord and Developer shall provide or cause to be provided:

(i) Initial Improvement Final Plans and Specifications to be prepared and approved by Tenant;

(ii) the Initial Improvements Work (as hereafter defined) to performed by the Contractor and those Construction Subcontractors (as hereafter defined) as required by the Work Letter;

(iii) the Initial Improvements to be constructed substantially in accordance with the Initial Improvement Final Plans and Specifications;

(iv) the payment of the Total Project Costs (as hereafter defined);

(v) Punch List Items for the Initial Improvements to be prepared, approved and completed; and

(x) the Warranty Work (as hereafter defined) for the Initial Improvements.

SECTION 2.2 COMPLETION OF IMPROVEMENTS.

(a) COMPLETION DATE FOR INITIAL IMPROVEMENTS. Subject to Permitted Delays, Landlord shall cause the Initial Improvements to be Substantially Complete not later than January 28, 2003.

(b) PERMITTED DELAYS. As applicable, the Delivery Date for the Substantial Completion of the Initial Improvements and/or the Expansion Commencement Date shall be extended if

Landlord, Developer, Contractor, Construction Subcontractors or any of their employees, agents, sub-subcontractors or representatives, are delayed as a result of any one or more of the following:

(i) (1) the failure of Tenant to either respond to Landlord's submissions or to submit Tenant's submissions within the time frames set forth in the attached Work Letter or as provided in Article 2A hereof in respect to the Expansion Space, but only to the extent the work on the Initial Improvements or Expansion Space is actually delayed thereby; (2) period to which date of performance is extended as a result of Change Orders (as hereafter defined) signed or required to be signed by Tenant for Change Orders initiated or directed by Tenant that are not due to the fault of Landlord, Developer, Contractor, Construction Subcontractors or their respective employees, agents, sub-subcontractors, materialmen or representatives or any other party undertaking any work on behalf of Landlord in respect to the Demised Premises; (3) any act, omission or neglect of Tenant or of any employee, agent, contractor, sub-contractor of Tenant while undertaking the Fit-Up Work (as hereafter defined) in contravention of the requirements set forth in the Work Letter, but only to the extent that the work on the Initial Improvements or Expansion Space is actually delayed thereby; (4) but for a default by Landlord

under the terms of the Purchase Agreement, the failure of Seller to convey title to the Land to Landlord pursuant to the terms of the Purchase Agreement; (5) any governmental embargo restrictions, or actions or inactions of local, state or federal governments in respect to any permits, approvals or authorizations required for the remediation, handling or disposal of any Hazardous Substances on or under the Land, which Hazardous Substances are determined to have existed on or under the Land prior to the date of this Lease and are discovered within the period expiring sixty (60) days following the date of this Lease, as extended as a result of Permitted Delays; and (6) the failure of the responsible party, including Lee County Development Association under the terms of that certain Development Agreement dated April 20, 2002, to complete (a) any Park improvements such as roadways, extension of utilities, stormwater detention facilities and other Park improvements (excluding the Initial Improvements) and the mass grading of the Land required to be performed other than that required as part of the Initial Improvements Work, or (b) any infrastructure improvements that, in the instance of either clauses (a) or (b) above, precludes the issuance of a temporary or permanent certificate of occupancy by the City for the Initial Improvements, except to the extent the Initial Improvements are not yet complete to a degree to obtain such certificate of occupancy or prohibits the commencement or continuation of any of the Initial Improvements Work when scheduled to so commence as provided in the Contractor's Contract (as hereafter defined) (collectively, in respect to clauses (1) through (6) above, "TENANT EXTENSION");

(ii) any failure of or delay in the availability of any one or more public utilities required by the Initial Improvement Final Plans and Specifications or

Expansion Plans (as hereafter defined) to service the Demised Premises for the benefit of Tenant or for use during the construction of the Initial Improvements or Expansion Space, but only to the extent not caused by the failure of Landlord or Developer to extend commercially reasonable efforts to procure the same;

(iii) any national strikes, labor disputes; or any delays or shortages encountered in transportation, fuel, material or supplies that in the instance of such delays or shortages are commercially unreasonable and in all such instances are beyond the commercially reasonable control of Landlord, Developer, Contractor, Construction Subcontractors and their respective employees, agents, sub-subcontractors or representatives;

(iv) any casualties, acts of God or the public enemy or other acts or occurrences beyond the reasonable control of Landlord, Developer, Contractor, the contractor retained to construct the Expansion Space or their respective employees, agents, contractors, subcontractors, sub-subcontractors or representatives;

(v) the failure to procure Permits and Approvals (as hereafter defined) or any permits or approvals necessary for the Expansion Space in a timely manner so as not to cause a delay or interruption in the continuous construction of the Initial Improvements and/or Expansion Space or interfere with the obligations of Landlord, Developer, Contractor or any Construction Subcontractor to Substantially Complete the Initial Improvements and/or Expansion Space when provided in the Work Letter and this Lease, but only to the extent not caused by the failure of Landlord, Developer, Contractor or any Construction Subcontractor to extend commercially reasonable efforts to procure the same; and

(vi) any extension of time permitted to Contractor under the terms of the Contractor's Contract (as hereafter defined) or the contractor retained to construct the Expansion Space under the terms of its contract.

Landlord and Developer shall use and shall cause the Contractor to use and to cause all Construction Subcontractors to use their respective commercially reasonable efforts to prevent or minimize any delays resulting from any one or more of the matters described in clauses (i) through (vi), above. Any delays resulting from any one or more of the matters described in clauses (i) through (vi) above, except as may be due to the negligence of the Landlord, Developer, Contractor, any Construction Subcontractor or the contractor retained to construct the Expansion Space or their employees, agents or representatives, are

hereinafter individually referred to as a "PERMITTED DELAY," and are hereinafter collectively referred to as "PERMITTED DELAYS."

(c) EFFECT OF PERMITTED DELAYS. Promptly following Landlord or Developer becoming aware that an occurrence will result in a Permitted Delay hereunder, Landlord or Developer (in respect to the Initial Improvements only) shall notify Tenant, in writing, of such occurrence and of

Landlord's estimate (Developer's estimate shall act as Landlord's estimate) of the effect, if any, such occurrence will have on the time within which the subject Improvements shall be Substantially Complete (and, as noted below, in the case of a Tenant Extension, the additional cost as a result thereof, if any, which Landlord believes should be borne by Tenant), and shall provide Tenant with reasonable evidence as to the Permitted Delay. The effect of any delays which result from a Permitted Delay, the date the subject Improvements would have been Substantially Complete but for a Tenant Extension and the cost, if any, to Tenant in the instance of a Tenant Extension, shall be the subject of a Change Order. In the event of any dispute between Landlord and Tenant of the occurrence of a Permitted Delay, the effect of such on the date of Substantial Completion of the subject Improvements or the increased cost applicable thereto as a result of a Tenant Extension, such dispute shall be resolved by the Construction Arbitrator as provided in Section 19 of the Work Letter.

If there is a Tenant Extension, the Initial Term Commencement Date or, as applicable, the Expansion Commencement Date will occur on the date determined as aforesaid as a result of the Tenant Extension and the Initial Term and the Expansion Extension, respectively, shall begin to run on such determined date. Except for Tenant Extensions, in the event of the occurrence of any other Permitted Delay, the date on which the Initial Term Commencement Date (including the Delivery Date) and the Expansion Commencement Date shall occur and the date, respectively, on which the Initial Term and the Expansion Extension shall begin to run shall be the date of Substantial Completion of the subject Improvements.

SECTION 2.3 TENANT'S REMEDIES FOR DELAY IN COMPLETION OF INITIAL IMPROVEMENTS. Subject to the conditions herein set forth, the anticipated Delivery Date of the Initial Improvements is January 28, 2003, meaning that, as provided in Section 11 of the Work Letter, the Initial Improvements will be Substantially Complete by such date. In the event that, due to causes other than Permitted Delays, the Initial Improvements are not Substantially Complete on January 28, 2003, then, as liquidated damages and as Tenant's sole remedy for such delay, Landlord and Developer shall be jointly and severally be liable to and shall pay to Tenant as follows:

(i) LANDLORD'S LIQUIDATED DAMAGES. For each day on and after the date the Initial Improvements are required to be Substantially Complete, but are not so, Landlord shall pay to Tenant as hereafter provided the sum of $2,000.00 per day until the first to occur of (a) the date the Initial Improvements are Substantially Complete, or (b) Landlord has incurred the obligation to pay Tenant the aforesaid liquidated damages totaling $500,000.00 ("LANDLORD'S LIQUIDATED DAMAGES"). PLUS

(ii) CONTRACTOR'S DELAY DAMAGES. The amount received by Landlord or Developer from Contractor as damages under the terms of the Contractor's Contract that Contractor is required to pay to Landlord or Developer for the Contractor's failure to Substantially Complete the Initial Improvements by the Delivery Date, as extended as a result of Permitted Delays ("CONTRACTOR'S DELAY DAMAGES").

The aggregate of Landlord's Liquidated Damages shall be paid to Tenant by Landlord or Developer, jointly and severally, within thirty (30) days following the Delivery Date. Any of Contractor's Delay Damages received by Landlord or Developer shall be paid to Tenant by

Landlord or Developer, jointly and severally, within ten (10) days following Landlord's or Developer's receipt of all or any portion thereof. Landlord and Developer agree to extend commercially reasonable efforts to cause, under the terms of the Contractor's Contract, Contractor to promptly pay all Contractor's Delay Damages.

In the event Landlord or Developer fails to pay when above provided the amount of Landlord's Liquidated Damages or the received Contractor's Delay Damages, Tenant may deduct from so much Base Rent thereafter payable by Tenant hereunder the amount of the Landlord's Liquidated Damages or Contractor's Delay Damages that Landlord or Developer failed to pay to Tenant.

The parties hereto have fully negotiated the provisions of this Section 2.3 with respect to the Landlord's Liquidated Damages and Contractor's Delay Damages, free from any duress or other undue influence. Having determined that the actual amount of any losses which Tenant would incur as a result of any delay in the Delivery Date would be difficult, if not impossible, to ascertain, the Landlord, Developer and Tenant have, independently and in good faith, determined that the Landlord's Liquidated Damages and Contractor's Delay Damages are a fair and reasonable estimation of and basis for any such losses, and that the liability thereof shall be borne solely by Landlord and Developer, jointly and severally. Accordingly, in the event of any such delay, subject to the conditions set forth above, and anything in this Lease to the contrary notwithstanding, the Landlord's Liquidated Damages and Contractor's Delay Damages shall be the sole obligation of Landlord and Developer in the event of any such delay, and shall be in lieu of any other rights or remedies which Tenant would otherwise have at law or in equity.

ARTICLE 2A
EXPANSION SPACE

SECTION 2A.1 OPTION TO EXPAND; EXPANSION NOTICE. Provided Tenant is not then in Default hereunder and subject to the provisions of Section 2A.2 below, by written notice provided to Landlord ("EXPANSION NOTICE"), Tenant shall have the right, at any time during the period that expires one hundred twenty (120) months following the Initial Term Commencement Date (but only during such period), to direct Landlord to plan the Expansion Space, prepare Expansion Plans and to construct the Expansion Space. Tenant's Expansion Notice shall request Expansion Space of not more than 240,000 square feet nor less than 80,000 square feet of additional warehouse, distribution and packaging space to be added and attached to the Building, provided such size is in compliance with the parameters hereafter provided and would then be in compliance with all zoning and building codes applicable to the Demised Premises, the covenants affecting the Land, and other applicable laws, ordinances, rules and regulations of any governmental or quasi-governmental authority having jurisdiction over the Expansion Space (collectively, "EXPANSION LAWS"). The Expansion Space shall be constructed on that portion of the Land delineated as "Expansion" on the Initial Improvement Final Plans and Specifications. Tenant's Expansion Notice shall contain the following information:

(1) The desired size of the Expansion Space (not greater than 240,000 square feet nor less than 80,000 square feet); and

(2) The proposed configuration and other relevant data concerning the desired Expansion Space (provided the Expansion Space shall be in conformity with the clear height of the Initial Improvements, and in conformity with the architecture, engineering and general aesthetics of the Initial Improvements), all in sufficient detail to enable Landlord to reasonably determine the Expansion Cost (as hereafter defined) thereof.

Notwithstanding the foregoing, if Tenant delivers an Expansion Notice as aforesaid that provides for less than 240,000 square feet of warehouse, distribution and packaging space to be added to the Building, Tenant at any time thereafter that is prior to the expiration of one hundred twenty (120) months following the Initial Term Commencement Date may deliver another Expansion Notice for a warehouse, distribution and packing space addition to the Building that is for not less than 80,000 square feet nor more than 240,000 square feet, taking into account the square footage of Expansion Space theretofore added to the Building, if any.

If Tenant desires to have warehouse, distribution and packaging space added to the Building that is less than 80,000 square feet, provided (i) not more than 160,000 square feet of Expansion Space has theretofore been added to the Building, and (ii) Tenant complies with the provisions of Article 17 hereof pertaining to New Work, Tenant itself can construct or cause to be constructed the same.

SECTION 2A.2 LANDLORD'S PROPOSAL FOR EXPANSION SPACE PARAMETERS AND BASE RENT. Within sixty (60) days following Landlord's receipt of the Expansion Notice, Landlord shall consult with Tenant concerning Tenant's specific requirements in regard to its need for expansion, and within said time period shall notify Tenant, in writing, of ("RESPONSE NOTICE") (i) whether Landlord is willing to undertake the financing, planning and construction of the Expansion Space, or (ii) if Landlord is willing to undertake the financing, planning and construction of the Expansion Space, Landlord's proposal (which shall not be binding on Landlord or Tenant, but shall nonetheless be given, in good faith, by Landlord) of ("LANDLORD'S PROPOSAL"):

(a) the size of the Expansion Space that Landlord is able to construct in accordance with all Expansion Laws then in effect that is as close as legally possible to the parameters set forth in the Expansion Notice;

(b) Landlord's estimate of the total Expansion Costs (as hereafter defined) which will be incurred by Landlord in planning, designing and constructing the Expansion Space and other Land improvements or modifications necessary to accommodate the Expansion Space;

(c) those financing terms, including, but not limited to, principal amount, maturity date, interest rate, equity requirement and credit enhancement ("EXPANSION FINANCING TERMS"), that Landlord is willing to accept as the source of funds necessary to pay for all of the Expansion Costs;

(d) Landlord's computation, based on a good faith estimate of the Expansion Costs and

Expansion Financing Terms, of the Expansion Space Rent provided in Section 3.1(d) hereof, which computation shall equal the sum of such Expansion Costs (to be substituted with the actual Expansion Costs, when known, which will exclude any profit or fee payable to the contractor to be selected and retained by Landlord for the construction for the Expansion Space) multiplied by 1.09 ("EXPANSION PRINCIPAL AMOUNT"), which Expansion Principal Amount is then multiplied by the Financing Constant (as hereafter defined);

(e) as part of the Expansion Costs, the annual rate of interest, compounded monthly, on the equity component of the Expansion Financing Terms from the date such equity is expended by Landlord until the Expansion Commencement Date ("EXPANSION EQUITY RETURN RATE") that Landlord is willing to accept;

(f) the financing constant ("FINANCING CONSTANT") being that interest rate by which the Expansion Principal Amount will be amortized over the balance of the Initial Term (extended, if applicable, by the Expansion Extension and any Renewal Term for which a Renewal Notice has been received by Landlord at the time of the subject Expansion Notice) at the constant selected by Landlord; and

(g) subject to Permitted Delays, Landlord's estimate of the period of time, following the date of approval of the Expansion Plans by Tenant, necessary to Substantially Complete the Expansion Space ("EXPANSION CONSTRUCTION PERIOD"), where in this instance Substantially Complete has the same meaning as defined in the Work Letter, but applicable to the Expansion Space.

Promptly following Tenant's receipt of the Response Notice, Landlord and Tenant shall confer and discuss whether Landlord can issue a Landlord's Proposal or the modification of any of the provisions of Landlord's Proposal submitted as part of the Response Notice that Landlord is willing, in its sole discretion, to modify and Tenant, in its sole discretion, is willing to accept. In the event Landlord is willing to modify any provision(s) of Landlord's Proposal and Tenant is willing to accept such Landlord's modification, such modified Landlord's Proposal shall be substituted for the initial one, if any, submitted by Landlord to Tenant as aforesaid.

Notwithstanding the foregoing, within ninety (90) days following Tenant's receipt of the Response Notice, by written notice to Landlord, Tenant may elect to (i) accept Landlord's Proposal if one was submitted as part of the Response Notice or, following Landlord's meeting with Tenant as aforesaid, Landlord submits one; (ii) procure financing for the benefit of Landlord on terms acceptable to Landlord in its sole discretion; (iii) in the instance of Tenant's disapproval of the Expansion Financing Terms or the inability of Landlord provided in the Response Notice to finance, plan and construct the Expansion Space, Tenant may elect to pay for and construct or cause to be constructed the Expansion Space itself, as if New Work ("TENANT PERFORMED EXPANSION WORK"), or (iv) withdraw its Expansion Notice, in which instance, subject to the right of Tenant to submit two Expansion Notices in total as provided in Section 2A.1 above, Tenant's right to request a Response Notice from Landlord pursuant to this Article 2A shall terminate and be of no further force or effect.

If Tenant fails to notify Landlord of Tenant's foregoing election within said ninety (90) days, it shall act as notice to Landlord that Tenant has elected to withdraw the subject Expansion Notice. If Tenant elects to accept a submitted Landlord's Proposal as aforesaid, it shall act as Tenant's authorization to Landlord ("NOTICE TO PROCEED") to proceed with the preparation

of the Expansion Plans and when approved, the commencement of the Construction of the Expansion Space. If Tenant elects to procure financing for the benefit of Landlord on terms acceptable to Landlord in its sole discretion, Tenant shall cause the lender of such financing to be willing to open such financing (or enter into a binding, written commitment with Landlord on terms acceptable to Landlord) within thirty (30) days thereafter, and thereupon the Notice to Proceed shall be deemed issued to Landlord. However, if a commitment acceptable to Landlord is entered into by such lender, but the loan is not opened within ninety (90) days, Landlord shall not be obligated to construct the Expansion Space, but within an additional thirty (30) days after failure to open such financing within the time period aforesaid, Tenant can elect to undertake, at its sole cost, the Tenant Performed Expansion Space. If Tenant elects the Tenant Performed Expansion Space, (i) Tenant shall promptly commence the same, weather permitting, and complete the same with commercially reasonable diligence, but in any event prior to the expiration of the Initial Term, (ii) all portions of the Expansion Space (excluding Trade Fixtures and Tenant's personal property therein) shall be deemed to form a part of the Building and the Demised Premises, and (iii) the duration of the Initial Term shall not be affected by the Expansion Extension (but Tenant shall continue to have the options to renew on the terms set forth in Section 1.4 hereof.

SECTION 2A.3 INTENTIONALLY DELETED

SECTION 2A.4 PREPARATION OF EXPANSION PLANS. If and following the date Landlord receives the Notice to Proceed (or is deemed to have received the Notice to Proceed in the instance of the opening of financing as aforesaid made available to Landlord by Tenant), Landlord shall cause to be prepared and delivered to Tenant all of the components of plans and specifications for the Expansion Space (herein, the "EXPANSION PLANS") prepared by an Illinois licensed architect ("EXPANSION ARCHITECT") and one or more Illinois licensed engineers, reasonably acceptable to Tenant, and in substantial conformity with the Expansion Notice, as modified pursuant to Section 2A.2 hereof.

All of said components of the Expansion Plans will be prepared and delivered to Tenant no later than the date that is sixty (60) days following Landlord's receipt (or deemed receipt in the instance of the opening of financing as aforesaid made available to Landlord by Tenant), which components shall contain substantially similar elements as those contained in the Initial Improvements Final Plans and Specifications, will be in substantial compliance with the Landlord's Proposal, and will be sufficiently complete to enable the issuance of a building permit by the applicable governmental authority for the construction of the Expansion Space.

If: (i) each component submitted by Landlord is in compliance with the Landlord's Proposal; and (ii) the character and quality of the systems and improvements comprising the Expansion Space are consistent with the character and quality of the Initial Improvements, Tenant agrees that it will not unreasonably withhold its approval of any such submitted component, except for just and reasonable cause. Any disapproval of the components by Tenant

which, in order to obtain Tenant's approval upon resubmission, requires a revision thereto, which revision in Landlord's reasonable opinion is a substantial deviation from Landlord's Proposal shall be deemed a Change Order. Landlord, within ten (10) Business Days following Landlord's receipt of such deviating, disapproved component shall notify Tenant, in writing, of Landlord's good faith estimate of the amount, if any, of delay in the design for and the completion of construction of the Expansion Space and, if applicable, the extra cost to or savings to Tenant resulting from the requested revision. In no instance shall Tenant be permitted to order such deviation, if such deviation would cause the Expansion Plans not to be in compliance with all Expansion Laws or cause a substantial deviation of the Expansion Space from the character and quality of the Initial Improvements.

When all of the components of the Expansion Plans have been ultimately approved by Tenant, Tenant and Landlord shall each affix their respective signatures or initials to each page comprising such component and all such approved components shall constitute the Expansion Plans and a schedule thereof shall be attached to this Lease as EXHIBIT 2A.4.

SECTION 2A.5 EXPANSION COMMENCEMENT DATE. If Landlord has received or is deemed as aforesaid to have received a Notice to Proceed, Landlord shall cause the Expansion Space to be Substantially Completed, subject to Permitted Delays, on or before the date ("EXPANSION COMPLETION DATE") that occurs not later than the expiration of the Expansion Construction Period. Landlord shall extend commercially reasonable efforts to Substantially Complete the Expansion Space no later than the Expansion Completion Date. The date on which the Expansion Space is Substantially Complete shall be known as the "EXPANSION COMMENCEMENT DATE." However, if Landlord fails to Substantially Complete the Expansion Space on or

before the Expansion Completion Date, Tenant's sole remedy for such failure shall be to pursue an action for specific performance against Landlord.

On the Expansion Commencement Date, the Expansion Space shall be deemed to form a part of the Building and the Demised Premises. Notwithstanding the foregoing, in the event Tenant Extensions are applicable to the Expansion Space, the Expansion Commencement Date shall be the date on which the Expansion Space would have been Substantially Complete, but for Tenant Extensions and the Expansion Extension shall commence on such date.

SECTION 2A.6 SCOPE OF WORK - EXPANSION SPACE. Weather permitting, promptly following the approval of the Expansion Plans by Tenant, Landlord agrees to furnish, at Landlord's sole cost and expense (except in the instance of Change Orders applicable to the Expansion Space), all the material, labor and equipment necessary for the commencement and Substantial Completion of construction of the Expansion Space. The Expansion Space shall be constructed in a good and workmanlike manner in accordance with the Expansion Plans, and Landlord agrees to complete the construction thereof in full compliance with all Expansion Laws (including ADA, as hereafter defined), as then in effect, except as such compliance may be affected as a result of any work to be performed by or on behalf of Tenant (other than by Landlord) in the Expansion Space prior to the Expansion Commencement Date.

In the event Tenant requires any such work to be performed, Tenant shall timely advise Landlord, in writing, of the plans and specifications for such work. In the event Landlord

approves such plans and specifications, which approval shall not be unreasonably withheld, conditioned or delayed, Landlord shall afford Tenant and its separate contractors access to the Expansion Space prior to the Expansion Commencement Date on the same terms and conditions as the right of Early Access afforded Tenant pursuant to the Work Letter. In the event Tenant subsequently modifies such approved plans and specifications or Tenant's separate contractors fail to perform such work in compliance with such approved plans and specifications, then the procedures in respect to such subsequent modification or the affect of Tenant's separate contractors' failure to comply with the approved plans and specifications shall be as provided in the Work Letter applicable to the Initial Improvements.

SECTION 2A.7 EXPANSION CHANGE ORDERS. If Landlord constructs the Expansion Space, Tenant shall be allowed to request Change Orders with respect to the Expansion Space in the same manner and with the same effect as Change Orders to the Initial Improvements, except as hereafter provided. Any Change Orders with respect to the Expansion Space shall modify the Expansion Costs, upwards or downwards, as the case may be, that is set forth in Landlord's Proposal. Any increase in the amount of the Expansion Costs set forth in Landlord's Proposal as a result of a Change Order in respect to the Expansion Space shall be paid by Tenant within thirty (30) days of Tenant's receipt of an invoice from Landlord for work completed in the previous month that is applicable to such Change Order.

SECTION 2A.8 WARRANTY AS TO EXPANSION SPACE. If Landlord constructs the Expansion Space, Landlord shall warrant all portions of the improvements constructed pursuant to the Expansion Plans against defects in workmanship and materials for a period of one (1) year after Substantial Completion thereof, under the same terms, conditions and undertakings, and with the same limitations as set forth in the Work Letter applicable to the Initial Improvements.

SECTION 2A.9 EXPANSION PUNCH LIST. If Landlord constructs the Expansion Space, Landlord shall notify Tenant of the date which is not less than ten (10) days prior to the estimated date on which Substantial Completion of the Expansion Space is expected to be achieved (herein referred to as "EXPANSION INSPECTION DATE"). As close to the Expansion Inspection Date as is reasonably possible, Landlord and Tenant shall make a joint, physical inspection of the Expansion Space to list any items of work to be completed (herein referred to as "EXPANSION PUNCH LIST ITEMS"). Landlord shall deliver, in writing, its unconditional promise to complete the Expansion Punch List Items, within such reasonable period of time in respect to each item as is necessary to complete the same, taking into account diligence and good workmanlike practices and long lead time items for materials. In the event of a disagreement between the parties as to the inclusion or the exclusion of an item as an Expansion Punch List Item, the decision of the Construction Arbitrator (or if the Construction Arbitrator is unwilling to act or ceases to exist, such successor Construction Arbitrator reasonably and mutually agreed upon by Landlord and Tenant) shall control.

SECTION 2A.10 EXPANSION COSTS. If Landlord constructs the Expansion Space, for purposes of determining the Base Rent for the Expansion Space during

the Initial Term following the Expansion Commencement Date, "EXPANSION COSTS" shall be the aggregate of all payment obligations of those contracts for so-called "hard costs" and "soft costs," including, but not necessarily limited to, all actual planning, design and construction costs, direct project overhead,

general conditions of the Expansion Space contractor, insurance, reasonable construction loan interest costs, architect's and engineer's fees, reasonable legal fees, permit fees (including impact fees imposed by any governmental authority) and other municipality costs, and the amount of the return on Landlord's equity paid prior to the Expansion Completion Date at the Expansion Equity Return Rate which are incurred by or on behalf of Landlord for the construction of the Expansion Space pursuant to the Expansion Plans, but expressly excluding any profit fee payable to the Expansion Space contractor retained by Landlord for the construction for the Expansion Space. Landlord agrees to conduct the planning, design and construction of the Expansion Space on an "open-book" in the same manner as provided in the Work Letter in respect to the Initial Improvements so that Tenant shall have the opportunity to review and verify all of the component elements that comprise the Expansion Costs.

ARTICLE 3
RENT AND OTHER CHARGES

SECTION 3.1 BASE RENT.

(a) PAYMENT OF BASE RENT. Tenant shall pay to Landlord's rental agent, Higgins Development Partners, L.L.C., Suite 800, 101 East Erie Street, Chicago, Illinois 60611, or at such other place as Landlord may from time to time designate in writing, in coin or currency which, at the time of payment, is legal tender for private or public debts of the United States of America, annual base rent ("BASE RENT") during the Term, as set forth in this Section 3.1. Base Rent shall be computed as provided in Section 3.1(b) through 3.1(g), and shall be payable in equal monthly installments, each in advance, on or before the first day of each and every calendar month during the Term.

(b) BASE RENT DURING TERM FOR INITIAL IMPROVEMENTS. Subject to the Base Rent Adjustment (as hereafter defined), commencing on the Initial Term Commencement Date, the annual Base Rent applicable to the Initial Improvements for the first twelve months following the Initial Term Commencement Date shall be One Million, Six Hundred Fifty Four Thousand, Ninety Six and 46/100ths Dollars ($1,654,096.46). For each twelve month period (or portion thereof at the end of the Term) during the Term (as to each, "LEASE YEAR"), the annual Base Rent applicable to the Initial Improvements shall be increased over the Term by an amount equal to two percent (2%) of the preceding Lease Year's annual Base Rent

(c) BASE RENT ADJUSTMENT FOR INITIAL IMPROVEMENTS. When the Total Project Costs are determined as provided in the Work Letter, Landlord and Tenant shall promptly adjust, if applicable, the Base Rent provided in Section 3.1(b) above ("BASE RENT ADJUSTMENT"). For the purposes of computing the Base Rent Adjustment, Base Rent for the Initial Improvements for the first Lease Year shall be calculated by multiplying the constant of Ten and 20/100ths percent (10.20%) by the Total Project Costs. The amount of the Base Rent Adjustment shall be the amount by which the Base Rent for the first Lease Year provided in Section 3.1(b) above is more or less than the Base Rent calculated in the preceding sentence. If such calculation of Base Rent results in a greater amount than the Base Rent provided in Section 3.1(b) above, then within thirty (30) days following the determination of the Base Rent Adjustment, Tenant shall pay to Landlord such greater amount. However, if such calculation of Base Rent results in a lesser

amount than the Base Rent provided in Section 3.1(b) above, then Tenant can deduct from so much Base Rent (computed for the determination of the Base Rent Adjustment) thereafter due and payable the amount of Base Rent theretofore paid to Landlord pursuant to Section 3.1(b) above that is greater than as provided in the Base Rent Adjustment, until there has been retained by Tenant the difference between the Base Rent theretofore paid to Landlord pursuant to Section 3.1(b) and the Base Rent, as adjusted, by the Base Rent Adjustment.

(d) BASE RENT DURING TERM FOR EXPANSION SPACE. If Landlord constructs the Expansion Space as provided in Article 2A hereof, subject to the Expansion Base Rent Adjustment (as hereafter defined), commencing on the Expansion Commencement Date, the annual Base Rent applicable to the Expansion Space for the first twelve months following the Expansion Commencement Date shall equal the sum of Expansion Principal Amount contained in Landlord's Proposal multiplied by the Financing Constant. Each twelve month period thereafter (or

portion thereof at the end of the Term) during the Term is defined to be the "EXPANSION LEASE YEAR."

If Tenant elects the Tenant Performed Expansion Work, there will be no Base Rent applicable to the Expansion Space during the Term.

(e) EXPANSION BASE RENT ADJUSTMENT. If Landlord constructs the Expansion Space, when all of the actual Expansion Costs are determined as provided in Article 2A hereof, Landlord and Tenant shall promptly adjust, if applicable, the Base Rent provided in Section 3.1(d) above ("EXPANSION BASE RENT ADJUSTMENT"). For the purposes of computing the Expansion Base Rent Adjustment, Base Rent for the Expansion Space for the first Expansion Lease Year shall be computed to be the actual Expansion Costs multiplied by 1.09 and thereafter multiplied by the Financing Constant. The amount of the Expansion Base Rent Adjustment shall be the amount by which the Base Rent for the Expansion Space for the first Expansion Lease Year provided in Section 3.1(d) above is more or less than the Base Rent calculated in the preceding sentence. If such calculation of Base Rent results in a greater amount than the Base Rent provided in Section 3.1(d) above, then within thirty (30) days following the determination of the Expansion Base Rent Adjustment, Tenant shall pay to Landlord such greater amount. However, if such calculation of Base Rent results in a lesser amount than the Base Rent provided in Section 3.1(d) above, then Tenant can deduct from so much Base Rent (computed for the determination of the Expansion Base Rent Adjustment) thereafter due and payable the amount of Base Rent theretofore paid to Landlord pursuant to Section 3.1(d) above that is greater than as provided in the Expansion Base Rent Adjustment, until there has been retained by Tenant the difference between the Base Rent theretofore paid to Landlord pursuant to Section 3.1(d) and the Base Rent, as adjusted, by the Expansion Base Rent Adjustment.

(f) INITIAL IMPROVEMENTS CHANGE ORDER BASE RENT. Not less than ten (10) days prior to the date the Initial Improvements are estimated by Landlord to be Substantially Complete, Landlord shall advise Tenant, in writing, of Landlord's then good faith estimate of the aggregate amount of the net Change Order Costs (as defined in the Work Letter) therefor. Commencing on the Initial Term Commencement Date, the annual Base Rent applicable to Change Order Costs for the Initial Improvements for the first Lease Year shall be calculated by multiplying the constant of Fourteen and 40/100ths percent (14.4%) by the Change Order Costs.

For each Lease Year thereafter during the Term, the annual Base Rent applicable to Change Order Costs for the Initial Improvements shall be increased over the Term by an amount equal to two percent (2%) of the preceding Lease Year's annual Base Rent for the Change Order Costs.

(g) INITIAL IMPROVEMENTS CHANGE ORDER BASE RENT ADJUSTMENT. When the Total Project Costs are determined as provided in the Work Letter and all of the actual Change Order Costs for the Initial Improvements are known, Landlord and Tenant shall promptly adjust, if applicable, the Base Rent provided in Section 3.1(f) above ("CHANGE ORDER BASE RENT ADJUSTMENT"). For the purposes of computing the Change Order Base Rent Adjustment, Base Rent for the Change Order Costs for the Initial Improvements for the first Lease Year shall be calculated by multiplying the constant of Fourteen and 40/100ths percent (14.4%) by the aggregate amount of the net actual Change Order Costs for the Initial Improvements. The amount of the Change Order Base Rent Adjustment shall be the amount by which the Base Rent for the Change Order Costs for the first Lease Year provided in Section 3.1(f) above is more or less than the Base Rent for the Change Order Costs calculated in the preceding sentence. If such calculation of Change Order Base Rent results in a greater amount than the Base Rent provided in Section 3.1(f) above, then within thirty (30) days following the determination of the Change Order Base Rent Adjustment, Tenant shall pay to Landlord such greater amount. However, if such calculation of Base Rent for the Change Order Costs results in a lesser amount than the Base Rent provided in Section 3.1(f) above, then Tenant can deduct from so much Base Rent (computed for the determination of the Change Order Base Rent Adjustment) thereafter due and payable the amount of Base Rent theretofore paid to Landlord pursuant to Section 3.1(f) above that is greater than as provided in the Change Order Base Rent Adjustment, until there has been retained by Tenant the difference between the Base Rent for the Change Order Costs theretofore paid to Landlord pursuant to Section 3.1(f) and the Base Rent For the Change Order Costs, as adjusted in the Change Order Base Rent Adjustment.

(h) BASE RENT ADJUSTMENT MEMORANDUM. Promptly following, in each instance, of the determination of the Base Rent Adjustment, Expansion Base Rent Adjustment and Change Order Base Rent Adjustment, Landlord and Tenant shall each execute and deliver to the other a memorandum, in form and content reasonably acceptable to Landlord and Tenant, setting forth the amount of the Base Rent for the Initial Improvements for the first Lease Year, the amount of the Base Rent

for the Expansion Space for the first Expansion Lease Year and the amount of the Base Rent for the Change Order Costs for the first Lease Year.

SECTION 3.2. PRORATION OF BASE RENT. If the Initial Term Commencement Date or Expansion Commencement Date commences other than on the first day of a calendar month or ends other than on the last day of a month, the Base Rent for such month shall be prorated accordingly.

SECTION 3.3. ADDITIONAL CHARGES. Except as provided in Articles 11 and 12 hereof, in each Lease Year of the Term, all Impositions (as hereafter provided), insurance premiums, utility charges, maintenance, repair and replacement expenses, all expenses relating to Compliance with Laws (as hereafter defined), and all other costs, fees, charges, expenses, reimbursements and obligations of every kind and nature whatsoever relating to the Demised Premises, which may arise or become due during the Term, or by reason of events then occurring, shall be paid or discharged by Tenant as additional payment obligations hereunder (together, "ADDITIONAL CHARGES"). Tenant

shall indemnify, defend and save Landlord, and its members, partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, Mortgagees (as hereafter defined), agents and employees, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them as a result of the failure of Tenant to timely and fully pay all such Additional Charges due and payable.

SECTION 3.4 PAYMENTS PAYABLE WITHOUT PRIOR DEMAND; MAXIMUM RATE OF INTEREST. Except as set forth herein, all payments of Base Rent and Additional Charges shall be payable without previous demand therefor. In case of nonpayment by Tenant of any item of Additional Charges payable to Landlord when the same are due, Landlord shall have, in addition to all its other rights and remedies, all of the rights and remedies available to Landlord under the provisions of this Lease or by law as if in the case of nonpayment of Base Rent. The performance and observance by Tenant of all the terms, covenants, conditions and agreements to be performed or observed by Tenant hereunder shall be performed and observed by Tenant, at Tenant's sole cost and expense.

Any installment of Base Rent or Additional Charges payable to Landlord or any other charges payable by Tenant to Landlord under the provisions hereof which shall not be paid within five (5) days following the date payable hereunder, shall bear interest at an annual rate equal to four (4) percentage points per annum in excess of the prime rate of interest from time to time published in the WALL STREET JOURNAL (or similar publication if the WALL STREET JOURNAL shall cease to exist or to publish such rate) at the time the subject installment is due, but in no event in excess of the maximum lawful rate permitted to be charged by Landlord against Tenant. Such rate of interest is hereinafter referred to as the "MAXIMUM RATE OF INTEREST."

ARTICLE 4
PAYMENT OF TAXES, ASSESSMENTS, ETC.

SECTION 4.1 ADDITIONAL CHARGES. Subject to the terms, provisions and conditions of this Section 4.1, Tenant covenants and agrees to pay, as Additional Charges, before any fine, penalty, interest or cost may be added thereto for the nonpayment thereof, (i) all real estate taxes, including, but no limited to so-called Payment in Lieu of Taxes or Economic Activity Taxes, (ii) special assessments, (iii) the Demised Premises' allocable share of regular and special assessments with respect to any common area improvements that form a part of any covenant to which title to the Land is subject for items such as, without limitation, common area maintenance of storm water detention systems or roadways servicing more than just the Demised Premises within or connected to the Park ("PARK ASSESSMENTS"), (iv) water rates and charges, sewer rates and charges, including, without limitation, any sum or sums payable for sewer or water capacity, charges for public utilities, (v) insurance premiums at commercially competitive rates for that insurance required to be maintained by Landlord pursuant to Section 5.1 hereof, (vi) street lighting, excise levies, licenses, permits or governmental inspection fees or charges (except those relating to the construction of the Improvements), and (vii) all other charges or burdens of whatsoever kind and nature (including, without limitation, costs, fees and expenses of complying with any restrictive covenants or similar agreements to which the Land is subject, incurred in the use, occupancy, operation, leasing or possession of the Demised Premises (excluding any income taxes on the Base Rent imposed on Landlord, it being the intent of the parties hereto that any tax on the net income derived from the Base Rent payable in respect to the Demised Premises imposed by any governmental authority shall

be paid by Landlord), without particularizing by any known name or by whatever name hereafter called, and whether any of the foregoing be general or special, ordinary or extraordinary, foreseen or unforeseen, which at any time during the Term may be payable (collectively, "IMPOSITIONS"). It is the intention of Landlord and Tenant that Tenant will pay all Impositions directly to the person, entity, utility, municipality or other body which is owed the Imposition; provided, however, that upon Landlord's request from time to time, Tenant shall deliver receipts and other reasonable evidence of its payment of any and all Impositions and other items of Additional Charges paid to third parties. If any Additional Charges are to be paid by Tenant to Landlord (as opposed to being paid by Tenant to a third party), then such payments shall be due thirty (30) days after Landlord has invoiced Tenant therefor.

Except as hereinafter provided, Tenant shall pay all real estate taxes, whether heretofore or hereinafter levied or assessed upon the Demised Premises, or any portion thereof, which are due and payable during the Term (regardless of the period to which such taxes relate).

SECTION 4.2 RENT TAXES. Except for any tax on the net income derived from the Base Rent, if at any time during the Term, any method of taxation shall be such that there shall be levied, assessed or imposed on Landlord, or on the Base Rent or Additional Charges, or on the Demised Premises, or any portion thereof, in lieu of real property taxes, a capital levy, gross receipts tax or other tax on the rents received therefrom, or a franchise tax, or an assessment, gross levy or charge measured by or based in whole or in part upon such gross Base Rent and gross Additional Charges, Tenant, to the extent permitted by law, covenants to pay and discharge the same. If such method of taxation is applicable, Tenant's obligation in respect thereto shall only be for the Demised Premises and shall not apply to any other real estate or leasehold interest owned by Landlord. Anything in this Lease to the contrary notwithstanding, it is the intention of the parties hereto that the Base Rent to be paid hereunder shall be paid to Landlord absolutely net without deduction or charge of any nature whatsoever, foreseeable or unforeseeable, ordinary or extraordinary, or of any nature, kind or description, except as otherwise expressly provided in this Lease. Nothing contained in this Lease shall require Tenant to pay any municipal, state or federal net income or excess profits taxes assessed against Landlord, or any municipal, state or federal business privilege, mercantile, capital levy, estate, succession, inheritance or transfer taxes of Landlord, or organizational franchise taxes imposed upon any corporate owner of the fee of the Demised Premises.

SECTION 4.3 RECEIPTS FOR IMPOSITIONS. Tenant covenants to furnish Landlord, within ten (10) days of written request from Landlord, official receipts of the appropriate taxing authority, or other appropriate proof satisfactory to Landlord, evidencing the payment of any Imposition or other tax, assessment, levy or charge payable by Tenant hereunder. The certificate, advice or bill of the appropriate official designated by law to make or issue the same, or to receive payment of any Imposition or other tax, assessment, levy or charge, may be relied upon by Landlord as sufficient evidence that such Imposition or other tax, assessment, levy or charge is due and unpaid at the time of the making or issuance of such certificate, advice or bill. The Landlord shall notify all taxing authorities to deliver tax bills, assessments, and/or levies directly to Tenant during the Term, at the address provided by Tenant to Landlord. Notwithstanding such notice to the taxing authorities, if any tax bills, assessments or levies are nonetheless delivered to the Landlord, Landlord shall promptly provide such documents to Tenant. Landlord shall be responsible for any penalties,

interest and/or liabilities imposed by taxing authorities resulting from the failure of the Landlord to promptly deliver to Tenant any bills, assessments and/or levies that were delivered to Landlord (and not Tenant) by the applicable taxing authority. Notwithstanding anything in this Lease to the contrary, for any tax, assessment, levy or charge that, is permitted to be paid in installments, Tenant shall be permitted to pay the same over the longest period permitted by law.

SECTION 4.4 LANDLORD'S AND TENANT'S RIGHT TO CONTEST IMPOSITIONS. Tenant shall have the right, at Tenant's expense, to contest the amount or validity, in whole or in part, of any Impositions by appropriate proceedings conducted in the name of the Landlord or in the name of Landlord and Tenant. Landlord shall cooperate with Tenant in executing documents or other actions as may be required for Tenant to pursue challenges to the Impositions. To the extent that the Tenant achieves a reduction in any Imposition, Tenant shall have the sole right to any refunds of amounts of such Imposition previously paid by the Tenant. In the event that the Landlord recommends to the Tenant that Tenant contest an Imposition, and the Tenant fails to notify the Landlord, within thirty (30) days that Tenant intends to contest the Imposition as recommended by

the Landlord, then Landlord, at any time during the last twenty four (24) months of the Term, shall have the right, but not the obligation, to contest the amount or validity, in whole or in part, of any Impositions by appropriate proceedings conducted in the name of Landlord or in the name of Landlord and Tenant. If Landlord elects during said last twenty four (24) months to contest the amount or validity, in whole or in part, of any Impositions, such contest by Landlord shall be at Landlord's expense; provided, however, that if the amounts payable by Tenant for Impositions are reduced (or if a proposed increase in such amounts is avoided or reduced) by reason of Landlord's contest of Impositions, Tenant shall reimburse Landlord for costs incurred by Landlord in contesting such Impositions (including, without limitation, reasonable attorneys' fees), but such reimbursements shall not be in excess of the amount saved by Tenant by reason of Landlord's actions in contesting such Impositions. Tenant shall reasonably cooperate with Landlord in regard to any and all such contests.

ARTICLE 5
INSURANCE

SECTION 5.1 LANDLORD'S INSURANCE.

(a) INTENTIONALLY DELETED

(b) PROPERTY INSURANCE. At all times during the Term and at Tenant's sole cost and expense (such cost and expense being a part of Tenant's Additional Charges hereunder), Landlord shall keep the Demised Premises and the Improvements insured for the benefit of Landlord and its Mortgagees against (i) loss or damage by fire; (ii) loss or damage from such other risks or hazards now or hereafter embraced by a "Special Cause of Loss" form, including without limitation, windstorm, hail, explosion, vandalism, riot and civil commotion, damage from vehicles and aircraft, smoke damage, water damage and debris removal; (iii) loss from flood if the Land is in a federally designated flood area, in which case the amount of the coverage for such peril shall be as hereafter provided; (iv) loss from earthquake (if appropriate); and (v) loss or damage from such other risks or hazards of a similar or dissimilar nature which are now or may hereafter be customarily insured against with respect to improvements similar in construction, design, general location, use and

occupancy to the Demised Premises ("PROPERTY INSURANCE"). Promptly after payment of the premium(s) for the Property Insurance, Landlord shall invoice Tenant for the same.

At all times, the Property Insurance coverage shall be in an amount equal to one hundred percent (100%) of the then "Full Replacement Cost" of the Improvements (except for foundation, grading and excavation), and shall include a so-called "Agreed Amount Endorsement." Full Replacement Cost shall be interpreted to mean the cost of replacing the Improvements, without deduction for depreciation, obsolescence, or wear and tear, and shall include a reasonable sum for architectural and engineering fees connected with the restoration or replacement of the Improvements in the event of damages thereto or destruction thereof. Full Replacement Cost shall be determined from time to time. The deductible under Landlord's Property Insurance shall not exceed that amount that is commercially reasonable, and Landlord shall extend diligent efforts to obtain commercially competitive rates for the Property Insurance.

(c) BUSINESS INTERRUPTION INSURANCE. At all times during the Term and at Tenant's sole cost and expense (such cost and expense being a part of Tenant's Additional Charges hereunder), Landlord shall obtain and continuously maintain in full force and effect rent interruption insurance, insuring against loss of all or any portion of the Rent due and payable hereunder, for up to eighteen (18) months ("BUSINESS INTERRUPTION INSURANCE"). Such policy shall name Landlord and its Mortgagees as insureds thereunder. Promptly after payment of the premium(s) for the Business Interruption Insurance, Landlord shall invoice Tenant for the same. Landlord shall extend diligent efforts to obtain commercially competitive rates for the Business Interruption Insurance.

(d) INSURANCE COMPANIES. The Property Insurance and Business Interruption Insurance provided under this Section 5.1 shall, as applicable, (i) be written with reputable companies licensed to do business in the State of Illinois, having a Best's "General Policy Holding Rating" of A- or better and a financial rating class of VII or better; (ii) cite the interest of Landlord and its Mortgagees in standard mortgagee clauses; and (iii) be maintained continuously throughout the Term.

SECTION 5.2 TENANT'S INSURANCE.

(a) TENANT'S PROPERTY INSURANCE. Tenant shall maintain insurance coverage upon all personal property and Trade Fixtures of Tenant, and the personal property of others claiming by, through or under Tenant kept, stored or

maintain on the Demised Premises on a "Special Cause of Loss" property insurance form, for the full replacement cost thereof.

(b) TENANT'S COMMERCIAL LIABILITY INSURANCE. Tenant shall obtain and continuously maintain in full force and effect commercial liability insurance covering claims for bodily injury, personal injury or property damage for any loss for which the Tenant is legally liable, liability or damage on, about or relating to the use and occupancy of the Demised Premises, or any portion thereof, having limits of not less than Five Million and 00/100ths Dollars ($5,000,000.00) combined single limit on an occurrence basis. Such policy shall name Tenant as named insured and Landlord and its Mortgagees as additional insureds, and shall be primary and noncontributory to any commercial liability insurance maintained by Landlord.

(c) WORKER'S COMPENSATION INSURANCE. Tenant shall obtain and continuously maintain in full force and effect Worker's Compensation and Employer's Liability Insurance with statutory benefits, voluntary compensation coverage and Employer's Liability limits of Five Hundred Thousand and 00/100ths Dollars ($500,000.00) each accident, Five Hundred Thousand and 00/100ths Dollars ($500,000.00) each employee for disease, and Five Hundred Thousand and 00/100ths Dollars ($500,000.00) policy limit for disease.

(d) INSURANCE APPROVAL. All policies of insurance required of Tenant under this Section 5.2 shall be written in such form as shall be reasonably satisfactory to Landlord and its Mortgagees. Certificates of insurance (or other proof of coverage) reasonably acceptable to Landlord shall be delivered to Landlord and its Mortgagees, on or before the earlier of the Initial Term Commencement Date or the date on which Tenant exercises its rights to Early Access (as defined in the Work Letter), if applicable, and not later than thirty (30) days prior to the expiration of any current policy or certificate. If Tenant provides evidence of insurance by certificate, Tenant will deliver a certificate of insurance similar to an ACCORD Form 24. A new or replacement certificate of insurance, an insurance binder or other evidence of the continuation of coverage acceptable to Landlord and its Mortgagees shall be delivered to Landlord and its Mortgagees, within fifteen (15) days' prior to the expiration of the then current policy term. If other than a new or replacement certificate is delivered to Landlord as aforesaid, then promptly thereafter Tenant shall deliver to Landlord a new or replacement certificate for such continuation of coverage.

(e) CANCELLATION NOTICE. Each policy of insurance required of Tenant under this Section 5.2 shall have attached thereto (i) an endorsement that such policy shall not be canceled or materially changed without at least thirty (30) days' (or 10 days', in the instance of non-payment of premium) prior written notice to Landlord and its Mortgagees, and Tenant, and (ii) an endorsement to the effect that the insurance as to the interests hereunder of Landlord, and Landlord's partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, Mortgagees, agents or employees shall not be invalidated by any act or neglect of any person.

SECTION 5.3 OTHER INSURANCE PROVISIONS.

(a) INCREASED LIMITS. Not more frequently than once every two (2) years, Landlord may increase the amount of the coverage required to be maintained by Tenant pursuant to Sections 5.2(b) and 5.4 hereof to be increased to an amount that is generally required to be maintained by or for landlords of buildings that are of similar size, scope, design, quality and containing amenities similar to the Demised Premises that are located in the Counties of Lee, LaSalle, DeKalb, Bureau, Putman or Ogle in the State of Illinois.

(b) BLANKET COVERAGE. Nothing contained in this Article 5 shall prevent Landlord or Tenant from taking out insurance of the kind and in the amount provided for herein under a blanket insurance policy or policies which may cover other properties owned, leased or operated by Landlord (as well as the Demised Premises) and Tenant and other properties owned, leased or operated by Tenant (other than the Demised Premises). However, any such policy or blanket insurance of the kind provided for shall not contain any clause which would result in the insureds

thereunder being required to carry any additional insurance with respect to the property or risk covered thereby in an amount not less than any specific percentage of the full replacement value of such property in order to prevent the insureds therein named from becoming a co-insurer of any loss with the insurer under the applicable policy.

SECTION 5.4 TENANT'S CONTRACTOR'S INSURANCE. During any period of construction by Tenant of New Work or Fit-Up Work, Tenant shall cause Tenant's contractors to obtain and continuously maintain in full force and effect (i) General Liability insurance with minimum limits of liability of One Million and 00/100ths Dollars ($1,000,000.00) each occurrence and Two Million and 100/100th Dollars ($2,000,000.00) combined single limit for bodily injury, personal injury and property damage and including Landlord and Landlord's Mortgagee as additional insureds, and (ii) workers compensation insurance. Premiums under any such blanket insurance policies maintained by Landlord with respect to the Demised Premises and any other properties of Landlord shall be reasonably allocated to the Demised Premises reasonably and proportionally, based on the replacement cost thereof and of such other properties and any other factors recognized by the insurer as affecting the insurance rates for the respective properties, including the Demised Premises.

SECTION 5.5 WAIVER OF SUBROGATION. Subject to this Section 5.5, Landlord and Tenant each hereby waive any and every claim for recovery from the other (regardless of the negligence of the non-waiving party) for any and all loss or damage to the Demised Premises or to the contents thereof, which loss or damage is covered by the provisions of any property insurance policy carried, or would have been covered by the provisions of any property insurance policy required to be carried, by either party pursuant to this Lease. Inasmuch as this mutual waiver will preclude (subject to this Section 5.5) the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), Landlord and Tenant each agree to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of such waiver. Anything in this Section 5.5 to the contrary notwithstanding, if at any time during the Term the waiver of subrogation clause required to be maintained by Landlord and Tenant, respectively, is no longer available on terms which are commercially reasonable, then Landlord and Tenant shall, in good faith, find a mutually acceptable alternative to the benefits afforded each other as a result of such mutual waiver of subrogation.

SECTION 5.6 RECOVERY OF DAMAGES. Excluding any claim for punitive and consequential damages, neither Landlord nor Tenant shall be limited in the proof of any damages to the amount of the insurance premium or premiums not paid or not incurred by Landlord or Tenant as a result of any claim that Landlord or Tenant have against the other arising out of or by reason of Landlord's or Tenant's failure to provide and keep in force the insurance required by this Article 5. Rather, Landlord or Tenant shall also be entitled to recover, as damages for such breach, the uninsured amount of any loss (to the extent of any deficiency between the dollar limits of insurance required by the provisions of this Lease and the dollar limits of the insurance actually carried by Landlord or Tenant), damages, costs and expenses of suit, including, without limitation, reasonable attorneys' fees, suffered or incurred by reason of damage to or destruction of the Demised Premises, or any portion thereof, or other damage or loss which Landlord or Tenant is required to insure against hereunder, occurring during any period when Landlord or Tenant shall have failed or neglected to provide insurance as aforesaid.

ARTICLE 6
USE, MAINTENANCE AND MANAGEMENT OF DEMISED PREMISES

SECTION 6.1 PREMISES USE. Tenant shall use and occupy the Demised Premises as a warehouse, distribution, packaging and office facility, provided Tenant, at its sole cost and expense obtains the necessary approvals so the same is permitted by and consistent with all zoning and other applicable statutes, rules, orders ordinances, requirements, regulations or laws and the Land covenants ("PREMISES USE"). Notwithstanding the foregoing, Tenant shall not use or occupy the Demised Premises, or knowingly permit them to be used or occupied, (i) contrary to any statute, rule, order, ordinance, requirement or regulation applicable thereto, (ii) in any manner which would violate any certificate of occupancy affecting the same, (iii) which would make void or voidable any insurance then in force with respect thereto, (iv) which would make it impossible to obtain fire or other insurance thereon required to be furnished hereunder by Landlord or Tenant, or (v) which would constitute a public or private nuisance or waste. Tenant shall promptly, upon discovery of any such use, compel the discontinuance of such use.

Tenant shall not use, suffer or permit the Demised Premises, or any portion thereof, to be used by Tenant, any third party or the public (as such), without restriction or in such manner as might reasonably tend to impair Landlord's title to the Demised Premises, or in such manner as might reasonably make possible a claim or claims of adverse usage or adverse possession by the public (as such), or third persons, or of implied dedication of the Demised Premises, or any portion thereof. Nothing contained in this Lease and no action or inaction by Landlord shall be deemed or construed to mean that Landlord has granted to Tenant any right, power or permission to do any act or make any

agreement that may create, or give rise to or be the foundation for any such right, title, interest, lien, charge or other encumbrance upon the estate of Landlord in the Demised Premises.

SECTION 6.2 TENANT'S OPERATIONS, REPAIRS AND MAINTENANCE; END TERM COST SHARING.

(a) TENANT'S OPERATIONS, REPAIRS AND MAINTENANCE. Except for Warranty Work (as hereafter defined which shall include the warranty provided in Section 2A.8 hereof), at Tenant's sole cost and expense (except for the End Term Cost Sharing as hereafter defined), throughout the Term, Tenant shall keep in good order, condition and repair, and shall make and perform all routine maintenance and necessary repairs, ordinary and extraordinary, foreseen and unforeseen, of every nature, kind and description shall take good care of the Demised Premises and shall keep the same in good order, condition and repair, and shall make and perform all routine maintenance thereof and all necessary repairs thereto, ordinary and extraordinary, foreseen and unforeseen, of every nature, kind and description, ordinary wear and tear excepted. When used in this Article 6 "repairs" shall specifically include, without limitation, all necessary replacements, renewals and alterations. All repairs made by Tenant, except as hereinafter provided, shall be at least equal in quality to the original work and, in all events, shall be made by Tenant in Compliance with Laws. The necessity for or adequacy of maintenance and repairs shall be measured by the standards which are appropriate for improvements of similar construction and class.

In addition, except for Warranty Work, Tenant shall timely and properly repair and maintain all of the Demised Premises, including, without limitation, electrical systems, plumbing systems,

heating, ventilating and air conditioning systems, fire protection systems, other mechanical systems ("BUILDING SYSTEMS"), Building roof and floor slab, parking lot and landscaping, in accordance with the highest of the following standards: (i) the manufacturer's recommended maintenance schedule which is necessary so as not to void, diminish or impair any warranty for such item from time to time in effect; or (ii) that which is generally recognized as the industry standard for the required maintenance and repair of each such item. Tenant shall also keep all portions of the Demised Premises in a clean and orderly condition, reasonably free of snow, ice, dirt, rubbish, debris and unlawful obstructions. Further, Tenant shall cause all of the Building Systems to be operated by engineers and technicians that are specifically qualified and experienced to so operate the subject Building System. All of Tenant's obligations and requirements described in this Section 6.2 are herein collectively referred to as "TENANT'S OPERATIONS, REPAIRS AND MAINTENANCE." The time permitted for Tenant to effectuate Tenant's Operations, Repairs and Maintenance shall be extended for such period as may reasonably be necessary; provided, however, that Tenant shall continuously, diligently and in good faith prosecute the same. In addition, Landlord, at Landlord's expense, not more frequently than annually during the Term, upon five (5) days written notice (except in the event of an emergency or extraordinary condition), may cause independent private building inspectors, qualified in the specific discipline, to make inspections of the Demised Premises, and the systems or segments thereof, to determine Tenant's compliance under this Section 6.2. In the event such inspection(s) disclose a failure on the part of Tenant to properly and/or timely perform Tenant's Operations, Repairs, Maintenance and Replacements, Landlord shall deliver to Tenant, in writing, a copy of such inspection(s) report. Thereafter, as part of Tenant's Operations, Repairs, Maintenance and Replacements, Tenant shall promptly undertake necessary corrective action to remedy such failure. If such failure is of a material nature, upon the completion of the corrective action, at Tenant's sole cost and expense, Tenant shall cause a further inspection report to be prepared by a independent private building inspectors, qualified in the specific discipline, setting forth the manner in and extent to which such corrective action was taken. Such further inspection(s) report shall be promptly delivered to Landlord.

If Tenant does not timely or properly perform Tenant's Operations, Repairs and Maintenance as herein provided, after thirty (30) days' notice to Tenant (except in the event of an emergency or extraordinary condition), Landlord may, but is not obligated to, make necessary and required repairs, replacements or maintenance in a reasonably diligent fashion. Tenant shall pay to Landlord all of Landlord's actual costs incurred in connection therewith, plus a fee of ten percent (10%) of such cost, forthwith upon being billed therefor. Landlord may, but shall not be required to, enter the Demised Premises at all reasonable times upon reasonable notice (except in the instance of an emergency) to make necessary and required repairs, alterations, improvements and additions to the Demised Premises or to any equipment, fixtures, landscaping or other improvements located on the Demised Premises, as Landlord deems reasonably necessary and which Tenant failed to do as required in this Lease after written

notice from Landlord (except as aforesaid). However, any and all repairs, replacements or maintenance made by Landlord pursuant to this Lease shall be done (i) in a reasonably diligent manner and staged in such a fashion so as to reasonably minimize any disruption to Tenant's business operations, and (ii) in the accompaniment of a representative of Tenant.

(b) END TERM COST SHARING. When any work necessitated by Tenant's Operations, Repairs and Maintenance is required to be undertaken during the last three (3) Lease

Years of the Term (regardless whether an unexercised right to extend the Term for a Renewal Term exists) and the same includes or is comprised solely of the replacement (as opposed to the repair) of an element or component of the Demised Premises (including Building Systems) that is a so-called capital item ("CAPITAL REPLACEMENT") that (i) has a useful life as hereafter provided of more than three (3) years, (ii) the out-of-pocket third party cost and expense therefor is more than Seventy-Five Thousand and 00/100ths Dollars ($75,000.00), increased as hereafter provided ("FLOOR"), and (iii) that is otherwise determined in accordance with generally accepted accounting principles, consistently applied, Tenant shall notify Landlord, in writing ("CAPITAL REPLACEMENT NOTICE"), with reasonable specificity of the scope and nature of the necessitated Capital Replacement and the general specifications therefor and the reason for the same. If Landlord does not agree with the terms of Tenant's Capital Replacement Notice, within sixty (60) days following Landlord's receipt of the subject Capital Replacement Notice, Landlord shall advise Tenant, in writing, of the scope and nature and the general specifications of the Capital Replacement, if any, Landlord proposes. Thereafter, Landlord and Tenant shall promptly discuss, by telephone or in person, and negotiated in good faith to resolve their differences in the scope, nature and specifications of the subject Capital Replacement. Promptly following the first to occur of (1) such resolution, or (2) the failure of Landlord to respond when aforesaid to Tenant's Capital Replacement Notice (which failure shall be deemed an acceptance by Landlord of the terms of the subject Capital Replacement Notice), Landlord, at its sole cost and expense (except for the End Term Cost Sharing hereafter defined and provided) Landlord shall cause the Capital Replacement to be commenced and completed in the manner agreed to by Landlord and Tenant or as contained in the subject Capital Replacement Notice if Landlord failed to respond thereto as above provided.

Promptly following the completion by Landlord of the subject Capital Replacement, Landlord shall deliver to Tenant an invoice of the commercially reasonable out-of-pocket costs and expenses incurred by Landlord for such Capital Replacement. Such invoice shall contain reasonable specificity and supporting documentation such as purchase orders and the like that evidence such costs and expenses, plus a fee equal to two percent (2%) of such costs and expenses (collectively, "CAPITAL REPLACEMENT COSTS"). Such invoice shall also set forth the rate of interest that will be computed on the Capital Replacement Costs if Tenant thereafter delivers a Renewal Notice, which rate shall be that which is commercially reasonable at the time based on Tenant's then existing long term credit rating ("CAPITAL REPLACEMENT INTEREST"). Within thirty (30) days following Tenant's receipt of such invoice, Tenant shall pay to Landlord, as Additional Charges, that amount of the Capital Replacement Costs set forth in said invoice, multiplied by a fraction, the numerator of which is the number of months (rounded to the nearest whole month) remaining in the portion of the Term then in effect (i.e. the Initial Term or the applicable Renewal Term), and the denominator of which is the number of months of the useful life of such capital replacement item(s) ("END TERM COST SHARING"). Such useful life shall be determined to be that which is assigned to the subject capital replacement item(s) for Federal income tax purposes pursuant to Section 168 of the Internal Revenue Code of 1986, as amended (and the Treasury Regulations from time to time promulgated thereunder).

In the event Tenant is required to pay any End Term Cost Sharing in the Initial Term or the First Renewal Term, before Tenant, if at all, delivers its Renewal Notice for, as applicable, the First Renewal Term or Second Renewal Term, and Tenant thereafter delivers its Renewal Notice, then concurrent with the delivery of the Renewal Notice and as a condition precedent thereto to the effectiveness thereof, as part of Additional Charges, Tenant shall pay to Landlord

an amount that equals the sum of (i) the amount of the End Term Cost Sharing payable by Tenant that equals the End Term Cost Sharing that would have otherwise been payable by Tenant had the Term then been extended for the applicable Renewal Term then being exercised by Tenant, PLUS (ii) the amount of interest on the amount of the Capital Replacement Costs MINUS the amount of the

End Term Cost Sharing theretofore paid by Tenant, at the rate of the Capital Replacement Interest from the date the subject End Term Cost Sharing(s) was paid by Landlord until such excess amount is further paid by Tenant to Landlord.

During the Term, the Floor shall be changed when applicable, by multiplying it by one plus the positive percentage change between the CPI (as hereafter defined) published on the date closest to the Initial Term Commencement Date and the CPI published on the date closest to the commencement of the Lease Year in which the foregoing subject Capital Replacement Costs were incurred by Landlord. "CPI" shall mean the United States Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the City of Chicago, Illinois, "All Items," Base 1982-84 = 100 or such reasonably similar index then existing if foregoing is no longer published.

If Landlord fails to commence and thereafter promptly complete any required Capital Replacement, or Landlord fails to commence the same when above provided, then following fifteen (15) days prior written notice from Tenant to Landlord of such failure, Tenant may undertake to commence and thereafter complete the subject Capital Replacement and Landlord shall pay to Tenant, within thirty (30) days following Landlord's receipt of an invoice from Tenant, containing reasonable specificity and supporting documentation, for the costs and expenses incurred by Tenant therefor (which for such purposes shall be deemed to be the Capital Replacement Costs), Landlord shall pay to Tenant the amount of such Capital Replacement Costs that are in excess of that amount Tenant would have been obligated to pay Landlord as Tenant's End Term Cost Sharing for such Capital Replacement Costs, had Landlord undertaken the subject Capital Replacement as required herein.

SECTION 6.3 MISUSE OR NEGLECT. Except as provided in Articles 11 and 12 hereof, Tenant shall be responsible for all repairs to the Demised Premises which are made necessary by any misuse or neglect by Tenant, or any of its partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, employees, agents or invitees, in or upon the Demised Premises.

ARTICLE 7
COMPLIANCE WITH LAWS AND ORDINANCES

SECTION 7.1 COMPLIANCE. Tenant shall, throughout the Term and at Tenant's sole cost and expense, promptly comply or cause compliance with or remove or cure any violation of any and all present and future laws, ordinances (zoning or otherwise), orders, rules, regulations and requirements, as are now, or may from time to time hereafter, be in effect, of all federal, state, municipal and other governmental bodies having jurisdiction over the Demised Premises, and the appropriate departments, commissions, boards and officers thereof (subject only to Section 7.3 hereof), and the orders, rules and regulations, as are now, or may from time to time hereafter, be in effect, of the Board of Fire Underwriters where the Demised Premises are situated, or of any other body now or hereafter constituted exercising lawful or valid authority over the Demised Premises,

or any portion thereof, or the sidewalks, curbs, roadways, alleys or entrances adjacent or appurtenant thereto, or exercising authority with respect to the use or manner of use of the Demised Premises, and whether the compliance, curing or removal of any such violation and the costs and expenses necessitated thereby shall have been foreseen or unforeseen, ordinary or extraordinary, and whether the same shall be presently within the contemplation of Landlord or Tenant or shall involve any change of governmental policy, or require structural or extraordinary repairs, alterations or additions by Tenant and irrespective of the costs thereof ("COMPLIANCE WITH LAWS"). Regardless of the foregoing provisions, Tenant's obligations with regard to Compliance with Laws shall not extend to any compliance with or removal or cure of any violation of any laws, ordinances, zoning or otherwise, orders, rules, regulations and requirements of federal, state, municipal or governmental bodies which results from the construction of the Initial Improvements or the Expansion Space.

SECTION 7.2 OTHER COMPLIANCE. Tenant, at its sole cost and expense, shall comply with all agreements, contracts, easements, restrictions, reservations or covenants, if any, running with the Land, or hereafter created by Tenant or consented to, in writing, by Tenant. Tenant shall also comply with, observe and perform all provisions and requirements of all policies of insurance at any time in force with respect to the Demised Premises and required to be obtained and maintained under the terms of Article 5 hereof, and shall comply with all development permits issued by governmental authorities issued in connection with development of the Demised Premises.

SECTION 7.3 ENVIRONMENTAL MATTERS.

(a) LANDLORD AND TENANT MUTUAL COVENANTS. In addition to the compliance requirements set forth herein, and not by way of limitation thereof, Landlord and Tenant mutually covenant and agree as set forth in this Section 7.3.

(b) DEFINITIONS. As used in this Section 7.3, the following terms shall have the following meanings:

(i) "ENVIRONMENTAL CONDITION(S)" means the presence on, in or under the Demised Premises of any Hazardous Substance(s) except as are in compliance with Environmental Laws, whether such presence is in ambient air, surface water, groundwater, land surface or subsurface strata.

(ii) "ENVIRONMENTAL LAWS" means all federal, state or local environmental laws, and any and all policies, rules and regulations thereunder, which are, at any time and from time to time, applicable to the Demised Premises, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Solid Waste Disposal Act and Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; the Clean Water Act, 33 U.S.C. Section 1251, et seq.; the Clean Air Act, 42 U.S.C. Section 7401, et seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq.; and the Safe Drinking Water Act, 42 U.S.C. Section 300f through 300j, and the Clean Streams Law, as amended (35 P.S. Section 681.101, ET SEQ.; the Solid Waste

Management Act, as amended (35 P.S. Section 6801.101, et seq.; and the Hazardous Sites Clean Act (35 P.S. Section 6020.101, et seq., and the regulations adopted, publications promulgated or other laws enacted pursuant thereto of in addition thereto by federal, state or local governmental authorities.

(iii) "ENVIRONMENTAL LIABILITY(IES)" means any Environmental Conditions with respect to which there are effective and applicable Environmental Laws pursuant to which any regulatory authorities having jurisdiction over the Demised Premises would have authority to require remediation activities. Designation of a condition as an Environmental Liability by any regulatory authorities or other third parties, shall not be construed as an admission thereof by either Landlord or Tenant.

(iv) "HAZARDOUS SUBSTANCES" means (A) any material or substance (1) which is defined as a "hazardous substance," "hazardous waste," "chemical mixture or substance," or "air pollutant" under any Environmental Laws, (2) containing petroleum, crude oil or any fraction thereof, (3) containing polychlorinated biphenyls PCB's, (4) containing asbestos, or (5) which is radioactive; (B) any other material or substance displacing toxic, reactive, ignitable or corrosive characteristics, as all such terms are used in their respective broadest senses, or are defined or become defined under any Environmental Laws; or (C) any materials which cause a nuisance upon or waste to the Demised Premises or any portion thereof.

(c) LANDLORD REPRESENTATION; LANDLORD INDEMNITY. To Landlord's actual knowledge (being the actual knowledge of those representatives of Landlord identified in Section 19.5 hereof), and except as may be set forth in that certain environmental site assessment report entitled "Phase I Environmental Site Assessment," submitted as of July 15, 1998, and prepared by Gabriel Environmental Services, as of the date of this Lease, no Environmental Conditions exist on the Land. To the extent, if any, and only to the extent, that (i) Landlord is in breach of the first sentence of this Section 7.3(c), or (ii) Landlord, or its members, directors, officers, contractors, subcontractors, sub-subcontractors, agents or employees, directly cause any Environmental Conditions on the Demised Premises, or any portion thereof, except those arising as a Differing Site Condition provided in Section 8 of the Work Letter, then Landlord shall indemnify and save Tenant, and its partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees, harmless from and against the direct out-of-pocket costs and expenses (and not any indirect or consequential loss, cost or damage or any other direct loss, cost or damage) incurred by any one or more of them in order to clean-up or remediate the Demised Premises to the extent required by applicable Environmental Laws), and from and against any and all other direct liability, loss, cost or damage, including, without limitation, reasonable attorneys' fees and court costs, incurred or sustained by any one or more of Tenant and its partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees as a result of such breach or of such Environmental Conditions.

(d) DEVELOPER INDEMNITY. Except to the extent of a Differing Site Condition as provided in Section 8 of the Work Letter, to the extent, if any, and only to the extent, that Developer, or its members, directors, officers, contractors, subcontractors, sub-subcontractors, agents or employees, directly cause any Environmental Conditions on the Demised Premises, or any portion thereof, then Developer shall indemnify and save Tenant, and its directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees, harmless from and against the direct out-of-pocket costs and expenses (and not any indirect or consequential loss, cost or damage or any other direct loss, cost or damage) incurred by any one or more of them in order to clean-up or remediate the Demised Premises to the extent required by the governmental authorities having jurisdiction and responsibility for the enforcement of the applicable Environmental Laws, and from and against any and all other direct liability, loss, cost or damage, including, without limitation, reasonable attorneys' fees and court costs, incurred or sustained by any one or more of them as a result of such of such Environmental Conditions.

(e) TENANT COVENANT; TENANT INDEMNITY. To the extent, if any, and only to the extent, that Tenant, or its directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents, employees or invitees, (i) are in breach of any of its covenants, agreements or obligations under this Article 7, or (ii) directly cause any Environmental Conditions on the Demised Premises, or any portion thereof, then Tenant shall indemnify and save Landlord and its members, directors, officers, contractors, subcontractors, sub-subcontractors, Mortgagees, agents and employees, harmless from and against the direct out-of-pocket costs and expenses (and not any indirect or consequential loss, cost or damage or any other direct loss, cost or damage) incurred by any one or more of them in order to clean-up or remediate the Demised Premises to the extent required by the governmental authorities having jurisdiction and responsibility for the enforcement of the applicable Environmental Laws, and from and against any and all other direct liability, loss, cost or damage, including, without limitation, reasonable attorneys' fees and court costs, incurred or sustained by any one or more of them as a result of such of such breach or of such Environmental Conditions. Upon the expiration or earlier termination of this Lease, Tenant shall cause all Hazardous Substances (to the extent such Hazardous Substances are generated, stored, released or disposed of during the Term by Tenant) to be removed from the Demised Premises and transported for use, storage or disposal in accordance and in compliance with all applicable Environmental Laws.

(f) NOTICE. If a claim by a third person (including, without limitation, any governmental entity) is made against any person or entity indemnified hereunder, and such person or entity intends to seek indemnification with respect to such claim under this Section 7.3, such person or entity seeking such indemnification shall promptly give notice of such claim to the indemnifying party. In addition, if a person or entity indemnified under this Section 7.3 comes into possession of facts which could reasonably lead to a claim for indemnification under this Section 7.3, such party shall promptly give notice of such facts to the indemnifying party. If Tenant is notified or cited for any violation (or possible violation) of any Environmental Liability, Environmental Laws or other hazardous materials laws, by any governmental body having jurisdiction of the Demised Premises, with regard to any Environmental Condition, Tenant shall promptly notify Landlord thereof, and shall include with such notification copies of such governmental notification or citation and such other documents as may be reasonably necessary to describe the alleged violation (or possible violation).

(g) EXCLUSIVE REMEDY AND SURVIVAL. Notwithstanding any other indemnities set forth herein, the parties agree that the foregoing indemnifications shall exclusively define their rights and obligations with respect to Environmental Liabilities arising from or related to the Demised Premises. The provisions of this Section 7.3 shall survive the termination of this Lease and be effective for so long as Landlord or Tenant may have any liability whatsoever with respect to the Demised Premises, but in no instance more than two (2) years following the termination of this Lease, unless either party notifies the other, in writing and prior to the expiration of said two (2) years, of a liability one party is claiming against the other.

(h) COMPLIANCE WITH OTHER LAWS. Subject to Section 7.1 hereof and the foregoing provisions of this Section 7.3, Tenant, at its sole cost and expense, shall fully comply with (as part of its obligations hereunder as to Compliance with Laws), and provide to Landlord all information needed from time to time in regard to, all provisions of all applicable federal, state and local environmental protection acts and any other applicable federal, state or local

environmental liability or protection or cleanup responsibility laws, either currently in effect or hereafter enacted, which affect Tenant's Permitted Use of the Demised Premises.

(i) STORAGE OF HAZARDOUS MATERIALS. Tenant shall not install, handle, generate, store, treat, use, dispose of, discharge, release, manufacture, refine, emit, abate, remove, transport or conduct any other activity with respect to, on, in or around the Demised Premises (collectively, "handle"), any Hazardous Substances or any material deemed to be toxic or hazardous by any governmental authority having jurisdiction over the Demised Premises; provided, however, that notwithstanding the foregoing, Tenant may handle, or cause to be handled normal quantities of Hazardous Substances or other materials as aforesaid (i) customarily used in the conduct of general administrative and executive office activities (e.g., copier fluids and cleaning supplies), and (ii) customarily used in the conduct of those Permitted Uses. Any and all such Hazardous Substances or other materials, regardless of whether customarily used in the conduct of general administrative and executive office activities or the Permitted Uses, shall be handled in accordance with any and all applicable Environmental Laws.

ARTICLE 8
MECHANIC'S LIENS AND OTHER LIENS

SECTION 8.1 LIENS AND RIGHT OF CONTEST. Except for the construction of the Improvements by Landlord as provided in the Work Letter and Article 2A hereof, Tenant shall take commercially reasonable efforts to avoid any mechanic's lien or other lien to be filed against the Demised Premises, or any portion thereof, by reason of work, labor, skill, services, equipment or materials supplied or claimed to have been supplied to the Demised Premises at the request of Tenant, or anyone holding the Demised Premises, or any portion thereof, by, through or under Tenant. If any such mechanic's lien or other lien shall at any time be filed against the Demised Premises, or any portion thereof, Tenant shall cause the same to be discharged of record within thirty (30) days after the date of filing the same. However, in the event Tenant desires to contest the validity of any lien, it shall, within thirty (30) days after the date of filing of same (a) notify Landlord, in writing, that Tenant intends so to contest the same, and (b) cause the Landlord's and its Mortgagees' title insurance policies to be endorsed, in form and content reasonably satisfactory to Landlord and its Mortgagees, insuring against any loss or damage resulting from such lien. If Tenant fails to so

notify Landlord of Tenant's desire to so contest such lien or fails to deposit with Landlord the security provided above, Landlord, upon ten (10) days prior notice to Tenant may pay, but is not obligated to do so, for the complete discharge of such lien without investigating the validity thereof. Any amount paid by Landlord for such discharge, together with all costs, fees and expenses in connection therewith (including, without limitation, reasonable attorneys' fees of Landlord), together with interest thereon at the Maximum Rate of Interest, shall be repaid by Tenant to Landlord on demand by Landlord. However, if Tenant complies with the foregoing, and Tenant continues, in good faith, to contest the validity of such lien by appropriate legal proceedings which shall operate to prevent the collection thereof and the sale or forfeiture of the Demised Premises, or any part thereof, to satisfy the same, Tenant shall be under no obligation to pay such lien until such time as the same has been decreed, by court order, to be a valid lien on the Demised Premises.

Tenant shall indemnify and save Landlord, and its members, directors, officers, contractors, subcontractors, sub-subcontractors, Mortgagees, agents and employees, and the Demised Premises, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them in connection with the assertion, filing, foreclosure or other legal proceedings with respect to any such mechanic's lien or other lien or the attempt by Tenant to discharge the same as above provided.

All materialmen, contractors, artisans, mechanics, laborers and any other person now or hereafter furnishing any labor, services, materials, supplies or equipment to Tenant with respect to the Demised Premises, or any portion thereof, are hereby charged with notice that they must look exclusively to Tenant to obtain payment for the same. Notice is hereby given that Landlord shall not be liable for any labor, services, materials, supplies, skill, machinery, fixtures or equipment furnished or to be furnished to Tenant upon credit, and that no mechanic's lien or other lien for any such labor, services, materials, supplies, machinery, fixtures or equipment shall attach to or affect the estate or interest of Landlord in and to the Demised Premises, or any portion thereof.

SECTION 8.2 LIENS CAUSED BY LANDLORD'S WORK. The provisions of Section 8.1 hereof shall not apply to any mechanic's lien or other lien for

labor, services, materials, supplies, machinery, fixtures or equipment furnished to the Demised Premises in the performance of Landlord's obligations to (i) plan, design or construct the Initial Improvements and Expansion Space, (ii) provide the Warranty Work, Punch List Item or Expansion Punchlist Item work required herein, and (iii) provide Landlord's obligations pursuant to Articles 11 and 12 hereof. However, in the event a mechanic's lien does arise as a result of the foregoing undertakings of Landlord and Landlord desires to contest the validity of any lien, it shall, within thirty (30) days after the date of filing of same (a) notify Tenant, in writing, that Landlord intends so to contest the same, and (b) cause leasehold title insurance policy to be issued to Tenant in an amount of not less than 150% of the face amount of such mechanic's lien, which shall be endorsed, in form and content reasonably satisfactory to Tenant, insuring against any loss or damage resulting from such lien. Landlord shall indemnify and save Tenant, and its partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees, harmless from and against any and all direct (but not indirect or consequential) loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them in connection with the assertion, filing, foreclosure or other legal proceedings with respect to any such mechanic's lien or other lien.

SECTION 8.3 OTHER LIENS. Tenant shall not create, permit or suffer, and, subject to the provisions of Section 8.1 hereof, shall promptly discharge and satisfy of record, any other lien, encumbrance, charge, security interest, or other right or interest which, as a result of Tenant's action or inaction contrary to the provisions of this Lease, shall be or become a lien, encumbrance, charge or security interest upon the Demised Premises, or any portion thereof, or the income therefrom.

ARTICLE 9
INTENT OF PARTIES

SECTION 9.1 NET RENT. Landlord and Tenant do each state and represent that it is their respective intention that this Lease be interpreted and construed as a net lease and that all Base Rent and Additional Charges shall be paid by Tenant without abatement, deduction, diminution, deferment, suspension, reduction, set off, defense or counterclaim with respect to the same.

SECTION 9.2 LANDLORD'S PERFORMANCE FOR TENANT. If Tenant shall at any time fail to pay any Additional Charges in accordance with the provisions hereof, or shall fail to make any other payment or perform any other act on its part to be made or performed, then Landlord, after thirty (30) days' prior written notice to Tenant (or without notice in case of emergency), and without waiving or releasing Tenant from any obligation of Tenant contained in this Lease, may, but shall be under no obligation to do so, (a) pay after such thirty (30) days' written notice to Tenant, any such Additional Charges payable by Tenant pursuant to the provisions hereof; or (b) make any other payment or perform any other act on Tenant's part to be paid or performed hereunder, except that any time permitted to Tenant to perform any act required to be performed by Tenant hereunder shall be extended for such period as may be necessary to effectuate such performance, provided Tenant is continuously, diligently and in good faith prosecuting such performance. Landlord may enter upon the Demised Premises for any such purpose and take all such action therein or thereon as may be necessary therefor and all such action taken by Landlord shall be in a reasonably diligent fashion.

SECTION 9.3 PAYMENT FOR LANDLORD'S PERFORMANCE FOR TENANT. All sums so paid by Landlord and all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Landlord in connection with the performance of any such act, together with interest thereon at the Maximum Rate of Interest from the respective dates of Landlord's making of each payment of such cost and expense, shall be paid by Tenant to Landlord on demand.

ARTICLE 10
DEFAULTS AND LANDLORD'S REMEDIES

SECTION 10.1 DEFAULT. The following events, after the expiration of the applicable cure periods in this Article 10 (except as otherwise provided in this Lease), are sometimes referred to as an event of "Default":

(a) If default shall be made in the due and punctual payment of Base Rent or any installment thereof, or if default shall be made in the payment of Additional Charges or in the payment of any other sum required to be paid by Tenant under this Lease, after five (5) days' written notice; provided, however, if Tenant cures, within ten (10) days following receipt of such written notice,

any default in the payment of Base Rent occurring not more than twice in any Lease Year, no Default shall be deemed to have occurred;

(b) If default shall be made in the observance or performance of any of the other covenants or conditions in this Lease which Tenant is required to observe and perform, and such default shall continue for thirty (30) days after written notice to Tenant, provided, however, that the time allowed Tenant within which Tenant is permitted to cure the same shall be extended for such reasonable period as may be necessary for the curing, provided Tenant is continuously, diligently and in good faith prosecuting such cure;

(c) If default shall be made by Tenant under the provisions of Article 13 hereof relating to assignment, sublease, mortgage or other transfer of Tenant's interest in this Lease or in the Demised Premises or in the income arising therefrom;

(d) If, during the Term, (i) Tenant shall make an assignment for the benefit of creditors, (ii) a voluntary petition shall be filed by Tenant under any law having for its purpose the adjudication of Tenant a bankrupt, or Tenant shall be adjudged a bankrupt pursuant to an involuntary petition in bankruptcy that is not dismissed within ninety (90) days of such adjudication, (iii) a receiver shall be appointed for the property of Tenant, or (iv) any department of the state or federal government, or any officer thereof duly authorized, shall take possession of the business or property of Tenant, Landlord may treat the occurrence of any one or more of the foregoing events of Default as a breach of this Lease;

(e) If, during the Term, any department of the state or federal government, or any officer thereof duly authorized, shall take possession of the business or property of Tenant,

then Landlord may treat the occurrence of any one or more of the foregoing events of Default as a breach of this Lease.

In any such event, Landlord, at any time thereafter during the continuance of any such event of Default, may give written notice to Tenant specifying such event of Default or events of Default and stating that this Lease and the Term hereby demised shall expire and terminate on the date specified in such notice, and upon the date specified in such notice, this Lease and the Term hereby demised, and all rights of Tenant under this Lease, including, without limitation, all rights of renewal whether exercised or not, shall expire and terminate, or in the alternative or in addition to the foregoing remedy, Landlord may assert and have the benefit of any and all other remedies and rights provided at law or in equity. Notwithstanding the foregoing to the contrary, with respect to any alleged default, other than a Default in the payment of Base Rent or any Additional Charges payable to Landlord, if (i) within fifteen (15) days after Landlord's notice of such default, Tenant notifies Landlord that Tenant, in good faith, disputes such alleged default, and (ii) within thirty (30) days after Landlord's notice of such Default, Tenant files an action in a court of competent

jurisdiction contesting such alleged default, then Tenant shall not be deemed to be in Default under this Lease with respect to such alleged default ("GOOD FAITH DISPUTE"). However, if the final judgment in such action is adverse to Tenant, in whole or in part, then Tenant shall forthwith commence to correct the matters complained of by Landlord, or that portion thereof as to which such judgment is adverse to Tenant, and complete the same within thirty (30) days after such judgment, or if more than thirty (30) days are required to complete such corrections with reasonable diligence, commence to correct the same within such thirty (30) days and prosecute the same to completion with reasonable diligence. Except for the obligations of Tenant relating to such alleged default, the foregoing shall not excuse Tenant from performing its other obligations under this Lease.

SECTION 10.2 RENT AFTER DEFAULT. In the event of an uncured Default, Landlord may, but shall not be obligated to, terminate this Lease and the Term created hereby, in which event Landlord may forthwith repossess the Demised Premises and be entitled to recover as damages, in addition to any other sums or damages for which Tenant may be liable to Landlord hereunder, a sum equal to the Base Rent and Additional Charges as they become due hereunder as if this Lease was not so terminated, except as provided in Section 10.3.

SECTION 10.3 RE-LETTING AFTER DEFAULT. To the extent permitted by law,

in the event of a Default, Landlord may, but shall not be obligated to, terminate Tenant's right of possession and may repossess the Demised Premises by forcible entry and detainer suit, by taking peaceful possession or otherwise, without terminating this Lease. In such event, Landlord shall use those efforts required by law to relet the same for the account of Tenant, for such rent and upon such terms as may be satisfactory to Landlord. For the purpose of such re-letting, Landlord is authorized to repair, remodel or alter the Demised Premises, to the extent commercially reasonably necessary to so re-let. If Landlord shall fail to relet the Demised Premises, Tenant shall pay to Landlord, as damages, a sum equal to the amount of Base Rent and Additional Charges reserved in this Lease for the balance of the Initial Term or the Renewal Term, as the case may be, as the same becomes due and payable. If the Demised Premises are relet and a sufficient sum shall not be realized from such re-letting, after paying all of the costs and expenses of all decoration, repairs, remodeling, alterations and additions and the expenses of such re-letting and of the collection of the rent accruing therefrom, to satisfy the Base Rent and Additional Charges provided for in this Lease, Tenant shall satisfy and pay the same upon demand therefor from time to time. Tenant agrees that Landlord may file suit to recover any sums failing due under the terms of this Article 10 from time to time, and that no suit or recovery of any portion due to Landlord hereunder shall be any defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Landlord.

SECTION 10.4 ACCEPTANCE AFTER DEFAULT; NO WAIVER. No failure by Landlord or Tenant, as the case may be, to insist upon the performance of any of the terms of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance by Landlord of full or partial Base Rent and Additional Charges from Tenant or any third party during the continuance of any such breach, shall constitute a waiver of any such breach or of any of the terms of this Lease. None of the terms of this Lease to be kept, observed or performed by either party hereunder, and no breach thereof, shall be waived, altered or modified except by a written instrument executed by both Landlord and Tenant. No waiver of any breach shall affect or alter this Lease, but each of the terms of this Lease shall continue in full force and effect with respect to any other then existing or

subsequent breach of this Lease. No waiver of any Default of Tenant herein shall be implied from any omission by Landlord to take any action on account of such Default. If such Default persists or is repeated, no express waiver shall affect any Default other than the Default specified in the express waiver, and then only for the time and to the extent therein stated. One or more waivers by Landlord or by Tenant, as the case may be, shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

SECTION 10.5 REMEDIES CUMULATIVE. Upon a Default by Tenant of any of the terms contained in this Lease, Landlord shall be entitled to invoke any right or remedy allowed at law or in equity or by statute or otherwise as though entry, reentry, summary proceedings and other remedies, as the case may be, were not provided for in this Lease. Each remedy or right of Landlord provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease, or now or hereafter existing at law or in equity or by statute or otherwise. The exercise or the beginning of the exercise by Landlord of any one or more of such rights or remedies, except as otherwise provided herein, shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies.

ARTICLE 11
DESTRUCTION AND RESTORATION

SECTION 11.1 RESTORATION. If the Demised Premises or any portion thereof shall be damaged by fire or other casualty at any time prior to the last two Lease Years within the Term (taking into account whether Tenant delivers a Renewal Notice within thirty (30) days following the occurrence of such damage or other casualty), at Landlord's sole cost and expense (except as hereafter provided in the instance of the deductible for the Property Insurance provided in Section 11.2 below), Landlord shall repair and restore the same ("RESTORATION"), subject to Permitted Delays, with diligence and as soon as reasonably practicable under the circumstances, but nonetheless within two hundred and seventy (270) days following the date Landlord receives all building permits and other approvals necessary to commence and thereafter prosecute to completion such Restoration. If (i) such damage or other casualty occurs in the last two (2) Lease Years, (ii) Tenant has not then delivered to Landlord a Renewal Notice Tenant has the right to deliver hereunder, and (iii) the reasonably estimated time it will take to complete the Restoration therefor is in excess of one hundred eighty (180) days, Landlord may elect to either (1) terminate this Lease, effective as of the date of such occurrence, or (2) undertake the Restoration. If Landlord fails to deliver such notice to Tenant, it shall act as notice to Tenant that Landlord has elected to terminate this

Lease.

Notwithstanding the foregoing, if the Demised Premises are partially or wholly untenantable by fire or other casualty and Landlord elects to restore the damaged portion of the Demised Premises as aforesaid, but Landlord fails to complete the Restoration within the said two hundred and seventy (270) days (subject to Permitted Delays), then, upon thirty (30) days prior written notice to Landlord, Tenant may terminate this Lease. If Tenant fails to deliver such notice when aforesaid, Tenant shall be deemed to waived such right of termination, but Tenant may pursue against Landlord an action for specific performance of the Restoration.

Base Rent and Additional Charges shall abate on those portions of the Demised Premises

that are, from time to time, untenantable or inaccessible as a result of such damage (or shall be fully abated pending repair if the Demised Premises are rendered unsuitable for the conduct of Tenant's business) until Landlord shall have completed the Restoration required of Landlord hereunder. If the entirety of the Building is untenantable or the Demised Premises are inaccessible as a result of such damage, then on and after the date Tenant vacates the Demised Premises as a result thereof until the Restoration is complete so Tenant is permitted to re-occupy the Demised Premises, Tenant shall not be required to maintain the commercial general liability insurance provided in Section 5.2(b) hereof.

SECTION 11.2 INSURANCE PROCEEDS. All insurance moneys recovered by Landlord on account of such damage or destruction, less the costs, if any, to Landlord of such recovery, shall be applied by Landlord to the payment of the costs of the Restoration and shall be paid out from time to time as the Restoration progresses. If the net amount of the insurance proceeds (after deduction of all costs, expenses and fees, including, without limitation, attorneys' fees, related to recovery of the insurance proceeds) recovered by Landlord is insufficient to complete the Restoration, Landlord shall pay any deficiency necessary to cause the completion of Restoration. In all events, one-half of the full amount of any deductible under Property Insurance shall form a part of the Additional Charges payable by Tenant.

ARTICLE 12
CONDEMNATION

SECTION 12.1 TOTAL CONDEMNATION. If during the Term, the entire Demised Premises shall be taken as the result of the exercise of the power of eminent domain ("PROCEEDINGS"), this Lease and all right, title and interest of Tenant hereunder shall terminate on the date of vesting of title pursuant to such Proceedings, and Landlord shall be entitled to and shall receive the total award made in such Proceedings, except to the extent Federal funds form a part of such award or separate award, then to the extent moving costs and loss of personalty for the exclusive benefit of Tenant are included, Landlord shall share with Tenant the amount so allocated for such moving costs and loss of personalty and Tenant shall have the right to pursue any separate award for such items to the extent available under then applicable law. Notwithstanding the foregoing, any obligations of Landlord or Tenant hereunder that arose or accrued prior to the date of the foregoing termination shall survive and remain in full force and effect subsequent to such date of termination. Except as specifically provided above in this Section 12.1, Tenant hereby assigns any interest in such award, damages, consequential damages and compensation to Landlord.

SECTION 12.2 PARTIAL CONDEMNATION. If during the Term, less than the entirety of the Demised Premises that does not unreasonably alter the Permitted Uses shall be taken in any such Proceedings, then this Lease shall, upon vesting of title in the Proceedings, terminate as to the portion of the Demised Premises so taken. If the portion of the Demised Premises taken shall substantially and materially interfere with or inhibit the Permitted Uses, or the portion of the Demised Premises taken shall make it impossible to utilize a reasonably useful portion of the parking forming a part of the Demised Premises, Tenant may, at its option, terminate this Lease as to the remainder of the Demised Premises. Tenant shall not have the right to terminate this Lease pursuant to the preceding sentence, however, if that portion of the Demised Premises not taken can reasonably be utilized by Tenant with substantially the same utility and efficiency as prior to the

taking. Such termination as to the remainder of the Demised Premises shall be effected by Tenant's written notice to Landlord, given not more than sixty (60) days after the date of vesting of title in such Proceedings, and shall specify a

date not more than sixty (60) days after the giving of such notice as the date for such termination. Upon the date specified in such notice, the Term and all right, title and interest of Tenant hereunder, shall cease and terminate. Notwithstanding the foregoing, any obligations of Landlord or Tenant hereunder that arose or accrued prior to the date of the foregoing termination shall survive and remain in full force and effect subsequent to such date of termination. If this Lease is terminated as provided in this Section 12.2, Landlord shall receive the award as is provided in Section 12.1 hereof. In the event that Tenant elects not to terminate this Lease as to the remainder of the Demised Premises, the rights and obligations of Landlord and Tenant shall be governed by the provisions of Section 12.3 hereof.

SECTION 12.3 RESTORATION AFTER CONDEMNATION. If, in the case of a partial taking, this Lease is not terminated as provided in Section 12.2 hereof, this Lease shall, upon vesting of title pursuant to the Proceedings, terminate as to the parts so taken, and Tenant shall have no claim or interest in the award, damages, consequential damages and compensation, or any part thereof. Landlord, in such case, covenants and agrees promptly to restore that portion of the Demised Premises not so taken to a complete architectural and mechanical unit for the Permitted Uses as provided in this Lease. In the event that the net amount of the award (after deduction of all costs and expenses, including, without limitation, attorneys' fees) that may be received by Landlord in any such Proceedings as a result of such taking is insufficient to pay all costs of such restoration work, Landlord shall pay such "shortfall."

SECTION 12.4 RENT ADJUSTMENT. In the event of a partial taking of the Demised Premises under Section 12.2 hereof, the fixed Base Rent payable hereunder during the period from and after the date of vesting of title pursuant to such Proceedings to the earlier of the termination of this Lease or until the next date upon which Base Rent is determined under Section 3.1 hereof, shall be computed by multiplying the applicable Base Rent then being paid by Tenant, by a fraction, the numerator of which is the square feet of the Building after such taking and after the same has been restored to a complete architectural unit, and the denominator of which is the square feet of the Building immediately prior to such taking.

ARTICLE 13
ASSIGNMENT, SUBLETTING, ETC.

SECTION 13.1 PERMITTED TRANSFERS. Tenant shall not sublet the Demised Premises, or any portion thereof, nor assign, mortgage, pledge, transfer or otherwise encumber or dispose of this Lease, or any interest herein, or in any manner assign, mortgage, pledge, transfer or otherwise encumber or dispose of its interest or estate in the Demised Premises, or any portion thereof, without first obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, such consent shall not be required if (i) an assignment of Tenant's rights under this Lease results from the merger of Rayovac Corporation (or the resultant entity of Rayovac Corporation as hereafter provided) into or with another entity, an assignment by operation of law, or an assignment to an entity which purchases all or substantially all of the assets of Rayovac Corporation (or that of the subject resultant entity) ("PERMITTED TRANSFEREE"), and (ii) the parent company of such resultant entity or the parent of such parent (until

an entity is reached that is not a subsidiary of any other entity) shall either assume all of the obligations of Rayovac Corporation (or the subject resultant entity) hereunder or become a guarantor of all such obligations (payment and performance), in either instance, in form and content reasonably acceptable to Landlord. In all other instances of a assignment of this Lease or the subletting or all or a part of the Demised Premises, Landlord's prior written consent shall be required, which consent shall not be unreasonably withheld, conditioned or delayed, provided there is no material change in the Permitted Uses and Tenant remains primarily liable for all of the obligations of Tenant hereunder, except as hereafter provided in this Section 13.1.

In all instances of an assignment of this Lease or subletting of all or any portion of the Demised Premises, regardless of whether to a Permitted Transferee, Tenant shall advise Landlord thereof, in writing ("TRANSFER NOTICE"), not less than thirty (30) days prior to the effective date thereof. Such notice shall set forth with reasonable specificity the identity of the proposed assignee or sublessee and proposed terms and provisions of such assignment or subletting. Landlord may charge Tenant, as a part of Additional Charges, for any reasonable costs or expenses incurred by Landlord occasioned in connection with any proposed sublease, assignment, mortgage, pledge, transfer or other encumbrance or disposal of this Lease, or any interest herein, by Tenant.

In the event Landlord consents to an assignment of all of Tenant's interest under this Lease to anyone that is not a Permitted Transferee and such assignee

(i) assumes, in writing and in form and content reasonably acceptable to Landlord, all of Tenant's past, present and future obligations under this Lease, and (ii) such assignee has had an "investment grade" corporate credit rating for a continuous period of not less than twelve (12) months prior thereto as determined by a Rating Agency, then upon the execution and delivery by Landlord and such assignee of the foregoing assumption, Tenant shall thereafter be released and discharged from and not be liable for any obligations under this Lease. However, if at the foregoing time, such assignee has not had such determined "investment grade" senior debt credit rating for twelve (12) continuous months, Tenant shall remain liable for all of the obligation of Tenant under this Lease until such assignee has maintained for twelve (12) continuous months a senior debt credit rating of "investment grade" determined as aforesaid.

SECTION 13.2 SUBSEQUENT ASSIGNMENTS. Anything in this Lease to the contrary notwithstanding, and notwithstanding any consent by Landlord to any sublease of the Demised Premises, or any portion thereof, or to any assignment of this Lease or of Tenant's interest or estate in the Demised Premises, or any other permitted sublease or assignment hereunder, except to a subsequent Permitted Transferee, no sublessee shall assign its sublease nor further sublease the Demised Premises, or any portion thereof, and except to a subsequent Permitted Transferee, no assignee shall further assign its interest in this Lease or its interest or estate in the Demised Premises, or any portion thereof, nor sublease the Demised Premises, or any portion thereof, without Landlord's prior written consent in each instance, which consent may be given or withheld in Landlord's sole discretion. No such subsequent assignment or subleasing shall relieve Tenant from any of Tenant's obligations in this Lease.

SECTION 13.3 TRANSFER UPSIDE. For any assignment or subletting of all or any portion of the Demised Premises to anyone other than a Permitted Transferee ("THIRD PARTY TRANSFER"), Tenant shall pay to Landlord fifty percent (50%) of any and all compensation (whether in cash or cash

equivalent) received by Tenant resulting from such Third Party Transfer, after Tenant has first recouped from such compensation all commercially reasonable out-of-pocket costs and expenses paid by Tenant in connection with such Third Party Transfer for advertising/marketing costs, vacancy or rent concessions for free rent, Demised Premises improvement expenditures, broker commissions and attorneys' fees (such net compensation is referred to as "TRANSFER UPSIDE").

SECTION 13.4 RECAPTURE. To the extent any Third Party Transfer is for the entire balance of the then remaining Term (excluding any Renewal Terms not then in effect), Landlord may elect, by written notice to Tenant within fifteen (15) days following Landlord's receipt of written notice from Tenant of Tenant's intent to pursue prospects for such a Third Party Transfer, to recapture the entire Demised Premises if the Third Party Transfer is an assignment of this Lease or so much of the Demised Premises that is the subject of such a Third Party Transfer subletting. In such event, this Lease, in the instance of an assignment, and the portion(s) of this Lease pertaining to so much of the Demised Premises that is proposed to be sublet, shall in each instance terminate and be of no further force and effect from and after the date that is thirty (30) days subsequent to the date Landlord exercises its right to recapture as aforesaid. Notwithstanding the foregoing, any obligations of Landlord or Tenant hereunder that arose or accrued prior to the date of the foregoing termination shall survive and remain in full force and effect subsequent to such date of termination. In the event Landlord fails to so notify Tenant of Landlord's election to recapture, Landlord's right to recapture in respect to the subject proposed Third Party Transfer shall, subject to the following, be deemed waived. If such Third Party Transfer is not consummated within twelve (12) months following date of Tenant's notice to Landlord to pursue a Third Party Transfer, then Landlord's rights pursuant to this Section 13.6 shall be reinstated.

SECTION 13.5 INEFFECTIVE ASSIGNMENT. Tenant's failure to comply with all of the foregoing provisions and conditions of this Article 13 shall (regardless of whether Landlord's consent is required under this Article 13), at Landlord's sole option, render any purported assignment or subletting null and void and of no force and effect.

ARTICLE 14
SUBORDINATION, NON-DISTURBANCE, NOTICE TO MORTGAGEE AND ATTORNMENT

SECTION 14.1 SUBORDINATION. This Lease and all rights of Tenant herein, and any and all interest or estate of Tenant in the Demised Premises, or any portion thereof (exclusive of Tenant's interest in Trade Fixtures), shall be subject and subordinate to the lien of any and all mortgages, deeds of trust, security instruments, ground or underlying leases or other documents of like nature, which at any time may be placed upon the Demised Premises, or any portion thereof, by Landlord, and to any replacements, renewals, amendments,

modifications, extensions or refinancing thereof (herein individually referred to as a "MORTGAGE," and collectively herein referred to as "MORTGAGES"), and to each and every advance made under any and all Mortgages. Tenant agrees at any time hereafter, and from time to time on demand of Landlord, to promptly execute and deliver to Landlord any and all reasonable instruments, releases or other documents which may reasonably be required for the purpose of subjecting and subordinating this Lease to the lien of any and all such Mortgages, and which do not alter the terms, provisions or conditions of this Lease (hereinafter individually referred to as a "SUBORDINATION AGREEMENT," and hereinafter collectively referred to as "SUBORDINATION AGREEMENTS"), provided such Subordination Agreement(s) is reasonably similar

in scope and content to that form attached hereto as EXHIBIT 14.1. So long as there exists no Default, no such Subordination Agreement shall interfere with, hinder or reduce Tenant's right to quiet enjoyment under this Lease, nor the right of Tenant to continue to occupy the Demised Premises, and all portions thereof, and to conduct its business thereon, all in accordance with the covenants, conditions, provisions, terms and agreements of this Lease. Each such Subordination Agreement shall provide for the non-disturbance of Tenant's rights hereunder, provided that Tenant attorns to the holder of the Mortgage which is the subject thereof.

SECTION 14.2 MORTGAGEE PROTECTION CLAUSE. Tenant shall deliver to each and every holder of a Mortgage ("MORTGAGEE"), whose identify and address have been provided to Tenant, a copy of any notice from Tenant to Landlord in which Tenant advises Landlord of any act or omission on the part of Landlord which, after the expiration of the applicable cure period, would constitute a default by Landlord of its obligations under this Lease. After the expiration of all applicable cure periods afforded Landlord in respect to such act or omission, Tenant shall advise the Mortgagee, in writing, of the same as a condition precedent to Tenant initiating any action under this Lease against Landlord, and Tenant, for an additional sixty (60) days after the date of Mortgagee's receipt of such notice, shall allow Mortgagee the option to remedy such act of omission of the Landlord.

SECTION 14.3 ATTORNMENT. If any Mortgagee shall succeed to the rights of Landlord under this Lease or to ownership of the Demised Premises, whether through possession or foreclosure or the delivery of a deed to the Demised Premises in lieu of foreclosure, then, upon the written request of such Mortgagee so succeeding to Landlord's rights hereunder, and provided that such Mortgagee assumes, in writing, the obligations of Landlord hereunder accruing on and after the date such Mortgagee acquires title to the Demised Premises, Tenant shall attorn to and recognize such Mortgagee as Tenant's landlord under this Lease, and shall promptly execute and deliver any and all reasonable instruments which such Mortgagee may reasonably request to evidence such attornment. In the event of any other transfer of Landlord's interest hereunder, upon the written request of the transferee and Landlord, and provided that such transferee assumes, in writing, the obligations of Landlord hereunder accruing on and after the date of such transfer, Tenant shall attorn to and recognize such transferee as Tenant's landlord under this Lease, and shall promptly execute and deliver any and reasonable instruments which such transferee and Landlord may reasonably request to evidence such attornment.

ARTICLE 15
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ARTICLE 16
TRADE FIXTURES

SECTION 16.1 TRADE FIXTURES. It is the intent of the parties that Trade Fixtures shall include only those items of Tenant's furniture, equipment, machinery, partitions and other personal property (including any items which are affixed to the Demised Premises in a manner that can be readily detached without material damage to the Demised Premises) which are specifically used by Tenant in the conduct of its business. Regardless of the foregoing, the Landlord acknowledges that the items of property set forth on EXHIBIT 16.1 attached hereto and made a part hereof are Trade Fixtures and can be replaced and disposed of by the Tenant, in Tenant's sole discretion, except as

provided in Section 18.3 hereof. Except for the failure of Tenant to remove all Trade Fixtures as provided in Section 18.3, Landlord waives any and all claim, lien or right in and to the Trade Fixtures.

ARTICLE 17
CHANGES AND ALTERATIONS

Tenant shall have the right at any time, and from time to time during the Term, to make such changes and alterations, structural or otherwise, to the Demised Premises as Tenant shall deem necessary or desirable in connection with the requirements of its business, which changes and alterations (other than changes or alterations of Tenant's Trade Fixtures and equipment) shall be made in all cases subject to the following conditions, which Tenant covenants to observe and perform:

(a) No change or alteration shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required from time to time, all federal, state and local permits and authorizations of the various governmental authorities having jurisdiction thereof, and Landlord agrees to join in the application for such permits or authorizations whenever such action is necessary, all at Tenant's sole cost and expense, provided such applications do not cause Landlord to become liable for any cost, fees or expenses, and provided, at Landlord's direction, such approval is terminated, at the option of Landlord, at the expiration of the Term.

(b) In any undertaking of Tenant pursuant to this Article 17, except in the instance of interior decorating, no change or alteration shall be undertaken until detailed plans and specifications have been first submitted to and approved in writing by Landlord, which approval shall not unreasonably be withheld or delayed. Before commencement of any such change, alteration, restoration or construction ("NEW WORK") which in Landlord's reasonable judgment would alter the Building Systems or structural elements of the Building, Tenant shall: (i) obtain Landlord's prior written consent (which consent may be withheld if the change or alteration would, in the reasonable judgment of Landlord, impair the value or usefulness to Landlord of the Land or Improvements, or any substantial part thereof or would unreasonably alter the aesthetics of the Demised Premises); (ii) guarantee the completion thereof within a reasonable time thereafter (1) free and clear of all mechanic's liens or other liens, encumbrances, security interests and charges, and (2) in accordance with the plans and specifications approved by Landlord; and (iii) Tenant shall promptly upon the completion of the New Work deliver to Landlord two (2) complete sets of "as built" drawings for the New Work.

(c) Any change or alteration shall, when completed, be of such character as not to reduce the value or utility of the Demised Premises below its value or utility to Landlord immediately before such change or alteration, nor shall such change or alteration reduce the area or cubic content of the Building, nor change the character of the Demised Premises as to use without Landlord's express written

consent.

(d) All New Work shall be done promptly and in a good and workmanlike manner and in Compliance with Laws and in accordance with the orders, rules and regulations of the Board of Fire Underwriters where the Demised Premises are located, or any other body exercising similar functions. The cost of any such change or alteration shall be paid by Tenant so that the Demised Premises and all portions thereof shall at all times be free of liens for labor and materials supplied to the Demised Premises, or any portion thereof. The New Work shall be prosecuted with reasonable dispatch, delays due to strikes, lockouts, acts of God, inability to obtain labor or materials, governmental restrictions or similar causes beyond the reasonable control of Tenant excepted. Tenant shall obtain and maintain, or cause to be obtained and maintained, at its or its contractor's sole cost and expense, during the performance of the New Work, workers' compensation insurance covering all persons employed in connection with the New Work and with respect to which death or injury claims could be asserted against Landlord or Tenant or against the Demised Premised or any interest therein, together with comprehensive general liability insurance for the mutual benefit of Landlord and Tenant with limits of not less than One Million Dollars ($1,000,000.00) in the event of injury to one person, Three Million Dollars ($3,000,000.00) in respect to any one accident or occurrence, and Five Hundred Thousand Dollars ($500,000.00) for property damage, and the fire insurance with "extended coverage" endorsement required by Section 5.1 hereof shall be supplemented with "builder's risk" insurance on a completed value form or other comparable coverage on the New Work.

All such insurance shall be in a company or companies authorized to do business in the State of Illinois that are reasonably satisfactory to Landlord. All such policies of insurance or certificates of insurance shall be delivered to Landlord endorsed "Premium Paid" by the company or agency issuing the same, or with other evidence of payment of the premium satisfactory to Landlord, prior to the commencement of any New Work.

(e) All improvements and alterations (other than Tenant's Trade Fixtures and equipment) made or installed by Tenant shall immediately, upon completion or installation thereof, become the property of Landlord without payment therefor by Landlord, and shall be surrendered to Landlord on the expiration of the Term (unless the parties agree to the contrary).

(f) No change, alteration, restoration or new construction shall be in or connect the Improvements with any property, building or other improvement located outside the boundaries of the Land and Expansion Land, nor shall the same obstruct or interfere with any then existing easement.

(g) If Landlord requires Tenant, in Landlord's reasonable discretion, to restore or remove such requested change or alteration, Landlord shall so notify Tenant by written notice, given at the time of Landlord's approval of such requested change or alteration. If Landlord so notifies Tenant, then at the expiration of the Term,

Tenant shall remove any such change or alteration and, at Tenant's sole cost and expense, restore any damage caused to the Demised Premises as a result of such removal. However, if Landlord fails to so notify Tenant of Landlord's requirement of removal, such changes or alterations may remain in the Demised Premises at no expense to Tenant, and at no cost to Landlord. Landlord and Tenant may also agree, in writing prior to Tenant's change or alteration, that Tenant shall be allowed to remove such requested change or alteration, and in the event of such removal, Tenant shall, at its sole cost and expense, restore any damage caused by such removal.

ARTICLE 18
SURRENDER OF PREMISES

SECTION 18.1 SURRENDER OF POSSESSION. Tenant shall, upon termination of this Lease for any reason whatsoever, surrender to Landlord the Demised Premises, together with any and all buildings, structures, fixtures and building equipment or real estate fixtures upon the Demised Premises and any and all additions, alterations and replacements thereof (except Tenant's personalty and Trade Fixtures and that portion of New Work Landlord has required be removed as provided in Article 17 hereof), in good order, condition and repair, with all electrical systems, plumbing systems, heating, ventilating and air conditioning systems, fire protection systems, and other mechanical systems in good working order and repair, reasonable wear and tear excepted (provided that such exception shall in no way be deemed to relieve Tenant from its obligations to make all necessary Tenant Operations, Repairs and Maintenance as and when required hereunder).

SECTION 18.2 NO SURRENDER WITHOUT ACCEPTANCE. No surrender to Landlord of this Lease or of the Demised Premises, or any portion thereof, or any interest therein, prior to the expiration of the Term, shall be valid or effective unless agreed to and accepted in writing by Landlord (which agreement Landlord may give or withhold in its sole discretion), and consented to in writing by all Mortgagees and contract purchasers, if any (which consent may be given or withheld in their respective sole discretion). Further, no act or omission by Landlord, or any representative or agent of Landlord, other than such a written acceptance by Landlord, which is consented to by all Mortgagees and contract purchasers, if any, shall constitute an acceptance of any such surrender.

SECTION 18.3 REMOVAL OF TENANT'S PROPERTY; HOLDOVER RENT. Except as otherwise provided herein, at the expiration of the Term, Tenant shall surrender the Demised Premises, and shall surrender all keys to the Demised Premises, to Landlord at the place then fixed for the payment of Base Rent, and shall inform Landlord of all combinations on locks, safes and vaults within the Demised Premises, if any, that do not constitute Trade Fixtures. Except as otherwise provided herein, Tenant shall, at such time, also remove all of its property (including, without limitation, its personalty and all Trade Fixtures) therefrom and all New Work placed thereon by Tenant, if so required by Landlord pursuant to Article 17 hereof. Tenant shall repair any damage to the Demised Premises caused by such removal, and any and all such property not so removed when

required shall, at Landlord's option, become the exclusive property of Landlord, or be disposed of by Landlord, at Tenant's cost and expense, without further notice to or demand upon Tenant.

If Tenant fails to surrender possession as required under this Section 18.3, then, for each month, or portion thereof, after the termination of the Term or of Tenant's rights of possession hereunder, whether by lapse of time or otherwise, during which Tenant remains in possession of the Demised Premises, or any portion thereof, after such termination, Tenant shall pay to Landlord, in addition to Additional Charges, a sum equal to one hundred fifty percent (150%) of the Base Rent herein provided for the month immediately prior to such termination. The provisions of this Section 18.3 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein at law or at equity, and Landlord's acceptance of the additional rent in the event of a holdover by Tenant shall not act as a waiver or limitation on any such other rights or remedies (including, without limitation, any direct, indirect or consequential damages).

All property of Tenant not removed on or before the last day of the Term shall be deemed abandoned. Tenant hereby appoints Landlord as its agent to remove all property of Tenant from the Demised Premises upon the termination of this Lease, and to cause the transportation and storage thereof for Tenant's benefit, all at the sole cost and risk of Tenant. Landlord shall not be liable for damage, theft, misappropriation or loss thereof, and Landlord shall not be liable in any manner in respect thereto. Tenant shall pay all costs and expenses of such removal, transportation and storage. Tenant shall reimburse Landlord, immediately upon demand, for any expenses incurred by Landlord with respect to any removal or storage of abandoned property and with respect to restoring the Demised Premises to good order, condition and repair. Within sixty (60) days following the date Tenant surrenders the Demised Premises as required pursuant to this Section 18.3, Landlord shall (i) if there is no Letter of Credit, remit to Tenant all of the remainder of the Cash Deposit plus all earnings thereon not previously remitted to Tenant, or (ii) it there is no Cash Deposit, return the Letter of Credit to Tenant and remit to Tenant the remainder of any unapplied Draw Proceeds.

ARTICLE 19
MISCELLANEOUS PROVISIONS

SECTION 19.1 RIGHT OF INSPECTION. Upon reasonable advance notice to Tenant (except for emergency situations), Tenant agrees to permit Landlord and its authorized representatives to enter upon the Demised Premises at all reasonable times (other than Peak Periods, as hereafter defined) for the purpose of inspecting the same and, pursuant to the terms of this Lease, making any of Tenant's Operations, Repairs and Maintenance obligations as provided in Section 6.2(a) hereof. Nothing shall imply any duty upon the part of Landlord to do any such work which, under any provision of this Lease, Tenant may be required to perform, and the performance thereof by Landlord shall not constitute a waiver of Default in failing to perform the same.

Notwithstanding the foregoing, Landlord acknowledges that Tenant, from time to time during each calendar year, Tenant has high production periods ("PEAK PERIODS"), during which an inspection of the Demised Premises (except for emergency situations) would be unduly burdensome to Tenant. Therefore, if Landlord requests an inspection and Tenant notifies Landlord that the proposed inspection would occur during a Peak Period, Landlord agrees to extend reasonable efforts not to cause an inspection of the Demised Premises during such Peak Periods.

SECTION 19.2 DISPLAY OF DEMISED PREMISES. Upon reasonable advance notice to Tenant, Landlord may, at any time during normal business hours during the Term, enter upon the Demised

Premises and exhibit the same for the purpose of mortgaging or selling the same; provided, however, that during the final twelve (12) months of the then-current Term (provided Tenant has not then given its Renewal Notice), Landlord shall be entitled to display the Demised Premises for sale or lease upon twenty-four (24) hours prior notice, and shall be allowed to post appropriate signage in or about the Demised Premises, so long as the same does not unreasonably interfere with Tenant's business.

SECTION 19.3 INDEMNITIES.

(a) TENANT. To the fullest extent allowed by law, except to the extent the same is otherwise expressly waived by Landlord under this Lease (including,

without limitation, in Section 5.5 hereof), Tenant shall, at all times, indemnify and save Landlord, and its members, directors, officers, contractors, subcontractors, sub-subcontractors, Mortgagees, agents and employees, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them that is brought by third parties against them in connection with (i) the conduct or management, or from any work or things whatsoever done in or about the Demised Premises during the Term; (ii) any condition of the Demised Premises arising from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed, pursuant to the terms of this Lease, or (iii) arising from any negligence of Tenant, its directors, officers, shareholders, contractors, subcontractors, sub-subcontractors (other than Landlord or its subcontractors or sub-subcontractors), agents, employees or invitees, or arising from any accident, injury or damage whatsoever caused to any person or entity during the Term, in or about the Demised Premises. The indemnity obligations of Tenant under this Section 19.3 which relate directly or indirectly to death, bodily or personal injury or property damage, shall be insured by contractual liability endorsement on Tenant's policies of insurance required under the provisions of Article 5 hereof. Anything in this Section 19.3(a) to the contrary notwithstanding, Tenant's indemnification obligations as aforesaid shall not apply to any claims, costs, liabilities, actions and damages which arise as a result of (1) the negligence or wrongful acts or omissions of Landlord (or its members, partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents or employees); or (2) the failure of Landlord to comply with a provision of this Lease or the Work Letter.

(b) LANDLORD. To the fullest extent allowed by law, except to the extent the same is otherwise expressly waived by Tenant under this Lease (including, without limitation, in Section 5.5 hereof), Landlord shall at all times shall indemnify and save Tenant, and its directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them that is brought by third parties against any of them in connection with the conduct of or the failure to conduct any of Landlord's obligations hereunder or under the Work Letter, or any negligence in the performance thereof. Anything in this Section 19.3(b) to the contrary notwithstanding, Landlord's indemnification obligations as aforesaid shall not apply to any claims, costs, liabilities, actions and damages which arise as a result of (i) the negligence or wrongful acts or omissions of Tenant (or its partners, directors, officers, shareholders, contractors, subcontractors, sub-subcontractors (other than Landlord or its contractors, subcontractors or sub-subcontractors), agents, employees or invitees); or (ii) the failure of Tenant to comply with a provision of this Lease.

SECTION 19.4 NOTICES. All notices, demands and requests which may be or are required to be given, demanded or requested by any party to the other shall be in writing. All transmittals by Landlord to Tenant shall be delivered by private messenger, or sent by United States registered or certified mail, postage prepaid, or by Federal Express (or similar overnight courier service), or by facsimile transmission, addressed to Tenant, Landlord or Developer as follows:

If to Tenant:	Rayovac Corporation 601 Rayovac Drive Madison, Wisconsin 53711-2497 Attn: John Beattie FAX: (608) 278-6666
With a Copy to:	Quarles & Brady LLC 500 West Madison Street Suite 3700 Chicago, Illinois 60661 Attn: Richard P. Blessen, Esq. FAX: (312) 715-5155
If to Landlord or Developer:	200 Corporate Drive, L.L.C. c/o Higgins Development Partners, L.L.C. 101 East Erie Street Suite 800 Chicago, Illinois 60611 Attn: Gerald A. Pientka FAX: (312) 943-9768
With Copy of notice of Landlord default to:	Pritzker Realty Group

200 West Madison Street
Suite 3700
Chicago, Illinois 60606
Attn: J. Kevin Poorman
FAX: (312) 750-8597

With an additional
Copy to: O'Brien, O'Rourke & Hogan
10 South LaSalle Street
Suite 2900
Chicago, Illinois 60603
Attn: Frederic G. Hogan, Esq.
FAX: (312) 739-3535

or at such other place as Tenant or Landlord may from time to time designate by written notice to the other parties. All notices, demands and requests shall be effective upon being deposited in the United States mail or delivered to the overnight courier in the manner prescribed above or by facsimile transmission, provided a copy thereof sent the same day by first class mail, postage prepaid. However, the time period within which a response to any such notice, demand or request must be given shall commence to run from the date of receipt by the addressee thereof as shown on the return or courier receipt of the notice, demand or request or upon the date evidencing transmittal and receipt of facsimile transmission. Rejection or other refusal to accept or the inability to deliver because of changed address of which not notice thereof was given shall be deemed to be receipt of the notice, demand or request as of the date of such rejection, refusal or inability to deliver. Notwithstanding the foregoing billing and invoicing by Landlord may be sent to Tenant by United States first class mail.

SECTION 19.5 AUTHORIZED INDIVIDUALS. Whenever in or in connection with this Lease, the consent or approval of any party hereto is required or desired (including, without limitation, in connection with the approval of components of the Final Base Building Plans and Specifications and T/I Plans and Specifications), any one or more of the following named persons shall be authorized to act on behalf of, and bind, the parties as set forth below, until any party shall deliver written notice to the others of the termination of such authorization:

For Landlord: Gerald A. Pientka
Robert D. McCormick
Timothy J. McEnery

For Tenant: Gary Blanford and any one of John Beattie,
Kenneth V. Biller or Paula A. Bauer

At any time or from time to time, any party may add or delete names of authorized individuals to the aforesaid list, by providing written notice of such additions to the other parties hereto.

SECTION 19.6 QUIET ENJOYMENT. Landlord covenants and agrees that Tenant, upon paying the Base Rent and the Additional Charges, and upon observing and keeping the covenants, agreements and conditions of this Lease on its part to be kept, observed and performed, shall lawfully and quietly hold, occupy and enjoy the Demised Premises during the Term without hindrance or molestation.

SECTION 19.7 LANDLORD AND SUCCESSORS. The term "Landlord," as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the Landlord under the this Lease, and in the event of any transfer(s) or conveyance(s), the grantee or successor of same, and the grantor or assignor shall be automatically freed and relieved, from and after the date of such transfer or conveyance, of all liability with respect to any covenants or obligations on the part of Landlord contained in this Lease, the performance of which first accrues on or after the date of such transfer or conveyance. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the aforesaid, be binding on Landlord, its successors and assigns, only during and in respect of their respective successive periods as the same is in title to the Demised Premises.

SECTION 19.8 LIMITATION ON LANDLORD'S LIABILITY. Tenant acknowledges and agrees that (a) Tenant is entitled only to look to Landlord's interest in the Demised Premises for recovery of any judgment from Landlord; and (b) Landlord (and if Landlord is a partnership, its partners, whether general or limited, and if Landlord is a limited liability company, its members, managers or officers,

and if Landlord is a corporation, its directors, officers or shareholders) shall never be personally liable for any personal judgment or deficiency decree or judgment against it. Notwithstanding the foregoing, the obligations and liability of the Developer pursuant to Section 19.24 hereof shall not be deemed limited, reduced or diminished as a result of the foregoing limitation on Landlord's liability.

SECTION 19.9 ESTOPPELS. Tenant shall, without charge, at any time and from time to time, within ten (10) business days after written request by Landlord, certify by written instrument in substantially the form set forth as EXHIBIT 19.9 attached hereto and made a part hereof, duly executed, acknowledged and delivered to any actual or proposed Mortgagee, assignee or purchaser, or to any other person or entity dealing with Landlord or the Demised Premises as to the matters set forth in EXHIBIT 19.9 ("ESTOPPEL LETTER"). Landlord shall, without charge, at any time and from time to time, within ten (10) business days after written request by Tenant, certify by written instrument in substantially the form set forth in EXHIBIT 19.9, duly executed, acknowledged and delivered to any proposed lender, purchaser of Tenant's stock or assets, or any other person dealing with Tenant or the Demised Premises as to the matters set forth in EXHIBIT 19.9, provided that "Landlord" shall be substituted for "Tenant" and "Tenant" shall be substituted for "Landlord" as is logical and reasonable.

SECTION 19.10 SEVERABILITY; GOVERNING LAWS. If any covenant, condition, provision, term or agreement of this Lease shall, to any extent, be held invalid or unenforceable, the remaining covenants, conditions, provisions, terms and agreements of this Lease shall not be affected thereby, but each covenant, condition, provision, term or agreement of this Lease shall be valid and in force to the fullest extent permitted by law. This Lease shall be construed and be enforceable in accordance with the laws of the State of Illinois, without regard to its conflict of laws rules.

SECTION 19.11 BINDING EFFECT. The covenants and agreements herein contained shall bind and inure, respectively, to the benefit of Landlord, its successors and assigns, Developer, and its successors and assigns, and Tenant, and its permitted successors and assigns.

SECTION 19.12 CAPTIONS. The caption of each Article and Section of this Lease is for convenience of reference only, and in no way defines, limits or describes the scope or intent of such Article or Section of this Lease.

SECTION 19.13 LANDLORD - TENANT RELATIONSHIP. This Lease does not create the relationship of principal and agent, or of partnership, joint venture or any other association or relationship, between or among one or more of Landlord, Developer and Tenant, the sole relationship between Landlord and Tenant being that of landlord and tenant, and the relationship between Developer and Tenant being that of servant and master. Further, except as otherwise provided herein, no person or entity shall be entitled to claim any rights as a third party beneficiary hereof.

SECTION 19.14 LANDLORD'S PROPERTY. Tenant acknowledges that the Demised Premises will be the property of Landlord, and that Tenant will have only the right to possession and use thereof upon the covenants, conditions, provisions, terms and agreements set forth in this Lease.

SECTION 19.15 SURVIVAL. All obligations of the parties hereunder (together with interest on Tenant's monetary obligations at the Maximum Rate of Interest) accruing prior to expiration of the Term shall survive the expiration or other termination of this Lease.

SECTION 19.16 CLAIMS. Any claim which Tenant may have against Landlord or Landlord may have against Tenant for default in the performance of any of their respective obligations herein contained to be kept and performed shall be deemed waived unless (a) such claim is asserted by written notice thereof to Landlord or Tenant, as the case may be within one hundred eighty (180) days after the later of (i) the commencement of the alleged default or of the accrual of the cause of action, or (ii) the date the claiming party had actual knowledge of the default or fact on which the claim is based, and (b) unless suit is brought thereon within one (1) year after the later of (i) the accrual of such cause of action, or (ii) the date the claiming party had actual knowledge of the default or fact on which the cause of action is based.

SECTION 19.17 REASONABLENESS. Except as otherwise provided herein, any consent, action or inaction required to be given (or which may be withheld), done or not done, by any of the parties hereto shall be given (or not withheld), done or not done in a commercially reasonable fashion.

SECTION 19.18 REAL ESTATE BROKER. Tenant represents that Tenant has not dealt with any broker, finder or other representative in connection with this

Lease, and that no broker (or other person or entity) negotiated this Lease or is entitled to any commission in connection herewith. Tenant shall indemnify and save Landlord, and its members, directors, officers, contractors, subcontractors, sub-subcontractors, Mortgagees, agents and employees, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them in connection with claims made by any broker or finder claiming by, through or under Tenant for a commission or fee in connection with this Lease.

Landlord represents that Landlord has not dealt with any broker, finder or other representative in connection with this Lease, and that no broker (or other person or entity) negotiated this Lease or is entitled to any commission in connection herewith. Landlord shall indemnify and save Tenant, and its directors, officers, shareholders, contractors, subcontractors, sub-subcontractors, agents and employees, harmless from and against any and all loss, cost or damage, including, without limitation, reasonable attorneys' fees, incurred or sustained by any of them in connection with any claims made by any other broker or finder claiming by, through or under Landlord for a commission or fee in connection with this Lease.

SECTION 19.20 DELIVERY OF CORPORATE DOCUMENTS. During the period that Tenant or any Permitted Transferee is a publicly traded company, without charge to Landlord during the Term, Tenant shall deliver to Landlord annually, promptly after available, Tenant's 10-K's and promptly following availability during each Lease Year Tenant's 10-Q's in the form the same have been filed with the federal Securities and Exchange Commission.

If Tenant or any Permitted Transferee ceases to be a publicly traded company, then not more than once each calendar year during the Term, within ten (10) days after written request by Landlord, Tenant shall deliver to Landlord in connection with any proposed BONA FIDE sale or mortgage of the Demised Premises, copies, certified by Tenant's chief financial officer, of Tenant's balance sheet, income statement and statement of sources and uses for Tenant's then most recently ended fiscal year, and Tenant's immediately preceding two (2) fiscal years ("FINANCIAL STATEMENTS"). In addition, if Tenant or a Permitted Transferee ceases to be a publicly traded company, upon the written request of Landlord to Tenant, Tenant shall deliver to Landlord Tenant's most recent interim or annual Financial Statements, as applicable.

SECTION 19.21 EXHIBITS; RIDER PROVISIONS. Any Exhibits attached hereto are an integral part hereof, and this Lease shall be construed as though such Exhibits were set forth in full herein. In the event that there are one or more Riders attached to this Lease, then the provisions of such Rider(s) shall take precedent over any conflicting provisions contained herein.

SECTION 19.22 ATTORNEYS' FEES. In the event of any litigation or judicial action in connection with this Lease or the enforcement hereof, the prevailing party in any such litigation or judicial action shall be entitled to recover all costs and expense of any such judicial action or litigation (including, without limitation, reasonable attorneys' fees) from the other party.

SECTION 19.23 TIME IS OF THE ESSENCE. Subject to the required notice and applicable cure periods contained in this Lease, time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

SECTION 19.24 DEVELOPER'S LIABILITIES. Until the last to occur ("DEVELOPER'S GUARANTY TERMINATION") of (i) the Substantial Completion of the Initial Improvements, (ii) all Punch List work required of Landlord pursuant to the provisions of the Work Letter have been fully completed, and (iii) all Warranty Work required of the Landlord pursuant to the provisions of the Work Letter for the Initial Improvements have been fully completed, Developer unconditionally guaranties the full and timely performance and observance of all the payment and performance obligations and all other covenants, conditions and agreement to be performance by Landlord under the terms of this Lease ("GUARANTEED OBLIGATIONS"). If the Landlord does not perform the Guaranteed Obligations, Developer unconditionally and irrevocably covenants and agrees that it shall, at its sole cost and expense, pay all costs and expenses of and discharge all of the Guaranteed Obligations. Tenant may proceed to enforce the provisions of this Section 19.24 against the Developer in the first instance without first proceeding against Landlord or any other person and without first resorting to any self-help rights or privileges of Tenant hereunder or to any other remedies. Developer hereby waives and agrees not to assert or take advantage of any defense based upon any modification or amendment of this Lease, legal disability of Landlord, or any discharge or limitation of liability of Landlord, or any restraint or stay applicable to actions against Landlord (except to the extent they are a Permitted Delay), whether such disability, discharge, limitation, restraint or stay is consensual, or by order of a court

or other governmental authority, or arising by operation of law or any liquidation, reorganization, receivership, bankruptcy, insolvency or debtor-relief of Landlord.

SECTION 19.25 LANDLORD'S WAIVER OF MODIFICATIONS. Landlord hereby waives and releases during the Term the right to make any alterations or modifications to the Demised Premises, without in each instance first obtaining Tenant's prior written consent, which consent shall not be unreasonably conditioned or delayed if such alteration or modification does not adversely interfere with Tenant's Permitted Use and does not increase or alter the scope or cost of Tenant's Operation, Repairs and Maintenance obligations.

SECTION 19.26 MEMORANDUM OF LEASE. In the event Tenant desires to record a Memorandum of this Lease, Tenant shall prepare the same and deliver it to Landlord for its review and approval. Landlord shall not unreasonably delay in or withhold its approval, execution and delivery of a Memorandum of this Lease, provided such Memorandum discloses only the Term and other non-financial provisions of this Lease reasonably acceptable to Landlord.

SECTION 19.27 TENANT'S EXCLUSIVE POSSESSION. Tenant shall have the exclusive right of possession of the Demised Premises during the Term, except for Landlord's (i) performance of those portions of Tenant's Operation, Repair and Maintenance Tenant failed to fully or timely perform, and Landlord's right of inspection as provided in Section 19.1 hereof, (ii) rights pursuant to Section 10.3 hereof, (iii) obligations pursuant to Articles 11 and 12 hereof, and (iv) right to display the Demised Premises as provided in Section 19.2 hereof.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Lease to be duly executed as of the day and year first above written.

Landlord:	Tenant:
200 CORPORATE DRIVE, L.L.C., a Delaware limited liability company	RAYOVAC CORPORATION, a Wisconsin corporation
By: HDP Asset Co., L.L.C., a Delaware limited liability company, a Member	
By: /s/ Gerald A. Pientka	By: /s/ Kent J. Hussey
Its: Authorized Representative	Its: President and Chief Financial Officer

Developer:

HIGGINS DEVELOPMENT PARTNERS, L.L.C.,
A Delaware limited liability company

By: /s/ J.W. Higgins

Its: Chairman

SCHEDULE OF EXHIBITS

Exhibit A -- Legal Description of Land

Exhibit 1.6(a) -- Form of Letter of Credit

Exhibit 2.1 -- Work Letter

Appendix 2.1(2) - Schedule of Approved Plan Components

Appendix 2.1(4-A) - Schedule of New Plan Components

Appendix 2.1(4-B) -- Initial Improvements Final Plans and Specifications (to come)

Appendix 2.1(7-A) -- Budget

Appendix 2.1(7-B) -- Schedule of Tenant Funded Tenant Improvements (Mandatory and Optional)

Appendix 2.1(8-A) -- Schedule of Scope and Lump Sum Cost for Contractor Self Performed Work

Appendix 2.1(8-B) -- List of Construction Subcontractors Exempt from Bidding

Appendix 2.1(11) -- Fit-Up Work

Exhibit 2A.4 -- Expansion Plans (to come)

Exhibit 14.1 -- Subordination, Non-Disturbance and Attornment Agreement

Exhibit 16.1 -- Recognized Trade Fixtures

Exhibit 19.9 -- Estoppel Letter

Exhibit 21

SUBSIDIARY	JURISDICTION OF ORGANIZATION
Rayovac Corporation	U.S.A. (WI)
Minera Vidaluz, S.A. de C.V.	Mexico
Rovcal, Inc.	USA (CA)
ROV Holding, Inc.	USA (DE)
Rayovac Foreign Sales Corporation	Barbados
Rayovac (UK) Limited	U.K.
Rayovac Far East Limited	Hong Kong
Zoephos International N.V.	Netherlands
Rayovac Canada Inc.	Canada
Rayovac Europe B.V.	Netherlands
Rayovac Europe Limited	U.K.
Brisco Electronics B.V.	Netherlands
Brisco Electronics GmbH	Federal Republic of Germany
Rayovac Latin America, Ltd.	Cayman Islands
Rayovac Argentina S.R.L.	Argentina
Rayovac Chile Ltda.	Chile (Santiago)
Rayovac Overseas Corp.	Panama
Rayovac Venezuela, S.A.	Venezuela
Distribuidora Rayovac Guatemala, S.A.	Guatemala
Rayovac Guatemala, S.A.	Guatemala
Rayovac El Salvador, S.A. de C.V.	El Salvador
Ray-O-Vac de Mexico, S.A. de C.V.	Mexico
Rayovac Costa Rica, S.A.	Costa Rica
Rayovac Honduras, S.A.	Honduras
Distribuidora Rayovac Honduras, S.A.	Honduras
Rayovac Dominican Republic, S.A.	Dominican Republic (Santo Domingo)
Rayovac Colombia, S.A.	Colombia
ROV International Finance Company	Cayman Islands
Varta S.A.	Colombia
Varta S.A. de C.V.	Mexico
Varta Ltd.	England
Varta B.V.	Netherlands
Pile D'Alsac S.A.S.	France
Varta Pilleri Ticaret Ltd.	Turkey
ROV German General Partner GmbH	Germany
ROV German Limited GmbH	Germany
ROV German Finance GmbH	Germany
ROV German Holding GmbH	Germany
Varta Geratebatterie GmbH	Germany
Varta S.A.	France
Varta Batterie S.p.A.	Italy
Varta Kreskedelmi es Szolgaltato KFT	Hungary
Varta Baterie Sp. Zo.o	Poland
Varta Baterie spol.s r.o.	Czech Republic
Varta Consumer Batteries A/S	Denmark
Varta Batterie GmbH	Austria

EXHIBIT 23

CONSENT OF KPMG LLP

The Board of Directors and Shareholders
Rayovac Corporation:

We consent to incorporation by reference in the registration statements on Form S-3 (No. 333-69711) and Form S-8 (Nos. 333-39239, 333-41815, 333-42443, and 333-68250), of Rayovac Corporation of our reports dated November 1, 2002, with respect to the consolidated balance sheets of Rayovac Corporation and subsidiaries as of September 30, 2001 and 2002, and the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended September 30, 2002 and the related financial statement schedule, which reports appear in the September 30, 2002, Annual Report on Form 10-K of Rayovac Corporation.

Milwaukee, Wisconsin
December 16, 2002

EXHIBIT 99.1

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

In connection with the Annual Report on Form 10-K of Rayovac Corporation (the "Company") for the fiscal year ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jones, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Jones
- ----------
Name: David A. Jones
Title: Chief Executive Officer
Date: December 16, 2002

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 99.2

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

In connection with the Annual Report on Form 10-K of Rayovac Corporation (the "Company") for the fiscal year ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall J. Steward, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Randall J. Steward
- --
Name: Randall J. Steward
Title: Chief Financial Officer
Date: December 16, 2002

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.