Spectrum Brands, Inc.
Form DEFM14A
May 12, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

The Securities Exchange Act of 1934

Filed by Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

SPECTRUM BRANDS, INC.

(Name of Registrant as specified in its charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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MERGER PROPOSED   YOUR VOTE IS VERY IMPORTANT

Dear Stockholder,

On February 9, 2010, the board of directors of Spectrum Brands, Inc., a Delaware corporation (Spectrum), approved and Spectrum signed a definitive Agreement and Plan of Merger (as amended, the merger agreement) with Russell Hobbs, Inc., a Delaware corporation (Russell Hobbs).

As part of the proposed transaction, Spectrum and Russell Hobbs will become subsidiaries of Spectrum Brands Holdings, Inc., a newly-created Delaware holding corporation (SB Holdings). Upon the consummation of the proposed transaction, (i) Spectrum stockholders will be entitled to receive one share of common stock of SB Holdings in exchange for each share they hold of common stock in Spectrum and (ii) Russell Hobbs stockholders will be entitled to receive shares of SB Holdings in exchange for their shares of Russell Hobbs common stock and preferred stock in accordance with the terms of the merger agreement.

At a special meeting of Spectrum stockholders, Spectrum stockholders will be asked to vote on the adoption of the merger agreement described in this proxy statement/prospectus. Adoption of the merger agreement requires the affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of Harbinger Capital Partners Master Fund I, Ltd. and two of its affiliates (collectively, the Harbinger Parties)) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties). At the time of the special meeting, neither the stockholders of Spectrum nor the stockholders of Russell Hobbs will know the value of the consideration that they will receive in the merger. In addition, at the time that Spectrum stockholders vote on the adoption of the merger agreement, Spectrum stockholders will not know the number of shares of SB Holdings that will be issued pursuant to the merger agreement to the Harbinger Parties in exchange for the Harbinger Parties shares of Russell Hobbs common stock and preferred stock.

The Harbinger Parties currently own approximately 40% of the shares of outstanding Spectrum common stock and 100% of the shares of outstanding Russell Hobbs common and preferred stock. The Harbinger Parties have entered into agreements with Spectrum pursuant to which they have agreed to vote in favor of the adoption of the merger agreement. Following the consummation of the proposed transaction, the Harbinger Parties are expected to own approximately 65% of SB Holdings.

On February 8, 2010, the last full trading day before the merger agreement was signed, the closing sales price of Spectrum common stock, which at the time traded on the OTC Bulletin Board and the Pink Sheet Electronic Quotation Service under the symbol SPEB, was $29.00 per share. On March 18, 2010, Spectrum common stock was listed on the New York Stock Exchange (NYSE) under the symbol SPB and on May 5, 2010, the closing sales price for the Spectrum common stock was $29.16. The NYSE has approved the listing of SB Holdings common stock under the symbol SPB , subject to official notice of issuance.

Upon the unanimous recommendation to the board of directors of a committee consisting solely of independent directors, Spectrum s board of directors has determined that the merger agreement and the proposed transaction are advisable and in the best interests of Spectrum stockholders, other than the Harbinger Parties, and recommends that its stockholders vote FOR adoption of the merger agreement and FOR approval of the proposal to adjourn the Spectrum special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the Spectrum special meeting to adopt the merger agreement. The proposed transaction is conditioned upon the adoption of the merger agreement by Spectrum stockholders, receipt of applicable regulatory approvals and other conditions described in the attached proxy statement/prospectus.

It is important that your shares are represented at the special meeting, whether or not you plan to attend the meeting. Abstentions and failures to vote will have the same effect as votes Against the proposal to adopt the merger agreement. **Accordingly, please complete, date, sign and return promptly your proxy card in the enclosed postage pre-paid envelope.** You may attend the special meeting and vote your shares in person if you wish, even though you have previously returned your proxy.

This document describes the special meeting, the proposed transaction, the documents related to the proposed transaction and other related matters that a Spectrum stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including the Risk Factors section beginning on page 32, for a discussion of the risks relating to the proposed transaction. You also can obtain information about Spectrum from documents that it has filed with the Securities and Exchange Commission. See Where You Can Find More Information for instructions on how to obtain such

information.

Sincerely,

/s/ David R. Lumley
David R. Lumley
Chief Executive Officer
Spectrum Brands, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the common stock of SB Holdings to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this document is May 11, 2010 and it is first being mailed or otherwise delivered to Spectrum stockholders on or about May 12, 2010.

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Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

(770-829-6200)

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 11, 2010

To the Stockholders of Spectrum Brands, Inc.:

You are cordially invited to attend the special meeting of stockholders of Spectrum Brands, Inc., a Delaware corporation (Spectrum). The meeting will be held on June 11, 2010 at 9:30 a.m., local time, at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP located at 1285 Avenue of the Americas, New York, New York 10019, for the following purposes:

1. To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of February 9, 2010, as amended (the merger agreement), by and among Spectrum, Russell Hobbs, Inc., Spectrum Brands Holdings, Inc. (SB Holdings), Battery Merger Corp., a direct wholly-owned subsidiary of SB Holdings, and Grill Merger Corp., a direct wholly-owned subsidiary of SB Holdings, all Delaware corporations.

2. To consider and vote upon an adjournment of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special meeting to vote in favor of adoption of the merger agreement.

3. To transact such other business as may properly come before the special meeting and any adjournment or postponement thereof.

Upon the unanimous recommendation to the board of directors of a committee consisting solely of independent directors, Spectrum s board of directors has determined that the merger agreement and the proposed transaction are advisable and in the best interests of Spectrum stockholders, other than the Harbinger Parties (defined below), and recommends that its stockholders vote FOR adoption of the merger agreement and FOR approval of the proposal to adjourn the Spectrum special meeting, if necessary, to solicit additional proxies if there are not sufficient votes at the time of the Spectrum special meeting to adopt the merger agreement.

The board of directors of Spectrum has fixed May 5, 2010 as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Spectrum common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. At the close of business on the record date, Spectrum had 30,629,213 shares of common stock outstanding and entitled to vote.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares personally on request if you attend the meeting.

Your vote is important. The affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of Harbinger Capital Partners Master Fund I, Ltd. and two of its affiliates, Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (collectively, the Harbinger Parties)) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger

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Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)) on the record date for the special meeting are required for adoption of the merger agreement. If a quorum is present, the affirmative vote of the holders of a majority of the votes represented at the meeting and entitled to vote on the matter is required to approve an adjournment of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Spectrum special meeting to adopt the merger agreement.

Whether or not you expect to attend the special meeting in person, please complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure we receive your proxy with respect to your shares. Instructions are shown on the proxy card. A return envelope (which is postage pre-paid if mailed in the United States) is enclosed for your convenience.

If you sign, date and mail your proxy card without indicating how you wish to have your shares voted, the shares represented by the proxy will be voted in favor of adoption of the merger agreement (Proposal No. 1) and an adjournment of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement (Proposal No. 2). If you fail to return your proxy card, or if your shares are held in street name and you do not instruct your broker how to vote your shares, the effect will be as though you cast a vote Against the adoption of the merger agreement. If you attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person prior to the close of voting at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy issued in your name from that record holder.

Please do not send any documents representing your ownership of Spectrum common stock at this time.

BY ORDER OF THE BOARD OF DIRECTORS,

/s/ John T. Wilson
John T. Wilson, Esq.
Senior Vice President, Secretary and General Counsel
Atlanta, Georgia

May 11, 2010

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Spectrum from documents that are not included in or delivered with this document. You may have already been sent some of the documents incorporated by reference, but you can obtain any of them through the Securities and Exchange Commission website at http://www.sec.gov or from Spectrum, excluding all exhibits (unless an exhibit has been specifically incorporated herein by reference), by requesting them in writing or by telephone from Spectrum at the following address:

Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

(770) 829-6200

You can also get more information by visiting Spectrum s website at www.spectrumbrands.com. Website materials are not part of this proxy statement/prospectus.

You will not be charged for any of these documents that you request. If you would like to request documents from Spectrum, please do so by June 4, 2010 to receive them before the special stockholders meeting. If you request any incorporated documents, Spectrum will strive to mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

See Where You Can Find More Information.

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LIST OF ANNEXES

Annex A-1	Agreement and Plan of Merger, dated as of February 9, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp. and Grill Merger Corp.
Annex A-2	Amendment to Agreement and Plan of Merger, dated as of March 1, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp. and Grill Merger Corp.
Annex A-3	Second Amendment to Agreement and Plan of Merger, dated as of March 26, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp. and Grill Merger Corp.
Annex A-4	Third Amendment to Agreement and Plan of Merger, dated as of April 30, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp. and Grill Merger Corp.
Annex B	Opinion of Barclays Capital Inc.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND

THE PROPOSED TRANSACTION

The questions and answers below highlight only selected procedural information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. You should read carefully this entire proxy statement/prospectus to fully understand the Agreement and Plan of Merger and the transactions contemplated thereby and the voting procedures for the special meeting. Unless otherwise indicated in this proxy statement/prospectus or the context otherwise requires, throughout this proxy statement/prospectus we generally refer to Spectrum Brands, Inc. and, where applicable, its consolidated subsidiaries as Spectrum, Russell Hobbs, Inc. and, where applicable, its consolidated subsidiaries as Russell Hobbs, Spectrum Brands Holdings, Inc., a newly formed holding company, as SB Holdings, Battery Merger Corp., a direct wholly-owned subsidiary of SB Holdings, as Battery Sub, Grill Merger Corp., a direct wholly-owned subsidiary of SB Holdings, as Grill Sub, Harbinger Capital Partners Master Fund I, Ltd. and two of its affiliates as the Harbinger Parties and the Agreement and Plan of Merger, dated as of February 9, 2010, by and among Spectrum, Russell Hobbs, SB Holdings, Battery Sub and Grill Sub, as amended, as the merger agreement .

Q: What are the mergers?

A: On February 9, 2010, Spectrum entered into the merger agreement with Russell Hobbs, SB Holdings, Battery Sub and Grill Sub. As part of the proposed transaction, Spectrum and Russell Hobbs will become subsidiaries of SB Holdings, a newly created Delaware holding corporation.

Under the merger agreement, (i) Battery Sub will merge with and into Spectrum, with Spectrum as the surviving corporation (the Spectrum merger), and (ii) Grill Sub will merge with and into Russell Hobbs, with Russell Hobbs as the surviving corporation (the Russell Hobbs merger, which, together with the Spectrum merger, are referred to herein as the mergers). Battery Sub and Grill Sub are both direct wholly-owned subsidiaries of SB Holdings.

Upon the consummation of the mergers, (i) Spectrum stockholders will be entitled to receive in the Spectrum merger one share of the common stock of SB Holdings (SB Holdings common stock) in exchange for each share they hold of Spectrum common stock (Spectrum common stock) and (ii) Russell Hobbs stockholders will be entitled to receive shares of SB Holdings in exchange for their shares of Russell Hobbs common stock and preferred stock (Russell Hobbs Stock) in accordance with the terms of the merger agreement and based on a $675 million enterprise value of Russell Hobbs, subject to various adjustments set forth in the merger agreement, and a $31.50 per share valuation of Spectrum common stock. The adjustments set forth in the merger agreement include, among other things, adjustments to reflect the amount of cash held by Russell Hobbs and Russell Hobbs indebtedness for borrowed money.

Based on the information set forth in Russell Hobbs December 31, 2009 balance sheet, the adjustments to the enterprise value of Russell Hobbs set forth in the merger agreement would have resulted in a reduction of such enterprise value from $675 million to $644 million, taking into account the conversion of the Harbinger Parties existing approximately $158 million principal amount of Russell Hobbs term debt into SB Holdings common stock at a price of $31.50 per share. The shares of SB Holdings common stock to be issued to the Harbinger Parties upon such conversion are included in the calculation of the 20,432,000 shares to be issued to Russell Hobbs stockholders as described herein; however, such shares are not included in the shares of SB Holdings common stock to be registered under this proxy statement/prospectus.

As a result of the mergers, the stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings, and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common

stock prior to the consummation of the mergers). For more details regarding the mergers, see The Proposed Transaction and The Merger Agreement (Proposal No. 1). Copies of the merger agreement and the three amendments to the merger agreement are attached as *Annex A-1*, *Annex A-2*, *Annex A-3* and *Annex A-4*, respectively.

At the time of the special meeting, neither the stockholders of Spectrum nor the stockholders of Russell Hobbs will know the value of the consideration that they will receive in the merger. In addition, at the time that Spectrum stockholders vote on the adoption of the merger agreement, Spectrum stockholders will not know the number of shares of SB Holdings that will be issued pursuant to the merger agreement to the Harbinger Parties in exchange for the Harbinger Parties shares of Russell Hobbs common stock and preferred stock.

Q: What is the total consideration for the mergers?

A: The following is an illustration of how the total consideration for the mergers would be calculated based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009.

SB Holdings Common Shares Issued To	Total Shares(1)	Value(2)
Harbinger Parties in exchange for shares of Russell Hobbs Stock	14,925,622	$ 470,157,093
Harbinger Parties in exchange for conversion of Harbinger term loan	5,220,232	$ 164,437,308
Harbinger Parties in exchange for shares of Spectrum common stock (3)	12,450,198	$ 392,181,237
Other Spectrum stockholders in exchange for shares of Spectrum common stock	18,179,015	$ 572,638,973
Russell Hobbs RSU holders (4)	286,146	$ 9,013,599
Total shares of SB Holdings issued in mergers (including RSUs)	51,061,213	$ 1,608,428,210

(1) The calculations of the SB Holdings shares issuable in the mergers in the above table are based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009 and the adjustments provided in the merger agreement. The merger agreement provides for a one to one exchange ratio for shares of Spectrum common stock. There were 30,629,213 shares of Spectrum common stock outstanding, 110,231.34 shares of Russell Hobbs Series D Preferred Stock outstanding and 50,000 shares of Russell Hobbs Series E Preferred Stock outstanding. The exchange ratio for shares of Russell Hobbs Series D and Series E Preferred Stock is based on the liquidation preference and accrued but unpaid dividends with respect to each series of the preferred stock, and a $31.50 price per share for SB Holdings common stock. At December 31, 2009, the aggregate liquidation preference and accrued but unpaid dividends on (a) the Series D Preferred Stock was approximately $151,147,000 and (b) the Series E Preferred Stock was approximately $60,825,000.

The RH Common Exchange Ratio is based in part on (a) the amount of consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries in excess of $17 million, (b) the amount of consolidated indebtedness for money borrowed of Russell Hobbs and its subsidiaries (other than the Harbinger term loan to Russell Hobbs) and (c) the pay-off amount of the Harbinger term loan to Russell Hobbs. At December 31, 2009, the consolidated cash and cash equivalents was $24,299,000, the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) was $38,542,000 plus $149,000 in accrued but unpaid interest, and the Harbinger term loan pay-off amount was $164,437,000 (assuming prepayment penalties of $6,172,000).

The value of the consideration and the number of shares of SB Holdings common stock to be issued will differ from the example in this table (which is being presented for illustration purposes only) because the number of shares of SB Holdings common stock to be issued to each of the parties set forth in this table will vary based on changes prior to the closing of the mergers in (a) the liquidation preference and accrued but unpaid dividends owed on the Russell Hobbs Series D and Series E Preferred Stock, (b) the consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries, (c) the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) and (d) the pay-off amount for the Harbinger term loan to Russell Hobbs.

(2) Based upon $31.50 per share.

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(3) Based on the Harbinger Parties Form 4 filed on May 6, 2010, the Harbinger Parties collectively beneficially own 12,450,198 shares of Spectrum common stock as of that date.

(4) Based on 25,800,000 Russell Hobbs Restricted Stock Units outstanding on May 6, 2010.

The actual amounts of the adjustments to the exchange ratios at the closing of the mergers will not be known until immediately prior to the closing of the mergers, and therefore, the value of the consideration and the number of shares of SB Holdings common stock to be issued in the mergers will not be known at the time that Spectrum stockholders vote on the adoption of the merger agreement.

Q: What are the benefits of the proposed business combination?

A: We believe the benefits of the proposed business combination include:

- a premier consumer products company with $3 billion in annual revenues with products carried in more than one million retail outlets globally;
- a diverse portfolio of market leading brands, including *Rayovac*, *VARTA*, *Remington*, *Hot Shot*, *Cutter*, *Repel*, *Spectracide*, *Tetra*, *8 in 1 Dingo, Black & Decker*, *George Foreman*, *Russell Hobbs*, *LitterMaid* and *Toastmaster*;
- a combined company that will be able to leverage the sales, distribution and administrative infrastructure of Spectrum and Russell Hobbs to realize cost synergies and to pursue revenue growth opportunities; and
- a stronger capital structure with reduced financial risk (transaction is expected to lower leverage ratio, reduce debt cost, extend debt maturity profile and enhance liquidity compared to Spectrum s existing capital structure).

Q: Why am I receiving these materials?

A: We sent you this proxy statement/prospectus and the enclosed proxy card because you have been identified as a stockholder of record of Spectrum and the board of directors of Spectrum is soliciting your proxy to vote at a special meeting of stockholders. To submit your proxy, complete, date, sign and return the enclosed proxy card. You are also invited to attend the special meeting in person, although you do not need to attend the special meeting to have your shares voted at the special meeting. We intend to mail this proxy statement/prospectus and accompanying proxy card on or about May 12, 2010 to all stockholders of record entitled to vote at the special meeting.

Q: What is the prior relationship among the Harbinger Parties, Spectrum and Russell Hobbs?

A: The Harbinger Parties currently own approximately 40% of the outstanding Spectrum common stock and 100% of the outstanding Russell Hobbs Stock. For additional information, see the sections entitled The Proposed Transaction Background of the Proposed Transaction, The

Proposed Transaction Interests of Certain Persons in the Spectrum Merger and Principal Stockholders.

Q: How will the combined company be managed following the mergers?

A: Immediately following the mergers, the board of directors of SB Holdings will be divided into three classes and will be comprised of ten individuals. Initially, six directors will be designated by Russell Hobbs, three will be designated by Spectrum and one will be the Chief Executive Officer of SB Holdings. The Chief Executive Officer of Spectrum will be the initial Chief Executive Officer of SB Holdings. In addition to the Chief Executive Officer, Spectrum s current management team will be the initial management team of SB Holdings. The Chief Executive Officer of Russell Hobbs will be added to Spectrum s management team to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of home appliance brands.

Q: What are the conditions to closing the mergers?

A: Consummation of the mergers is subject to certain conditions, including, among others, closing of a new financing, adoption of the merger agreement by Spectrum s stockholders, customary regulatory approvals,

no material adverse change in Spectrum or Russell Hobbs and other customary closing conditions. For more information, see the section entitled The Merger Agreement (Proposal No. 1) Conditions to the Mergers.

Q: What are the material federal income tax consequences of the mergers?

A: The obligation of Spectrum to consummate the Spectrum merger is conditioned on the receipt by Spectrum of an opinion of Sutherland Asbill & Brennan LLP, counsel to Spectrum, dated the date of the effective time of the Spectrum merger, to the effect that for U.S. federal income purposes the Spectrum merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and/or the mergers, taken together, will constitute exchanges described in Section 351 of the Internal Revenue Code. Tax matters are very complicated. Accordingly, we encourage you to consult your own tax advisor for a full understanding of the tax consequences of the mergers to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, see the section entitled Material U.S. Federal Income Tax Consequences.

Q: When do you expect the transaction to be consummated?

A: We anticipate that the consummation of the mergers will occur by the end of the third or fourth quarter of Spectrum s fiscal year 2010 if the requisite stockholder votes are obtained, assuming the other conditions to consummation of the mergers are satisfied or waived. However, it is possible that the transaction will not be consummated during that timeframe. For more information, see The Merger Agreement (Proposal No. 1) Conditions to the Mergers.

Q: Am I entitled to appraisal rights?

A: Spectrum stockholders are not entitled to appraisal rights under the General Corporation Law of the State of Delaware in connection with the mergers.

Q: Who may vote at the special meeting?

A: Only Spectrum stockholders of record at the close of business on May 5, 2010 will be entitled to vote at the special meeting. On the record date, there were 30,629,213 shares of Spectrum common stock outstanding and entitled to vote.

Q: How many votes do Spectrum stockholders have?

A: Each holder of Spectrum common stock will be entitled to one vote for each share held on all matters to be voted upon at the special meeting. The holders of record of Spectrum common stock will be entitled to vote on all matters to be voted upon at the special meeting.

As of the record date, directors and executive officers of Spectrum as a group beneficially owned and were entitled to vote approximately 629,213 shares of Spectrum common stock, representing approximately 2% of the votes entitled to be cast at the special meeting. All of the directors and executive officers of Spectrum who are entitled to vote at the special meeting have indicated that they intend to vote their shares of Spectrum common stock in favor of all of the proposals to be presented at the special meeting.

As of the record date, the Harbinger Parties beneficially owned and were entitled to vote approximately 40.62% of Spectrum common stock entitled to vote at the special meeting. On March 1, 2010, Spectrum and the Harbinger Parties entered into a Letter Agreement (described in this proxy statement/prospectus) to permit the Harbinger Parties to purchase up to 100,000 shares of Spectrum common stock per week, up to an aggregate maximum of two million shares, in order to provide additional liquidity to Spectrum s stockholders. As of May 5, 2010 the Harbinger Parties had purchased a total of 387,379 Letter Agreement Shares for an aggregate purchase price of $11.6 million. Pursuant to the terms of a

support agreement dated

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February 9, 2010 and the Letter Agreement, the Harbinger Parties have generally agreed to vote their shares of Spectrum common stock acquired before the date of the merger agreement in favor of the adoption of the merger agreement and against any Alternative Proposal (as defined in the merger agreement) that would impede the mergers and all of their shares of Spectrum common stock acquired after March 1, 2010 proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties), except under the circumstances described in this proxy statement/prospectus, with respect to the merger agreement and the proposed transaction.

Q: What stockholder approvals are required for Spectrum?

A: *Proposal No. 1:* The affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)) are required to adopt the merger agreement.

Proposal No. 2: If a quorum is present, the affirmative vote of the holders of a majority of Spectrum common stock represented at the meeting and entitled to vote on the matter is required to approve an adjournment of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the special meeting to vote in favor of adopting the merger agreement.

All other actions considered at the meeting may be taken upon the favorable vote of the holders of a majority of the votes present in person or represented by proxy at the meeting and entitled to vote on the matter.

Unless otherwise indicated, the discussions relating to the procedures for voting stock are applicable to holders of Spectrum common stock, present in person (or by remote communication) or represented by proxy and entitled to vote at the special meeting.

Q: What constitutes a quorum?

A: A quorum of at least a majority of the voting power of all outstanding shares of common stock of Spectrum represented by proxy or in person entitled to vote at the special meeting is necessary to hold a valid special meeting. On the record date, there were an aggregate of 30,629,213 shares of Spectrum common stock outstanding. Thus, 15,314,607 shares of Spectrum common stock must be represented by proxy or present in person at the special meeting to have a quorum. The inspector of elections will determine whether or not a quorum is present.

Your shares will be counted towards the quorum only if you are present in person at the special meeting or submit a valid proxy in accordance with the procedures set forth in How do I vote? below. Abstentions will also be counted towards the quorum requirement, but broker non-votes will not be counted towards the quorum requirement. If there is no quorum, a majority of the shares present in person or by proxy at the special meeting may vote to adjourn the special meeting to another date.

Q: What if I return a proxy card but do not make specific choices?

A: If Spectrum receives a signed and dated proxy card and the proxy card does not specify how your shares are to be voted, your shares will be voted FOR the adoption of the merger agreement and FOR the approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes to adopt the merger agreement. If any other matter is properly presented at the special meeting, your proxy (i.e., one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

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Q: What effect do abstentions and broker non-votes have on the outcome of the proposals?

A: An abstention has the same effect as a vote Against each of the proposals.

A broker non-vote occurs when a broker or bank cannot vote for a proposal because the broker or bank did not receive instructions from the beneficial owner on how to vote and does not have discretionary authority to vote on the beneficial owner s behalf in the absence of instructions. Broker non-votes are not counted as present for the purpose of determining the existence of a quorum, and also have the same effect as a vote Against the proposal to adopt the merger agreement. Broker non-votes will have no effect on the proposal to adjourn the meeting to permit further solicitation of proxies.

Q: How does Spectrum s board of directors recommend that I vote?

A: Spectrum s board of directors (acting upon the unanimous recommendation of a committee of independent directors to Spectrum s board of directors) recommends that Spectrum stockholders vote:

FOR Proposal No. 1 to adopt the merger agreement, and

FOR Proposal No. 2 to approve a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes to adopt the merger agreement.

Q: When and where is the special meeting?

A: The special meeting will take place on June 11, 2010 at 9:30 a.m., at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP located at 1285 Avenue of the Americas, New York, New York 10019-6064.

Q: Why is my vote important?

A: If you do not return your proxy card or vote in person at the special meeting, it will be more difficult for Spectrum to obtain the necessary quorum to hold the special meeting. In addition, the adoption of the merger agreement requires the affirmative votes of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)). As a result, **your failure to vote will have the same effect as a vote Against the adoption of the merger agreement**.

Q: What do I need to do now?

A: After you carefully read this proxy statement/prospectus, mail your signed proxy card in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting. In order to assure that your shares are voted, please submit your proxy as instructed on your proxy card even if you currently plan to attend the special meeting in person.

Q: How do I vote?

A: You may vote For, Against or Abstain from voting on either proposal. Votes will be counted by the inspector of elections appointed for the special meeting. The procedures for voting are as follows:

Submitting a Proxy Prior to the Special Meeting

Whether or not you plan to attend the special meeting, we urge you to submit a proxy prior to the special meeting to ensure that your shares are voted.

We strongly encourage you to submit a proxy by promptly returning your completed, signed and dated proxy card in the envelope provided (which is postage pre-paid if mailed in the United States).

If you submit a proxy to vote more than once, the proxy received later in time will revoke your earlier proxy and be the only proxy by which your shares are voted.

Giving your proxy means that you authorize us to vote your shares at the special meeting in the manner you direct. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by Spectrum s board of directors as described above.

If any other matter is presented, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement/prospectus went to press, we knew of no matters which needed to be acted on at the special meeting, other than those discussed in this proxy statement/prospectus.

Voting During the Special Meeting

If you hold shares directly in your name, you may vote during the special meeting in person prior to the close of voting.

If your shares are held in street name through a bank, broker or other nominee, in order to vote during the special meeting you must request and obtain a new, valid proxy card from such nominee prior to the meeting (please contact them for further information). Once you have obtained and properly completed this new proxy card, you may vote in person prior to the close of voting.

Q: Do I hold my shares of record or in street name?

A. If on the record date, your shares were registered directly in your name with Spectrum s transfer agent, BNY Mellon Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. If on the record date your shares were held in an account at a brokerage firm, bank, dealer or similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the special meeting.

As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the special meeting. However, because you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

Q: If my Spectrum shares are held in street name by my broker, will my broker vote my Spectrum shares for me?

A: Brokers cannot vote your Spectrum shares on Proposal No. 1 to adopt the merger agreement. Therefore, it is important that you follow the directions provided by your broker about how to instruct your broker to vote your shares. If you do not provide instructions to your broker about how to vote your shares on this proposal, your shares will be treated as broker non-votes with respect to this proposal, which will have the same effect as a vote Against the proposal to adopt the merger agreement.

Q: How are votes counted?

A: The inspector of elections for the special meeting will tabulate the votes.

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Q: How can I find out the voting results?

A: Preliminary and final voting results will be publicly announced as promptly as practicable. Preliminary voting results may be announced at the special meeting.

Q: May I change my vote after I have submitted my proxy?

A: Yes. You may revoke your proxy at any time before the close of voting at the special meeting. You may revoke your proxy in any of the following ways:

Prior to the special meeting, you may:

- submit another properly completed proxy card with a later date by following the return instructions on the proxy card; or

- send a written notice that you are revoking your proxy to our Corporate Secretary at our principal offices at Six Concourse Parkway, Suite 3300, Atlanta, GA 30328.

During the special meeting, you may vote in person prior to the close of voting. Simply attending the special meeting will not, by itself, revoke your proxy.

If you have instructed a broker, bank or other nominee to vote your shares, you must follow directions from such nominee to change those instructions.

Q: Who is paying for this proxy solicitation?

A: Spectrum will pay for the entire cost of soliciting proxies. In addition to the Spectrum proxy materials, Spectrum s directors, officers, other employees and any other solicitors that Spectrum may retain may also solicit proxies personally, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. Spectrum will provide copies of its solicitation materials to banks, brokerage houses, fiduciaries and custodians that hold beneficially owned shares of Spectrum common stock for distribution to such beneficial owners. Spectrum has retained Georgeson, Inc. to aid in Spectrum s proxy solicitation process. Spectrum estimates that its proxy solicitor fees will be approximately $9,000. Spectrum may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

Q: Should I send any documents representing my ownership of Spectrum common stock now?

A: No. After the proposed transaction is consummated, SB Holdings will send Spectrum stockholders written instructions for exchanging their Spectrum common stock for SB Holdings common stock. Please follow the instructions when you receive them.

Q: What does it mean if I receive more than one proxy card or more than one email instructing me to vote?

A: If you receive more than one proxy card or more than one email instructing you to vote, your shares are registered in more than one name or are registered in different accounts. Please complete, date, sign and return each proxy card, and respond to each email, to ensure that all

of your shares are voted.

Q: What does it mean if multiple members of my household are stockholders but we only received one set of proxy materials?

A: If you hold shares in street name, in accordance with a notice sent to certain brokers, banks or other nominees, we are sending only one proxy statement/prospectus to an address unless we received contrary

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instructions from any stockholder at that address. This practice, known as householding, is designed to reduce Spectrum s printing and postage costs. If you hold shares in your name rather than in street name and you would like to receive only one proxy statement/prospectus for your household, please contact BNY Mellon Shareowner Services, Spectrum s transfer agent, at (800) 777-3694, or access your account on the Internet at www.bnymellon.com/shareowner.

However, if any stockholder residing in your household wishes to receive a separate proxy statement/prospectus for future special meetings, they may call Spectrum s Investor Relations department at (770) 829-6200 or write to Investor Relations at investorrelations@spectrumbrands.com or Six Concourse Parkway, Suite 3300, Atlanta, GA 30328. For more information see The Special Meeting and Proxy Solicitation Spectrum Householding Information.

Q: Whom can I contact with any additional questions?

A: If you have questions about the special meeting or would like additional copies of this proxy statement/prospectus, you should contact:

Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

Attention: Investor Relations

Phone Number: (770) 829-6200

E-mail: investorrelations@spectrumbrands.com

SUMMARY

This summary highlights some of the information contained elsewhere in this proxy statement/prospectus. It is not complete and may not contain all of the information that you may want to consider. We urge you to read carefully this entire proxy statement/prospectus, including Risk Factors beginning on page 29, and the other documents we refer you to for a more complete understanding of the proposed transaction and subsequent combination. See Where You Can Find More Information. Certain items in this summary include a page reference directing you to a more complete description of that item. Unless otherwise indicated in this proxy statement/prospectus or the context otherwise requires, throughout this proxy statement/prospectus we generally refer to Spectrum Brands, Inc. and, where applicable, its consolidated subsidiaries as Spectrum, Russell Hobbs, Inc. and, where applicable, its consolidated subsidiaries as Russell Hobbs, Spectrum Brands Holdings, Inc., a newly formed holding company, as SB Holdings, Battery Merger Corp., a direct wholly-owned subsidiary of SB Holdings, as Battery Sub, Grill Merger Corp., a direct wholly-owned subsidiary of SB Holdings, as Grill Sub, Harbinger Capital Partners Master Fund I, Ltd. (Harbinger Master Fund) and two of its affiliates, Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger Special Situations Fund) and Global Opportunities Breakaway Ltd. (Breakaway Fund) as the Harbinger Parties and the Agreement and Plan of Merger, dated as of February 9, 2010, by and among Spectrum, Russell Hobbs, SB Holdings, Battery Sub and Grill Sub, as amended, as the merger agreement .

The Companies (see page 59)

Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

Telephone: (770) 829-6200

Spectrum, a Delaware corporation based in Atlanta, Georgia, is a global branded consumer products company with leading market positions in six major product categories: consumer batteries, pet supplies, electric shaving and grooming, electric personal care, portable lighting and home and garden control products. Spectrum is a leading worldwide manufacturer and marketer of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and a leading worldwide designer and marketer of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Spectrum s operations also include the manufacturing and marketing of specialty pet supplies. Spectrum is also a leading North American manufacturer and marketer of herbicides, insecticides and repellents.

Spectrum sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers. Spectrum enjoys strong name recognition in our markets under the *Rayovac*, *VARTA* and *Remington* brands, each of which has been in existence for more than 80 years, and under the *Spectracide*, *Cutter*, *Tetra*, *8-in-1* and various other brands. Spectrum has manufacturing and product development facilities located in the United States, Europe, China and Latin America. Substantially all of Spectrum s rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third party suppliers that are primarily located in Asia.

On February 3, 2009, Spectrum and thirteen of its United States subsidiaries (collectively, the Debtors) filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas. On August 28, 2009, the Debtors joint plan of reorganization (the Plan) became effective and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to the Plan, Spectrum s capital structure was realigned. Spectrum s outstanding equity securities were cancelled with no distribution to holders of Spectrum s then existing equity. Spectrum issued new common stock and 12% Senior Subordinated Toggle Notes due 2019 (PIK Notes) to holders of allowed claims in respect of

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Spectrum s then outstanding public senior subordinated notes. The supplemental and sub-supplemental participants in the Debtors debtor-in-possession credit facility also received the new common stock. Spectrum common stock has been listed on the New York Stock Exchange (NYSE) under the symbol SPB since March 18, 2010.

Russell Hobbs, Inc.

3633 S. Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

In December 2007, two longstanding companies in the small household appliance business, Salton, Inc. (Salton) and Applica Incorporated (Applica), combined their businesses through a merger, as a result of which Applica became a wholly-owned subsidiary of Salton. In December 2009, the combined company (formerly known as Salton, Inc.) changed its name to Russell Hobbs, Inc.

Russell Hobbs, a Delaware corporation based in Miramar, Florida, markets and distributes a broad range of branded small household appliances, pet and pest products, water products and personal care products. Russell Hobbs has a broad portfolio of well recognized brand names, including *Black & Decker*, *George Foreman*, *Russell Hobbs, Farberware, Toastmaster, Juiceman, Breadman* and *LitterMaid*. Russell Hobbs customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, South America, Europe and Australia.

Spectrum Brands Holdings, Inc.

c/o Russell Hobbs, Inc.

3633 S. Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

SB Holdings is a Delaware corporation and a newly formed holding company. SB Holdings was formed solely to effect the proposed transaction and has not conducted any business, other than in connection with the merger agreement and related ancillary agreements to which SB Holdings is a party. Pursuant to the merger agreement, Spectrum and Russell Hobbs will survive as wholly owned subsidiaries of SB Holdings. The NYSE has approved the listing of SB Holdings common stock under the symbol SPB , subject to official notice of issuance.

Battery Merger Corp.

c/o Russell Hobbs, Inc.

3633 S. Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

Battery Sub is a newly formed Delaware corporation and a direct wholly owned subsidiary of SB Holdings, which was formed solely to effect the proposed transaction and has not conducted and will not conduct any business during any period of its existence. Pursuant to the merger agreement, Battery Sub will merge with and into Spectrum with Spectrum continuing as the surviving corporation and a wholly owned subsidiary of SB Holdings.

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Grill Merger Corp.

c/o Russell Hobbs, Inc.

3633 S. Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

Grill Sub is a newly formed Delaware corporation and a direct wholly owned subsidiary of SB Holdings formed solely to effect the proposed transaction and has not conducted and will not conduct any business during any period of its existence. Pursuant to the merger agreement, Grill Sub will merge with and into Russell Hobbs with Russell Hobbs continuing as the surviving corporation and a wholly owned subsidiary of SB Holdings.

The Merger Agreement (Proposal No. 1) (see page 127)

The merger agreement is attached as *Annex A-1* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The first amendment to the merger agreement, dated as of March 1, 2010, is attached as *Annex A-2* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The second amendment to the merger agreement, dated as of March 26, 2010, is attached as *Annex A-3* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The third amendment to the merger agreement, dated as of April 30, 2010, is attached as *Annex A-4* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. Spectrum encourages its stockholders to read the merger agreement and the three amendments thereto carefully and in their entirety, as the merger agreement is the principal legal document governing the mergers.

The Proposed Transaction (see page 76)

On February 9, 2010, Spectrum entered into the merger agreement with Russell Hobbs, SB Holdings, Battery Sub and Grill Sub. As part of the proposed transaction, Spectrum and Russell Hobbs will become subsidiaries of SB Holdings, a newly created Delaware holding corporation.

Under the merger agreement, (i) Battery Sub will merge with and into Spectrum, with Spectrum as the surviving corporation (the Spectrum merger), and (ii) Grill Sub will merge with and into Russell Hobbs, with Russell Hobbs as the surviving corporation (the Russell Hobbs merger, which, together with the Spectrum merger, are referred to herein as the mergers). Battery Sub and Grill Sub are both direct wholly-owned subsidiaries of SB Holdings.

Upon the consummation of the mergers, (i) Spectrum stockholders will be entitled to receive in the Spectrum merger one share of the common stock of SB Holdings (SB Holdings common stock) in exchange for each share they hold of Spectrum common stock (Spectrum common stock) and (ii) Russell Hobbs stockholders will be entitled to receive shares of SB Holdings in exchange for their shares of Russell Hobbs common stock and preferred stock (Russell Hobbs Stock) in accordance with the terms of the merger agreement and based on a $675 million enterprise value of Russell Hobbs, subject to various adjustments set forth in the merger agreement, and a $31.50 per share valuation of Spectrum common stock. The adjustments set forth in the merger agreement include, among other things, adjustments to reflect the amount of cash held by Russell Hobbs and Russell Hobbs indebtedness for borrowed money.

Based on the information set forth in Russell Hobbs December 31, 2009 balance sheet, the adjustments to the enterprise value of Russell Hobbs set forth in the merger agreement would have resulted in a reduction of such enterprise value from $675 million to $644 million, taking into account the conversion of the Harbinger Parties existing approximately $158 million principal amount of Russell Hobbs term debt into SB Holdings common stock at a price of $31.50 per share. The shares of SB Holdings common stock to be issued to the

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Harbinger Parties upon such conversion are included in the calculation of the 20,432,000 shares to be issued to Russell Hobbs stockholders as described herein; however, such shares are not included in the shares of SB Holdings common stock to be registered under this proxy statement/prospectus.

As a result of the mergers, the stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings, and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

At the time of the special meeting, neither the stockholders of Spectrum nor the stockholders of Russell Hobbs will know the value of the consideration that they will receive in the merger. In addition, at the time that Spectrum stockholders vote on the adoption of the merger agreement, Spectrum stockholders will not know the number of shares of SB Holdings that will be issued pursuant to the merger agreement to the Harbinger Parties in exchange for the Harbinger Parties shares of Russell Hobbs common stock and preferred stock.

The following is an illustration of how the total consideration for the mergers would be calculated, based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009.

SB Holdings Common Shares Issued To	Total Shares(1)	Value(2)
Harbinger Parties in exchange for shares of Russell Hobbs Stock	14,925,622	$ 470,157,093
Harbinger Parties in exchange for conversion of Harbinger term loan	5,220,232	$ 164,437,308
Harbinger Parties in exchange for shares of Spectrum common stock (3)	12,450,198	$ 392,181,237
Other Spectrum stockholders in exchange for shares of Spectrum common stock	18,179,015	$ 572,638,973
Russell Hobbs RSU holders (4)	286,146	$ 9,013,599
Total shares of SB Holdings issued in mergers (including RSUs)	51,061,213	$ 1,608,428,210

(1) The calculations of the SB Holdings shares issuable in the mergers in the above table are based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009 and the adjustments provided in the merger agreement. The merger agreement provides for a one to one exchange ratio for shares of Spectrum common stock. There were 30,629,213 shares of Spectrum common stock outstanding, 110,231.34 shares of Russell Hobbs Series D Preferred Stock outstanding and 50,000 shares of Russell Hobbs Series E Preferred Stock outstanding. The exchange ratio for shares of Russell Hobbs Series D and Series E Preferred Stock is based on the liquidation preference and accrued but unpaid dividends with respect to each series of the preferred stock, and a $31.50 price per share for SB Holdings common stock. At December 31, 2009, the aggregate liquidation preference and accrued but unpaid dividends on (a) the Series D Preferred Stock was approximately $151,147,000 and (b) the Series E Preferred Stock was approximately $60,825,000.

The RH Common Exchange Ratio is based in part on (a) the amount of consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries in excess of $17 million, (b) the amount of consolidated indebtedness for money borrowed of Russell Hobbs and its subsidiaries (other than the Harbinger term loan to Russell Hobbs) and (c) the pay-off amount of the Harbinger term loan to Russell Hobbs. At December 31, 2009, the consolidated cash and cash equivalents was $24,299,000, the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) was $38,542,000 plus $149,000 in accrued but unpaid interest, and the Harbinger term loan pay-off amount was $164,437,000 (assuming prepayment penalties of $6,172,000).

The value of the consideration and the number of shares of SB Holdings common stock to be issued will differ from the example in this table (which is being presented for illustration purposes only) because the number of shares of SB Holdings common stock to be issued to each of the parties set forth in this table will vary based on changes prior to the closing of the mergers in (a) the liquidation preference and accrued but unpaid dividends owed on the Russell

Hobbs Series D and Series E Preferred Stock, (b) the consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries, (c) the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) and (d) the pay-off amount for the Harbinger term loan to Russell Hobbs.

(2) Based upon $31.50 per share.

(3) Based on the Harbinger Parties Form 4 filed on May 6, 2010, the Harbinger Parties collectively beneficially own 12,450,198 shares of Spectrum common stock as of that date.

(4) Based on 25,800,000 Russell Hobbs Restricted Stock Units outstanding on May 6, 2010.

The actual amounts of the adjustments to the exchange ratios at the closing of the mergers will not be known until immediately prior to the closing of the mergers, and therefore, the value of the consideration and the number of shares of SB Holdings common stock to be issued in the mergers will not be known at the time that Spectrum stockholders vote on the adoption of the merger agreement.

The combination of Spectrum and Russell Hobbs, if consummated, will create a new global consumer products company with an estimated $3 billion in annual revenues, a strong balance sheet and a diverse portfolio of market-leading brands, including *Remington, Rayovac, VARTA, Hot Shot, Cutter, Repel, Spectracide, Black & Decker, George Foreman, Russell Hobbs, LitterMaid, Toastmaster, Tetra, 8 in 1* and *Dingo*.

If the proposed transaction is consummated, SB Holdings, operating under the Spectrum Brands name, will continue to be managed by Spectrum s senior management team, with the addition of Terry L. Polistina, current Chief Executive Officer of Russell Hobbs, to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of small household appliance brands. Spectrum s current reporting segments, Global Batteries and Personal Care, Global Pet Supplies and Home and Garden, will remain autonomous and will continue to operate under their current management structures. Including Russell Hobbs $800 million in annual revenues, SB Holdings is expected to be approximately $3 billion in annual revenues with $430 million to $440 million of adjusted EBITDA in fiscal 2010. Anticipated synergies of $25 million to $30 million are expected to be realized within 36 months following the consummation of the mergers.

Financing the Proposed Transaction (see page 115)

Commitments for $1.8 billion in financing have been obtained from three financial institutions to be provided through a combination of new term loans, new senior notes and a new $300 million ABL revolving facility. Proceeds from the financing (of which $1.532 billion in proceeds is anticipated to be received at closing) will be used to refinance substantially all of existing Spectrum and Russell Hobbs debt, other than Spectrum s PIK Notes which are expected to remain outstanding after the mergers, and to pay transaction fees and expenses.

The proposed transaction is expected to improve Spectrum s leverage ratio, calculated as total debt less cash divided by adjusted EBITDA. Spectrum s leverage ratio was 4.7x for the quarter ended January 3, 2010. The leverage ratio declines to 4.0x pro forma for the transaction. The leverage ratio is projected to decline to 3.8x for fiscal 2010. Compared to Spectrum s existing capital structure, the new capital structure will provide longer maturities, with certain of the debt instruments expected to extend to 2016 and beyond, and additional liquidity for the combined company.

What Stockholders Will Be Entitled To Receive (see page 76)

Upon the consummation of the mergers, (i) stockholders of Spectrum will be entitled to receive in the Spectrum merger one share of SB Holdings common stock in exchange for each share they hold of Spectrum common stock and (ii) Russell Hobbs stockholders will be entitled to receive shares of SB Holdings in exchange for their shares of Russell Hobbs Stock in accordance with the terms of the merger agreement and based on a

$675 million enterprise value of Russell Hobbs, subject to various adjustments set forth in the merger agreement, and a $31.50 per share valuation of Spectrum common stock.

Ownership of SB Holdings After the Proposed Transaction (see page 115)

After consummation of the mergers, the stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers). Specifically, the Russell Hobbs Stock will convert into SB Holdings common stock in accordance with the terms of the merger agreement and is based on a $675 million enterprise value of Russell Hobbs, subject to various adjustments set forth in the merger agreement, and a $31.50 per share valuation of Spectrum common stock. Furthermore, as part of the proposed transaction, the Harbinger Parties have agreed to convert their existing approximately $158 million aggregate principal amount of Russell Hobbs term debt into SB Holdings common stock at a price of $31.50 per share, which is included in the $675 million enterprise value of Russell Hobbs. The shares of SB Holdings common stock to be issued to the Harbinger Parties upon such conversion are included in the calculation of the 20,432,000 shares to be issued to Russell Hobbs stockholders as described herein; however, such shares are not included in the shares of SB Holdings common stock to be registered under this proxy statement/prospectus.

Directors and Executive Officers of SB Holdings After the Proposed Transaction (see page 173)

Immediately following the mergers, the board of directors of SB Holdings will be divided into three classes and will be comprised of ten individuals. Initially, six directors will be designated by Russell Hobbs, three will be designated by Spectrum and one will be the Chief Executive Officer of SB Holdings. The Chief Executive Officer of Spectrum will be the initial Chief Executive Officer of SB Holdings. In addition to the Chief Executive Officer, Spectrum s current management team will be the initial management team of SB Holdings. The Chief Executive Officer of Russell Hobbs will be added to Spectrum s management team to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of home appliance brands.

Recommendation to Spectrum s Stockholders (see page 76)

The Spectrum Board (consistent with the recommendation of the Committee to the Spectrum Board) believes the merger agreement and the proposed transaction are advisable and in the best interests of Spectrum s stockholders (other than the Harbinger Parties) and recommends that you vote **FOR** the proposal to adopt the merger agreement. The Spectrum Board also recommends that you vote **FOR** the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies on the proposal to adopt the merger agreement. When you consider the Spectrum Board s recommendation, you should be aware that Spectrum s directors may have interests in the transaction that may be different from, or in addition to, your interests. These interests are described in The Proposed Transaction Interests of Certain Persons in the Spectrum Merger.

Spectrum s Reasons for the Proposed Transaction (see page 91)

In evaluating the proposed transaction, the Committee consulted its legal and financial advisors and, in making its recommendation, the Committee considered a number of factors, including those factors described under The Proposed Transaction Background of the Proposed Transaction and The Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction. In the course of reaching its decision, the Spectrum Board considered, among other factors, the unanimous recommendation of the Committee. See The Proposed Transaction and The Proposed Transaction Background of the Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction The Spectrum Board of Directors.

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Opinion of the Committee s Financial Advisor (see page 100)

In connection with the transaction, the Committee received the written opinion, dated February 8, 2010, of its financial advisor, Barclays Capital Inc. (Barclays Capital), as to the fairness, from a financial point of view and as of the date of such opinion, to holders of Spectrum common stock (other than the Harbinger Parties and their respective affiliates) of the Spectrum Exchange Ratio. The full text of Barclays Capital s written opinion is attached as Annex B to this proxy statement/prospectus and is incorporated herein by reference. Barclays Capital s written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays Capital in rendering its opinion. **Barclays Capital s opinion is addressed to the Committee (solely in its capacity as such) and relates only to the fairness, from a financial point of view, of the Spectrum Exchange Ratio. Barclays Capital s opinion does not in any manner address Spectrum s underlying business decision to proceed with or effect the proposed transaction, the likelihood of consummation of the proposed transaction or the terms of any related financing and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the proposed transaction.**

Risks Relating to the Proposed Transaction (page 32)

You should understand that the following important factors, in addition to those discussed in Risk Factors below and elsewhere in this proxy statement/prospectus, and in the documents which are incorporated by reference in this proxy statement/prospectus, could affect the future results of Russell Hobbs and Spectrum, and of SB Holdings after the consummation of the proposed transaction, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

- the failure of Spectrum stockholders to adopt the merger agreement;
- the risk that the businesses will not be integrated successfully;
- the risk that synergies will not be realized;
- the risk that SB Holdings following this transaction will not realize its financing strategy;
- litigation with respect to either company or the mergers; and
- disruption from the mergers making it more difficult to maintain certain strategic relationships.

Spectrum Stockholder Vote Required (see page 109)

Adoption of the merger agreement requires an affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)). Approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if adoption of the merger agreement is not obtained at the special meeting, requires the affirmative vote of the holders of a majority of the shares represented at the special meeting and entitled to vote on the matter.

Treatment of Spectrum Restricted Stock (see page 130)

Prior to and contingent upon the consummation of the mergers, the Spectrum Board (or the appropriate committee thereof) will take any actions necessary to cause each share of restricted stock with respect to Spectrum common stock to be converted into a share of restricted stock with respect to SB Holdings common stock at the exchange ratio for the conversion of Spectrum common stock, as may be adjusted, without change in

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the vesting schedule and other terms and conditions of the restricted stock. At the effective time of the mergers, the Spectrum 2009 Incentive Plan will be assumed by SB Holdings.

Conditions to the Consummation of the Mergers (see page 136)

Consummation of the mergers is subject to certain conditions, including, among others, closing of the new financing, adoption of the merger agreement by the requisite affirmative votes of the Spectrum stockholders, customary regulatory approvals, no material adverse change in Spectrum or Russell Hobbs and other customary closing conditions. All regulatory approvals necessary to consummate the mergers have been received.

Termination of the Merger Agreement (see page 143)

The merger agreement may be terminated due to any of the following:

- by mutual written consent of Spectrum and Russell Hobbs;
- by Russell Hobbs if there is a change in the recommendation by the Spectrum Board;
- by Spectrum if the Spectrum Board decides to accept a Superior Proposal as described below;
- by either party:
  - if the proposed transaction is not consummated before the close of business on August 12, 2010;
  - if the proposed transaction is enjoined or otherwise prohibited by law;
  - if Spectrum s stockholders do not adopt the merger agreement; or
  - if there is a material breach (as defined in the merger agreement) by either party.

The Spectrum Board (consistent with the recommendation of the Committee to the Spectrum Board) may withdraw or change its recommendation to the Spectrum stockholders with respect to the Spectrum merger if the Spectrum Board determines that to do otherwise would be inconsistent with its fiduciary duties because of the existence of an Intervening Event or a Superior Proposal (each as defined in the merger agreement). In addition, subject to certain procedural requirements (including the ability of Russell Hobbs to revise its offer) and payment of the termination fee and expense reimbursement discussed below, Spectrum may terminate the merger agreement and enter into an agreement with a third party which makes a Superior Proposal.

Termination Fees and Expenses (see page 145)

In connection with the termination of the merger agreement under specified circumstances generally related to a change in the recommendation by the Spectrum Board or a termination in connection with a Superior Proposal, Spectrum may be required to pay Russell Hobbs a termination fee of $1 million (or $10 million in specified circumstances) and reimburse Russell Hobbs for certain expenses related to the merger agreement up to an aggregate amount of $10 million (or in some cases expense reimbursement will not be subject to this $10 million limit). In connection with the termination of the merger agreement due to the failure to obtain the debt financing, Russell Hobbs may be required to pay Spectrum a reverse termination fee of $1 million and reimburse Spectrum Brands for certain expenses related to the merger agreement up to an aggregate

amount of $10 million.

Prior to any termination of the merger agreement, the only remedy that either party may pursue is specific performance. Following termination, the parties sole remedy will be the termination fees described above (if payable), except in the case of a willful and material breach, in which case the aggregate amount of damages of either party may not exceed $50 million. Money damages payable by the Harbinger Parties and their affiliates

under the merger agreement and the other transaction documents following a termination of the merger agreement are limited to $50 million in the aggregate.

Regulatory Matters (see page 117)

Consummation of the mergers is subject to prior receipt of those approvals and consents required to be obtained from applicable governmental and regulatory authorities, including under the Hart-Scott-Rodino Act (HSR Act) and by the applicable governmental authorities of Canada, Germany and Spain (except those the failure of which to be made or obtained does not have and would not reasonably be likely to have, individually or in the aggregate, an RH Material Adverse Effect and/or a Battery Material Adverse Effect (as each is defined in the merger agreement)).

Spectrum has submitted the required notices to the applicable antitrust regulatory authorities in the United States, Canada, Germany and Spain, and the antitrust regulatory authorities of each country other than the United States have issued a ruling in favor of the mergers and, in the case of the United States, the waiting period under the HSR Act has expired.

Except for the competition law approvals described above, Spectrum, Russell Hobbs and SB Holdings are not aware of any governmental approvals or compliance with applicable laws and regulations that are required for the mergers to become effective other than filings with the NYSE regarding the listing of SB Holdings shares and filings with the Securities and Exchange Commission (SEC) regarding this proxy statement/prospectus. Spectrum, Russell Hobbs and SB Holdings intend to seek any other approvals required to consummate the mergers. There can be no assurance, however, that any such approvals will be obtained.

No Appraisal Rights (see page 74)

Spectrum stockholders are not entitled to appraisal rights under the General Corporation Law of the State of Delaware (DGCL) in connection with the mergers.

Material U.S. Federal Income Tax Consequences (see page 149)

The obligation of Spectrum to consummate the Spectrum merger is conditioned on the receipt by Spectrum of an opinion of Sutherland Asbill & Brennan LLP, counsel to Spectrum, dated the date of the effective time of the Spectrum merger, to the effect that for U.S. federal income tax purposes the Spectrum merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and/or the mergers, taken together, will constitute exchanges described in Section 351 of the Internal Revenue Code.

Interests of Certain Persons in the Spectrum Merger (see page 109)

When Spectrum stockholders consider the Spectrum Board s recommendation that they vote in favor of the adoption of the merger agreement, Spectrum stockholders should be aware that Spectrum executive officers and directors may have interests in the Spectrum merger that may be different from, or in addition to, their interests.

As of May 5, 2010, Spectrum directors and named executive officers have been granted restricted stock which represents approximately 2% of the outstanding shares of Spectrum common stock. They will be entitled to receive the same consideration for their shares of Spectrum common stock in the Spectrum merger as the other holders of Spectrum common stock. The named executive officers hold restricted stock, which vests 75% on October 1, 2010, and 25% on October 1, 2011, and the directors hold restricted stock which vests 100% on October 1, 2010, if the executive officer is employed by (or the director is serving as a director of) Spectrum on such date. If the executive officer terminates employment (or the director ceases to serve as a director) before

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such date under certain circumstances, vesting of the restricted stock may be accelerated or may continue as if such executive officer remained employed by Spectrum. Under the merger agreement, the Spectrum equity awards will be converted, based on the exchange ratio for the conversion of Spectrum common stock specified in the merger agreement, into comparable equity awards with respect to SB Holdings common stock at the effective time of the mergers (see The Merger Agreement (Proposal No. 1) Merger Consideration). The mergers will not cause the accelerated vesting of any Spectrum equity awards.

There are 26.4 million outstanding Russell Hobbs Restricted Stock Units (RSU) which will vest on the earlier to occur of (i) a change in control of Russell Hobbs (as defined below), (ii) the first anniversary of a significant corporate event (as defined below), or (iii) the termination of the RSU holder s employment with Russell Hobbs without cause or by the employee for good reason after the occurrence of a significant corporate event. Under the merger agreement, the Russell Hobbs equity awards will be converted based on the RH Common Exchange Ratio (as defined in the merger agreement) into comparable equity awards with respect to SB Holdings common stock at the effective time of the mergers.

Spectrum has entered into employment agreements with certain of its executive officers. Under these employment agreements, Spectrum s executive officers would have been entitled to significant payments in connection with their termination of employment or a change in control of Spectrum. However, in connection with the mergers, such executive officers have waived the right to assert that the Spectrum merger is a change in control and have waived the right to receive any compensation or benefits due solely as a result of the Spectrum merger, to the extent such benefits were triggered, pursuant to signed Change in Control Waivers and Releases, each effective as of February 8, 2010. For the avoidance of doubt, the named executive officers have not waived their contractual rights, if any, under their employment agreements to receive compensation or benefits if their employment is terminated without regard to whether a change in control has occurred.

On February 8, 2010, Spectrum entered into an amendment to the employment agreement of David R. Lumley, Spectrum s then Co-Chief Operating Officer and President of its Global Batteries and Personal Care and Home and Garden segments. This amendment provided that, in the event that Spectrum s then Chief Executive Officer, Kent J. Hussey, no longer served as the sole Chief Executive Officer, Mr. Lumley would succeed Mr. Hussey as the sole Chief Executive Officer of Spectrum and the sole Chief Executive Officer of the business group of which Spectrum is a part. On April 13, 2010, Mr. Hussey retired as Chief Executive Officer of Spectrum, and Mr. Lumley was appointed to succeed him as Chief Executive Officer. Mr. Hussey will continue to serve as Chairman of the Board of Spectrum until the earlier of August 12, 2010 or the closing date of the mergers. In connection with Mr. Hussey s retirement, Spectrum entered into a separation agreement with Mr. Hussey, which is further described under The Proposed Transaction Interests of Certain Persons in the Spectrum Merger Hussey Separation Agreement. In connection with such change of position, SB Holdings and Mr. Lumley are expected to enter into a new employment agreement providing for compensation and benefits commensurate with such position, which shall not be less favorable than the compensation and benefits currently in effect for Mr. Lumley.

In addition, the merger agreement requires SB Holdings to (x) either maintain Spectrum s and Russell Hobbs current directors and officers liability insurance policies for a period of six years from the effective time of the mergers or (y) obtain substitute policies or purchase a tail policy with a claims period of at least six years from the effective time of the mergers, in each case that provides coverage for events occurring on or before the effective time of mergers. The terms of the insurance policies will be no less favorable than Spectrum s and Russell Hobbs respective existing policies, unless the annual premiums of the policies would exceed 300% of the current policies premiums as of the date of the merger agreement, in which case the coverage will be the greatest amount of coverage available for a premium amount not exceeding 300% of such current premiums.

The Harbinger Parties currently own approximately 40% of the outstanding Spectrum common stock and own 100% of the outstanding Russell Hobbs Stock. As of April 30, 2010, the Harbinger Parties owned approximately $93 million of Spectrum s PIK Notes. The Harbinger Parties may have interests that differ from those of the other Spectrum stockholders due to their 100% ownership of Russell Hobbs. As a result of the mergers, the Harbinger Parties will reduce their ownership of Russell Hobbs from 100% direct ownership to approximately 65% indirect ownership, and they will increase their ownership of Spectrum from approximately 40% direct ownership to approximately 65% indirect ownership (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

Material Support and Ancillary Agreements in Connection with the Proposed Transaction (see page 118)

Stockholder Agreement

In connection with the proposed transaction, the Harbinger Parties and SB Holdings entered into a stockholder agreement, dated February 9, 2010 (the Stockholder Agreement), which will be effective as of the effective time of the mergers, to provide for certain protective provisions in favor of minority stockholders, including selection of three independent directors by a special nominating committee, preemptive rights for certain eligible stockholders, limitations on transactions with affiliates of significant stockholders, limitations on going private transactions and tag along rights.

Support Agreements

Harbinger Support Agreement and Letter Agreement

On February 9, 2010, Spectrum entered into a support agreement with the Harbinger Parties (the Harbinger Support Agreement). Under the Harbinger Support Agreement, the Harbinger Parties agree to vote their shares of Spectrum common stock acquired before the date of the merger agreement in favor of the mergers and against any Alternative Proposal that would impede the mergers.

In the event that the merger agreement is terminated by Spectrum in connection with a Superior Proposal, which requires the approval of the Spectrum stockholders to be effective and which involves all or substantially all of Spectrum s assets or stock, before its stockholders adopt the merger agreement, the Harbinger Parties have agreed to vote sufficient shares of their Spectrum common stock acquired before the date of the merger agreement to cause such Superior Proposal to be approved, if such Superior Proposal values the Spectrum common stock at no less than $34.65 per share and assuming at least two-thirds of the Spectrum common stock not held by the Harbinger Parties or their affiliates (except Letter Agreement Shares (defined below)) are voted in favor of, or tendered in connection with, such Superior Proposal.

On March 1, 2010, Spectrum and the Harbinger Parties entered into a letter agreement (the Letter Agreement) amending the Harbinger Support Agreement to permit the Harbinger Parties to purchase up to 100,000 shares of Spectrum common stock per week prior to the consummation of the mergers, up to an aggregate maximum of two million shares (the Letter Agreement Shares), in order to provide additional liquidity to Spectrum s stockholders. The Harbinger Support Agreement otherwise would in general have prohibited the Harbinger Parties from acquiring additional shares of Spectrum common stock until the termination of the merger agreement. As of May 5, 2010 the Harbinger Parties had purchased a total of 387,379 Letter Agreement Shares for an aggregate purchase price of $11.6 million.

Pursuant to the terms of the Letter Agreement, the Harbinger Parties have generally agreed to vote any such newly acquired shares of Spectrum common stock proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties and the Avenue Parties (defined below)) with respect to the merger agreement and the mergers, except that the Harbinger Parties will vote any shares purchased from

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Avenue International Master, L.P. and certain of its affiliates that own Spectrum common stock (the Avenue Parties) in accordance with the Avenue Parties voting obligations under the support agreement, dated as of February 9, 2010, by and among Spectrum and the Avenue Parties (the Avenue Support Agreement). If the Avenue Support Agreement is terminated or suspended, any shares purchased by the Harbinger Parties from the Avenue Parties will be voted proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties and the Avenue Parties). The Harbinger Parties have also agreed to vote their shares of Spectrum common stock acquired after March 1, 2010 pursuant to the Letter Agreement proportionately with the votes of the other holders of Spectrum common stock with respect to a Superior Proposal (regardless of the price offered for Spectrum common stock under such Superior Proposal).

Avenue Support Agreement

On February 9, 2010, Spectrum entered into the Avenue Support Agreement. Under the Avenue Support Agreement, the Avenue Parties agree to vote their shares of Spectrum common stock in favor of the mergers and against any Alternative Proposal that would impede the mergers. The obligation of the Avenue Parties to so support the mergers will terminate on the first to occur of (i) the consummation of the mergers, (ii) the date on which the merger agreement is terminated, (iii) 15 business days following the date on which the Spectrum Board changes its recommendation of the mergers or the Committee recommends to the Spectrum Board that it change such recommendation, and (iv) August 12, 2010.

Ancillary Agreements

Harbinger Limited Guarantee and Indemnification Agreement

Harbinger Master Fund has agreed, among other things and subject to the terms and conditions set forth therein, to guarantee the obligations of Russell Hobbs to pay (i) a reverse termination fee to Spectrum under the merger agreement and (ii) monetary damages awarded to Spectrum in connection with any willful and material breach by Russell Hobbs of the merger agreement. The maximum amount payable by Harbinger Master Fund under such guarantee is $50 million less any amounts paid by Russell Hobbs or the Harbinger Parties, or any of their respective affiliates as damages under any documents related to the proposed transaction. Harbinger Master Fund has also agreed to indemnify Russell Hobbs, SB Holdings and their subsidiaries for out-of-pocket costs and expenses above $3 million in the aggregate that become payable after the consummation of the mergers and that relate to the litigation arising out of the Applica transaction.

Registration Rights Agreement

In connection with the merger agreement, the Harbinger Parties, the Avenue Parties and SB Holdings entered into a registration rights agreement, dated as of February 9, 2010 (the Registration Rights Agreement), pursuant to which, after the consummation of the mergers, the Harbinger Parties and the Avenue Parties will, among other things and subject to the terms and conditions set forth therein, have certain demand and so-called piggy back registration rights with respect to their shares of SB Holdings common stock.

Under the Registration Rights Agreement, after the consummation of the mergers, any of the Harbinger Parties and the Avenue Parties may demand that SB Holdings register all or a portion of such Harbinger Party s or Avenue Party s SB Holdings common stock for sale under the Securities Act of 1933, as amended (the Securities Act), so long as the anticipated aggregate offering amount of the securities to be offered to the public (based on the average of the daily closing price of the securities for the 30 immediately preceding trading days) is (i) at least $30 million if registration is to be effected pursuant to a registration statement on Form S-1 or a similar long-form registration or (ii) at least $5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar short-form registration.

Amendment of Certain Provisions of PIK Notes

The merger agreement required Spectrum to commence a consent solicitation to seek the consent of the holders of the PIK Notes to modify certain provisions of the indenture governing the PIK Notes, dated August 31, 2009 (the PIK Notes Indenture) such that the mergers will not constitute a change of control under the PIK Notes Indenture and to provide more accommodative debt incurrence covenants for the combined business of Spectrum and Russell Hobbs. The Spectrum Consent Solicitation (as defined below) was initiated on March 1, 2010 and expired at 5:00 p.m. New York City time on March 9, 2010. Spectrum has obtained the requisite consents of holders representing a majority in aggregate principal amount of the PIK Notes outstanding (excluding PIK Notes owned by affiliates of Spectrum) necessary to amend the PIK Notes Indenture and the amendment has been executed and delivered by the parties thereto.

First Amendment to Merger Agreement

The parties to the merger agreement entered into an amendment to the merger agreement, dated as of March 1, 2010, (the first amendment), which extended the go-shop period under the merger agreement by 15 days to April 9, 2010. In addition, as discussed below, because the parties to the merger agreement agreed to permit the Harbinger Parties to purchase additional shares of Spectrum common stock prior to the consummation of the mergers, the first amendment also changed the stockholder approval requirement so that the merger agreement and the proposed transaction must be approved by the affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (other than any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)). The purpose of this change is to ensure that any shares acquired by the Harbinger Parties pursuant to the Letter Agreement are counted for purposes of obtaining the adoption of the merger agreement by a majority of the outstanding shares of Spectrum common stock entitled to vote other than shares held by the Harbinger Parties as of the date of the merger agreement.

Second Amendment to Merger Agreement

The parties to the merger agreement entered into a second amendment to the merger agreement dated as of March 26, 2010 (the second amendment). The second amendment was executed to incorporate several technical revisions to the SB Holdings certificate of incorporation and bylaws to be effective at the closing of the mergers. In addition, the second amendment clarified that Spectrum stockholder approval is required only for the adoption of the merger agreement and not any other aspects of the proposed transaction.

Third Amendment to the Merger Agreement

The parties to the merger agreement entered into a third amendment to the merger agreement dated as of April 30, 2010 (the third amendment). The third amendment was executed to incorporate further clarifying revisions to the SB Holdings certificate of incorporation to be effective at or prior to the closing of the mergers.

Comparison of SB Holdings and Spectrum Stockholder Rights (see page 206)

The rights of Spectrum stockholders are currently governed by the DGCL and Spectrum s certificate of incorporation and bylaws. Upon consummation of the mergers, Spectrum stockholders and Russell Hobbs stockholders that receive SB Holdings common stock pursuant to the mergers will become stockholders of SB Holdings, and their rights will be governed by the DGCL and SB Holdings restated certificate of incorporation and amended and restated bylaws.

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SPECTRUM SELECTED HISTORICAL FINANCIAL INFORMATION

The following table sets forth selected historical consolidated financial information of Spectrum for the periods presented. The selected financial information, as of September 30, 2009, 2008, 2007, 2006 and 2005 and for each of the five fiscal years then ended has been derived from Spectrum s audited consolidated financial statements. The selected financial information, as of January 3, 2010 and for the quarterly period then ended, has been derived from Spectrum unaudited condensed consolidated financial statements which include, in the opinion of Spectrum s management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Spectrum for the period and date presented.

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

The financial information indicated may not be indicative of future performance. This financial information and other data should be read in conjunction with the respective audited and unaudited consolidated financial statements of Spectrum, including the notes thereto, and Management s Discussion and Analysis of Financial Condition and Results of Operations incorporated in this proxy statement/prospectus by reference. See The Companies Information About Spectrum This information should also be read in conjunction with the unaudited pro forma condensed combined financial statements. References to Successor Company in the financial statements contained herein refer to Spectrum after it emerged from chapter 11 of the Bankruptcy Code, and references to the Predecessor Company in the financial statements refer to Spectrum prior to that time.

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	Successor Company		Predecessor Company				
				Fiscal Year Ended September 30,			
	The Quarterly Period Ended January 3, 2010	The Period From August 31, 2009 through September 30, 2009	The Period From October 1, 2008 through August 30, 2009	2008	2007	2006	2005
	(In millions, except per share data)						
Statement of Operations Data:							
Net sales	$ 591.9	$ 219.9	$ 2,010.6	$ 2,426.6	$ 2,332.7	$ 2,228.5	$ 2,077.5
Gross profit	184.5	64.4	751.8	920.1	876.7	871.2	821.9
Operating income (loss) (1)	18.8	0.1	156.8	(684.6)	(251.8)	(289.1)	202.6
(Loss) income from continuing operations before income taxes	(35.0)	(20.0)	1,227.8	(914.8)	(507.2)	(460.9)	69.2
(Loss) income from discontinued operations, net of tax (2)	(2.7)	0.4	(86.8)	(26.2)	(33.7)	(2.5)	2.3
Net (loss) income (3)(4)(5)(6)	(60.2)	(70.8)	1,013.9	(931.5)	(596.7)	(434.0)	46.8
Restructuring and related charges cost of goods sold (7)	$ 1.7	$ 0.2	$ 13.2	$ 16.5	$ 31.3	$ 21.1	$ 10.5
Restructuring and related charges operating expenses (7)	4.8	1.6	30.9	22.8	66.7	33.6	15.8
Other expense (income), net (8)	0.6	(0.8)	3.3	1.2	(0.3)	(4.1)	(0.7)
Interest expense	$ 49.5	$ 17.0	$ 172.9	$ 229.0	$ 255.8	$ 175.9	$ 134.1
Per Share Data:							
Net (loss) income per common share:							
Basic	$ (2.01)	$ (2.36)	$ 19.76	$ (18.29)	$ (11.72)	$ (8.77)	$ 1.07
Diluted	$ (2.01)	$ (2.36)	19.76	(18.29)	(11.72)	(8.77)	1.03
Average shares outstanding:							
Basic	30.0	30.0	51.3	50.9	50.9	49.5	43.7
Diluted (9)	30.0	30.0	51.3	50.9	50.9	49.5	45.6
Cash Flow and Related Data:							
Net cash provided (used) by operating activities	$ (31.4)	$ 75.0	$ 1.6	$ (10.2)	$ (32.6)	$ 44.5	$ 216.6
Capital expenditures (10)	(4.9)	2.7	8.1	18.9	23.2	55.6	60.5
Depreciation and amortization (excluding amortization of debt issuance costs) (10)	25.0	8.6	58.5	85.0	77.4	82.6	68.5
Statement of Financial Position Data (at period end):							
Cash and cash equivalents	$ 62.7	$ 97.8		$ 104.8	$ 69.9	$ 28.4	$ 29.9
Working capital (11)	294.3	323.7		371.5	370.2	397.2	490.6
Total assets	2,908.1	3,020.7		2,247.5	3,211.4	3,549.3	4,022.1
Total long-term debt, net of current maturities	1,524.7	1,530.0		2,474.8	2,416.9	2,234.5	2,268.0
Total debt	1,584.2	1,583.5		2,523.4	2,460.4	2,277.2	2,307.3
Total shareholders equity (deficit)	600.4	660.9		(1,027.2)	(103.8)	452.2	842.7

(1) During fiscal 2009, 2008, 2007 and 2006, pursuant to the Financial Accounting Standards Board Codification Topic 350: *Intangibles-Goodwill and Other,* formerly the Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* Spectrum conducted its annual impairment testing of goodwill and indefinite-lived intangible assets. As a result of these analyses Spectrum recorded non-cash pretax impairment charges of approximately $34 million, $861 million, $362 million and $433 million in the eleven month period ended August 30, 2009, fiscal 2008, fiscal 2007 and fiscal 2006, respectively. See the *Critical Accounting Policies Valuation of Assets and Asset Impairment* section of Management s Discussion and Analysis of Financial Condition and Results of Operations

incorporated in this proxy statement/prospectus by reference as well as Note 3(i), Significant Accounting Policies Intangible Assets, of Notes to Consolidated Financial Statements incorporated in this proxy statement/prospectus by reference for further details on these impairment charges.

(2) Fiscal 2007 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $45 million to reduce the carrying value of certain assets, principally consisting of goodwill and intangible assets, relating to Spectrum s Canadian Division of the Home and Garden Business in order to reflect the estimated fair value of this business. Fiscal 2008 loss from discontinued operations, net of tax, includes a non-cash pretax impairment charge of approximately $8 million to reduce the carrying value of intangible assets relating to Spectrum s growing products portion of the Home and Garden Business in order to reflect the estimated fair value of this business. See Note 6, Assets Held for Sale, and Note 10, Discontinued Operations, of Notes to Consolidated Financial Statements incorporated in this proxy statement/prospectus by reference for information relating to these impairment charges.

(3) Included in the one month period for the Successor Company is a non-cash tax charge of $58 million related to the residual U.S. and foreign taxes on approximately $166 million of actual and deemed distributions of foreign earnings. The eleven month period ended August 30, 2009 income tax expense includes a non-cash adjustment of approximately $52 million which reduced the valuation allowance against certain deferred tax assets.

The eleven month Predecessor Company includes a non-cash charge of $104 million related to the tax effects of the fresh-start adjustments. In addition, Predecessor Company includes the tax effect on the gain on the cancellation of debt from the extinguishment of the senior subordinated notes as well as the modification of the senior term credit facility resulting in approximately $124 million reduction in the U.S. net deferred tax asset exclusive of indefinite lived intangibles. Due to the Company s full valuation allowance position as of August 30, 2009 on the U.S. net deferred tax asset exclusive of indefinite lived intangibles, the tax effect of the gain on the cancellation of debt and the modification of the senior secured credit facility is offset by a corresponding adjustment to the valuation allowance of $124 million. The tax effect of the fresh-start adjustments, the gain on the cancellation of debt and the modification of the senior secured credit facility, net of corresponding adjustments to the valuation allowance, are netted against reorganization items.

(4) Fiscal 2008 income tax benefit of $9.5 million includes a non-cash charge of approximately $222.0 million which increased the valuation allowance against certain net deferred tax assets.

(5) Fiscal 2007 income tax expense of $55.8 million includes a non-cash charge of approximately $180.1 million which increased the valuation allowance against certain net deferred tax assets.

(6) Fiscal 2006 income tax benefit of $29.4 million includes a non-cash charge of approximately $29.3 million which increased the valuation allowance against certain net deferred tax assets.

(7) See Note 15, Restructuring and Related Charges, of Notes to Consolidated Financial Statements incorporated in this proxy statement/prospectus by reference for further discussion.

(8) Fiscal 2006 includes a $7.9 million net gain on the sale of our Bridgeport, CT manufacturing facility, acquired as part of the Remington Products Company, L.L.C. acquisition and subsequently closed in fiscal 2004, and our Madison, WI packaging facility, which was closed in Spectrum s fiscal 2003.

(9) Each of the one month period ended September 30, 2009, the eleven month period ended August 30, 2009, fiscal 2008, 2007 and 2006 does not assume the exercise of common stock equivalents as the impact would be antidilutive.

(10) Amounts reflect the results of continuing operations only.

(11) Working capital is defined as current assets less current liabilities.

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RUSSELL HOBBS SELECTED HISTORICAL FINANCIAL INFORMATION

Merger of Salton and Applica. In December 2007, two longstanding companies in the small household appliance business, Salton and Applica, combined their businesses through a merger of SFP Merger Sub, Inc., a Delaware corporation and a wholly owned direct subsidiary of Salton, with and into APN Holding Company, Inc., the parent of Applica Incorporated. As a result of the merger, Applica became a wholly-owned subsidiary of Salton. In December 2009, the combined company (formerly known as Salton, Inc.) changed its name to Russell Hobbs, Inc.

Statement of Financial Accounting Standard (SFAS) No. 141 *Business Combinations* requires the use of the purchase method of accounting for business combinations. In applying the purchase method, it is necessary to identify both the accounting acquiree and the accounting acquiror. In a business combination effected through an exchange of equity interests, such as the merger of Applica and Salton, the entity that issues the interests (Salton in this case) is normally the acquiring entity. However, in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including the following:

- the relative voting interests in the combined entity after the combination: in this case, stockholders of Applica received approximately 92% of the equity ownership and associated voting rights in the combined entity upon completion of the merger and related transactions; and

- the composition of the governing body of the combined entity: in this case, the merger agreement provided that the composition of the board of directors of the surviving company would be determined by Applica.

While Salton, Inc. was the legal acquiror and surviving registrant in the merger, Applica was deemed to be the accounting acquiror based on the facts and circumstances outlined above. Accordingly, for accounting and financial statement purposes, the merger was treated as a reverse acquisition of Salton by Applica under the purchase method of accounting.

Harbinger Master Fund s and Harbinger Special Situations Fund s Acquisition of Applica. In January 2007 (prior to the merger of Applica and Salton), Applica was acquired by Harbinger Master Fund and Harbinger Special Situations Fund. For purposes of financial reporting, the acquisition was deemed to have occurred on January 1, 2007. References to Successor Company in the financial statements contained herein refer to reporting dates on or after January 1, 2007 and references to Predecessor Company in the financial statements refer to reporting dates through December 31, 2006. This is to indicate two different bases of accounting presented: (1) the period prior to the acquisition (January 1, 2006 through December 31, 2006, labeled Predecessor Company) and (2) the period after the acquisition, including, the acquisition date (January 1, 2007 June 30, 2008, labeled Successor Company).

The following table sets forth selected historical consolidated financial information of Russell Hobbs for the periods presented. The selected financial information as of June 30, 2009, June 30, 2008, June 30, 2007, December 31, 2006, December 31, 2005 and December 31, 2004 and for each of the five fiscal years then ended, has been derived from Russell Hobbs audited consolidated financial statements. The selected financial data as of December 31, 2009, December 31, 2008, and June 30, 2006, and for each of the periods then ended, has been derived from Russell Hobbs unaudited condensed consolidated financial statements which include, in the opinion of Russell Hobbs management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Russell Hobbs for the periods and dates presented.

The results of operations for an interim period are not necessarily indicative of results for the full year or any other interim period. This financial information and other data should be read in conjunction with the respective audited and unaudited consolidated financial statements of Russell Hobbs, including the notes thereto, and Russell Hobbs Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this proxy statement/prospectus. This information should also be read in conjunction with the unaudited pro forma condensed consolidated financial statements.

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	Successor Company						Predecessor Company		
	Six Months Ended December 31,		Year Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2009	2008	2009	2008	2007	2006	2006	2005	2004
	(Dollars in thousands, except per share data)								
Statement of Operations:									
Net sales	$ 459,776	$ 476,774	$ 796,660	$ 660,897	$ 207,001	$ 188,286	$ 466,880	$ 496,868	$ 640,170
Income (loss) from continuing operations before income taxes	$ 27,133	$ (11,570)	$ (24,833)	$ (14,168)	$ (332)	$ (15,105)	$ (17,251)	$ (49,135)	$ (80,783)
Income tax expense	$ 8,872	$ 4,916	$ 14,042	$ 13,440	$ 1,685	$ 1,516	$ 3,087	$ 2,805	$ 59,451
Income (loss) from discontinued operations, net of taxes	$ (6,715)	$ (13,194)	$ (19,442)	$ (14,926)	$ 408	$ (2,313)	$ (3,333)	$ 2,671	$ 7,280
Net earnings (loss)	$ 6,111(6)	$ (29,680)(7)	$ (58,317)(1)	$ (42,534)(2)	$ (1,609)	$ (18,934)(8)	$ (23,671)(3)	$ (49,269)(4)	$ (132,954)(5)
Balance Sheet:									
Working capital	$ 167,551	$ 271,506	173,907	$ 229,033	$ 108,392	$ 87,907	$ 90,512	$ 104,722	$ 116,390
Current ratio	1.9	2.3	2.1	2.1	2.1	1.7	1.5	1.7	1.6
Property, plant and equipment, net	$ 18,535	$ 23,934	$ 20,876	$ 24,090	$ 13,453	$ 17,722	$ 15,441	$ 19,715	$ 38,327
Total assets	$ 740,689	$ 914,572	$ 737,846	$ 865,088	$ 344,318	$ 240,492	$ 284,418	$ 297,282	$ 375,937
Long-term debt and other long term liabilities	$ 242,145	$ 549,427	$ 480,016	$ 460,447		$ 76,133	$ 76,041	$ 76,225	$ 62,012
Stockholders equity	$ 115,159	$ 153,027	$ 99,679	200,120	$ 242,579	$ 43,089	$ 41,303	$ 63,151	$ 110,970
Per Share Data:									
Earnings (loss) per common share from continuing operations basic and diluted	$ 0.017	$ (0.023)	$ (0.05)	$ (0.04)	$ (0.00)	$ (0.02)	$ (0.03)	$ (0.07)	$ (0.11)
Earnings (loss) per common from share from discontinued operations basic and diluted	$ (0.009)	$ (0.018)	$ (0.03)	$ (0.02)	$ 0.00	$ (0.00)	$ (0.00)	$ 0.00	$ 0.01
Earnings (loss) per common basic and diluted	$ 0.008(6)	$ (0.041)(7)	$ (0.08)(1)	$ (0.06)(2)	$ (0.00)	$ (0.02)(8)	$ (0.03)(3)	$ (0.06)(4)	$ (0.10)(5)
Cash dividends paid									
Book value at year end	$ 0.16	$ 0.21	$ 0.14	$ 0.27	$ 0.33	$ 1.77	$ 0.06	$ 0.09	$ 0.15
Return on average equity	5.7%	(16.8)%	(38.9)%	(19.2)%	(1.1)%	(35.6)%	(45.3)%	(56.6)%	(76.3)%

(1) During the year ended June 30, 2009, Russell Hobbs recorded:

$6.6 million in legal expenses related to its pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box;

$3.1 million in acquisition-related expenses of which approximately $2.1 million were for the proposed acquisition of all the outstanding shares of Island Sky Australia Limited and other potential acquisition targets in the Water Products segment (none of which were consummated) and approximately $1.0 million in acquisition-related expenses in its Household Products segment related to the cancellation of stock options as part of the purchase by Harbinger of the remaining public shares of Russell Hobbs in December 2008;

- $1.1 million in severance expenses primarily related to a reduction in force in December 2008 in its North American and European operations and the transfer of its operations at its distribution facilities in North America to a third-party provider in June 2009; and

- $1.0 million in integration and transition-related costs primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed by June 2008.

(2) During the year ended June 30, 2008, Russell Hobbs recorded:

- $17.9 million in integration and transition-related costs primarily related to the integration and transition of the North American operations of Salton and Applica;

- $5.1 million in legal expenses related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box; and

- $4.1 million, net of $3.0 million in reimbursement, in connection with a proposed acquisition of a global pet supply business that ultimately was not consummated.

(3) During the year ended December 31, 2006, Russell Hobbs recorded:

- $6.0 million in termination fees in connection with the termination of the proposed merger with NACCO Industries, Inc. and HB-PS Holding Company, Inc.;

$3.1 million net impact for the product recall of *Black & Decker* branded TCM 800 and TCM 805 thermal coffeemakers reported in the first quarter of 2006;

$2.4 million attributable to price adjustments and write down of inventory related to a discontinued product;

the sale of inventory that included capitalized losses of $2.9 million related to the closure of a manufacturing facility in Mexico;

$1.8 million of fees and expenses related to the proposed merger with NACCO Industries, Inc. and HB-PS Holding Company, Inc.; and

$1.9 million in consulting fees related to the engagement of a consulting firm.

(4) During the year ended December 31, 2005, Russell Hobbs recorded:

inventory write-downs of $12.8 million related to adjustment to net realizable value of certain discontinued products;

raw materials inventory write off of $3.3 million, write down of property, plant and equipment of $1.1 million, accelerated depreciation of $3.2 million and severance charges of $4.9 million related to the downsizing and closure of its Mexican manufacturing operations;

inefficiencies and unabsorbed overhead of $6.2 million associated with the downsizing and ultimate closure in October 2005 of its Mexican manufacturing operations;

$1.2 million of fees and expenses related to certain strategic initiatives;

$0.7 million in bad debt expense related to a contract manufacturing project at its Mexican manufacturing operations;

higher product warranty returns and related expenses of $5.2 million, primarily in the first half of 2005; and

additional tax expense of $1.9 million related to the closure of its Mexican manufacturing operations.

(5) During the year ended December 31, 2004, Russell Hobbs recorded:

an impairment charge of $62.8 million as the result of its annual fair value assessment as of June 30, 2004 of goodwill;

income tax expense of $57.8 million related to an increase in valuation allowances against net deferred tax assets;

restructuring charges of $9.2 million, primarily in connection with the downsizing of its Mexican manufacturing operations;

termination benefits of $9.2 million related to resignation of its former Chairman of its board of directors and the termination of certain other employment and consulting agreements and relationships; and

a net gain on the sales of a subsidiary, a division and certain property of $3.9 million.

(6) During the six months ended December 31, 2009, Russell Hobbs recorded:

$1.1 million in legal expenses related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box;

$0.4 million in severance expenses related to a reduction in force in its European operations; and

$0.3 million in integration and transition-related costs primarily related to the integration and transition of the North American operations of Salton and Applica.

(7) During the six months ended December 31, 2008, Russell Hobbs recorded:

$4.7 million in legal expenses related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box;

$1.6 million in acquisition-related expenses consisting primarily of $1.0 million recorded in Russell Hobbs Household Products segment relating to the cancellation of stock options as part of Russell Hobbs going-private transaction and the resulting purchase by Harbinger of the remaining public shares of Russell Hobbs in December 2008 and approximately $0.6 million in acquisition-related expenses for potential acquisitions of businesses in the Water Products segment, none of which were consummated. Finally, Russell Hobbs had reversals of approximately $0.3 million of acquisition-related accruals relating to potential acquisition within the Household Products segment;

$1.0 million in integration and transition-related costs primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed by June 2008; and

$0.9 million in severance expenses in the year ended June 30, 2009 primarily related to a reduction in force in December 2008 in its North American and European operations and the transfer of its operations at its distribution facilities in North America to a third-party provider in June 2009.

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(8) During six months ended June 30, 2006, Russell Hobbs recorded:

$3.7 million for the product recall of *Black & Decker* branded TCM 800 and TCM 805 thermal coffeemakers;

the sale of inventory that included capitalized losses of $2.7 million related to the closure of a manufacturing facility in Mexico;

$0.4 million of fees and expenses related to the proposed merger with NACCO Industries, Inc. and HB-PS Holding Company, Inc.; and

$1.7 million in consulting fees related to the engagement of a consulting firm.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following selected unaudited pro forma condensed combined statement of financial position, as of January 3, 2010, reflects the merger and related transactions as if they had occurred on January 3, 2010 for Spectrum and Russell Hobbs as a consolidated entity. The unaudited pro forma statements of operations for the three month period ended January 3, 2010 and the fiscal year ended September 30, 2009 reflects the merger and related transactions as if they had occurred on October 1, 2008. In the opinion of management, all adjustments necessary to reflect the effect of these transactions have been made. The mergers will be accounted for under the acquisition method of accounting as provided by Accounting Standards Codification (ASC) 805-10 (previously SFAS No. 141(R), *Business Combinations*).

The unaudited pro forma condensed combined financial information should be read together with the respective historical audited and unaudited consolidated financial statements and financial statement notes of Spectrum and Russell Hobbs in this proxy statement/prospectus and the documents incorporated by reference herein. The unaudited pro forma condensed combined financial information is presented for comparative purposes only and does not necessarily indicate what the future operating results or financial position of SB Holdings will be following consummation of the mergers. The unaudited pro forma condensed combined financial information does not include adjustments to reflect any cost savings or other operational efficiencies that may be realized as a result of the mergers or any future merger related restructuring or integration expenses.

(In millions, except share and per share numbers)	As of and for the Three Months Ended January 3, 2010	As of and for the Fiscal Year Ended September 30, 2009
Income Statement		
Net sales	$ 840.6	$ 3,027.2
Cost of goods sold and restructuring and related charges	578.4	1,991.5
Gross profit	262.2	1,035.7
Operating expenses	212.6	858.6
Interest expense	44.5	171.5
Other expenses	4.6	7.1
Loss from continuing operations before reorganization items and income taxes	(0.5)	(1.5)
Reorganization items, net	3.6	(1,138.8)
Income tax expense	27.0	87.8
(Loss) income from continuing operations	$ (30.1)	$ 1,049.5
(Loss) earnings from continuing operations per share:		
Basic	$ (0.59)	$ 20.55
Diluted	$ (0.59)	$ 20.55
Number of shares:		
Basic	51,061,213	51,061,213
Diluted	51,061,213	51,061,213
Balance Sheet		
Total assets	$ 3,849.8	
Total shareholders equity	$ 1,062.3	
Net book value per share outstanding	$ 20.80	

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COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE INFORMATION

The following selected unaudited pro forma per share information for the three month period ended January 3, 2010 and for the year ended September 30, 2009 reflects the mergers and related transactions as if they had occurred on October 1, 2008. The unaudited pro forma combined net asset value per common share outstanding reflects the mergers and related transactions as if they had occurred on January 3, 2010.

Such unaudited pro forma combined per share information is based on the historical financial statements of Spectrum and Russell Hobbs and on available information and certain assumptions and adjustments as discussed in the section entitled Unaudited Pro Forma Condensed Combined Financial Statements of this proxy statement/prospectus. This unaudited pro forma combined per share information is provided for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Spectrum or Russell Hobbs would have been had the mergers and related transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. The following should be read in connection with the section entitled Unaudited Pro Forma Condensed Combined Financial Statements and other information included in or incorporated by reference into this proxy statement/prospectus.

Spectrum

	Successor Company		Predecessor Company
	Three Months Ended January 3, 2010	The period from Aug. 31, 2009 to Sept. 30, 2009	The period from Oct. 1, 2008 to Aug. 30, 2009
Historical Per Common Share Data:			
Basic net (loss) income per share	$ (1.92)	$ (2.36)	$ 19.76
Diluted net (loss) income per share	$ (1.92)	$ (2.36)	$ 19.76
Book value per share as of the period end	$ 19.60	$ 22.03	

Russell Hobbs

	Three Months Ended December 31, 2009	Fiscal Year Ended June 30, 2009
Historical Per Common Share Data:		
Basic net income (loss) per share	$ 0.02	$ (0.05)
Diluted net income (loss) per share	$ 0.02	$ (0.05)
Book value per share as of the period end	$ 0.16	$ 0.14

Pro Forma Combined Company

	Three Months Ended January 3, 2010	Fiscal Year Ended September 30, 2009

Unaudited Pro Forma Combined Per Common Share Data:				
Basic net (loss) income per share	$	(0.59)	$	20.55
Diluted net (loss) income per share	$	(0.59)	$	20.55
Book value per share as of the period end	$	20.80		

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RISK FACTORS

In addition to the other information included and incorporated by reference in this proxy statement/prospectus, including the matters addressed in the Cautionary Statement Regarding Forward-Looking Statements, you should carefully consider the following risks before deciding how to cast your vote. In addition, you should read and consider the risks associated with the businesses of Spectrum and Russell Hobbs. You should also read and consider the other information in this proxy statement/prospectus and the other documents incorporated by reference in this proxy statement/prospectus. Please see Where You Can Find More Information. Additional risks and uncertainties not presently known to Spectrum and Russell Hobbs or that are not currently believed to be important also may adversely affect the transaction and SB Holdings following the mergers.

Risks Related to the Mergers and to an Investment in SB Holdings

Significant costs are expected to be incurred in connection with the consummation of the mergers and integration of Spectrum and Russell Hobbs into a single business, including legal, accounting, financial advisory and other costs.

If the mergers are consummated, Spectrum and Russell Hobbs expect to incur significant costs in connection with integrating their operations, products and personnel. These costs may include costs for:

- employee redeployment, relocation or severance;
- integration of information systems;
- combination of research and development teams and processes; and
- reorganization or closures of facilities.

In addition, Spectrum and Russell Hobbs expect to incur a number of non-recurring costs associated with combining the operations of the two companies, which cannot be estimated accurately at this time. Spectrum and Russell Hobbs will also incur transaction fees and other costs related to the mergers, anticipated to be approximately $94 million. This amount is a preliminary estimate and subject to change. Additional unanticipated costs may be incurred in the integration of the businesses of Spectrum and Russell Hobbs. Although Spectrum and Russell Hobbs expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that Spectrum and Russell Hobbs will be successful in these integration efforts.

The debt of Spectrum and Russell Hobbs incurred in connection with the mergers may limit their financial and operating flexibility.

In order to refinance Spectrum s existing senior debt and a portion of Russell Hobbs existing senior debt, as well as to pay transaction expenses in connection with the mergers, Spectrum and Russell Hobbs expect to finance substantially all of such amounts through the incurrence of approximately $1.80 billion of new indebtedness (from which $1.532 billion in proceeds is anticipated to be received at closing), including:

- senior secured notes in a principal amount of up to $750 million;
- a senior secured asset-based revolving facility of up to $300 million (the New Revolving Facility);
- a senior secured term facility of up to $750 million (the New Term Facility); and

if the companies are unable to issue the senior secured notes prior to the consummation of the mergers, a senior secured bridge facility of up to $750 million (the Bridge Loan Facility).

The New Revolving Facility, the New Term Facility and the Bridge Loan Facility are collectively referred to as the New Facilities. The New Facilities are expected to contain financial covenants relating to maximum leverage and minimum fixed charge coverage. Other covenants contained in the New Facilities are expected to restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. Spectrum anticipates that the New Facilities will contain customary events of default. These covenants will, among other things, limit the ability of the respective restricted entities to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of their assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, such covenants could limit the flexibility of the respective restricted entities in planning for, or reacting to, changes in the industries in which they operate.

SB Holdings may not realize the anticipated benefits of the mergers.

The mergers involve the integration of two companies that have previously operated independently. The integration of Spectrum and Russell Hobbs is expected to result in financial and operational benefits, including increased revenues, cost savings and other financial and operational benefits. There can be no assurance, however, regarding when or the extent to which SB Holdings will be able to realize these increased revenues, cost savings or other benefits. This integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. The companies must integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which are dissimilar. In some instances, Spectrum and Russell Hobbs serve the same customers, and some of these customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with integrating Spectrum and Russell Hobbs could have a material adverse effect on Russell Hobbs, Spectrum and/or SB Holdings and the market price of SB Holdings common stock.

Results after the mergers may materially differ from the pro forma information presented in this proxy statement/prospectus.

Results after the mergers may be materially different from those shown in the pro forma information that only show a combination of historical results for Spectrum and Russell Hobbs. The merger, integration, restructuring and transaction costs related to the mergers could be higher or lower than currently estimated depending on how difficult it will be to integrate Spectrum and Russell Hobbs.

Integrating Spectrum and Russell Hobbs may divert management s attention away from their operations.

Successful integration of Spectrum s and Russell Hobbs operations, products and personnel may place a significant burden on the management and internal resources of Spectrum and Russell Hobbs. The diversion of management attention and any difficulties encountered in the transition and integration process could harm the businesses, financial conditions and operating results of Spectrum, Russell Hobbs and the combined company, as the case may be.

As a result of the mergers, Spectrum and Russell Hobbs may not be able to retain key personnel or recruit additional qualified personnel, which could materially affect the companies respective businesses and require Spectrum and Russell Hobbs to incur substantial costs to recruit replacements for lost personnel.

Each of Spectrum and Russell Hobbs is highly dependent on the continuing efforts of its senior management team and other key personnel. As a result of the mergers, current and prospective Spectrum and Russell Hobbs employees could experience uncertainty about their future roles. This uncertainty may adversely affect the ability of Spectrum, Russell Hobbs or SB Holdings, as the case may be, to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse

effect on the business of Spectrum, Russell Hobbs or SB Holdings after consummation of the mergers. In addition, Spectrum and Russell Hobbs currently do not maintain key person insurance covering any member of its management teams.

General customer uncertainty related to the mergers could harm Spectrum, Russell Hobbs and SB Holdings.

Spectrum s or Russell Hobbs customers may, in response to the announcement or consummation of the proposed mergers, delay or defer purchasing decisions. If Spectrum s or Russell Hobbs customers delay or defer purchasing decisions, the revenues of Spectrum and Russell Hobbs, respectively, and the revenues of SB Holdings, could materially decline or any anticipated increases in revenue could be lower than expected.

While the mergers are pending, Spectrum and Russell Hobbs will be subject to business uncertainties and contractual restrictions that could adversely affect their businesses.

Uncertainty about the effect of the mergers on customers and suppliers may have an adverse effect on Spectrum and Russell Hobbs and, consequently, on SB Holdings. These uncertainties could cause customers, suppliers and others who deal with Spectrum and Russell Hobbs to seek to change existing business relationships with Spectrum and Russell Hobbs. In addition, the merger agreement restricts Spectrum and Russell Hobbs, without the other party s consent and subject to certain exceptions, from making certain acquisitions and taking other specified actions until the mergers occur or the merger agreement terminates. These restrictions may prevent Spectrum and Russell Hobbs from pursuing otherwise attractive business opportunities and making other changes to their respective businesses that may arise prior to consummation of the mergers or termination of the merger agreement.

Officers and directors of Spectrum may have certain interests in the Spectrum merger that may be different from, or in addition to, interests of other Spectrum stockholders.

Spectrum officers and directors may have certain interests in the Spectrum merger that may be different from, or in addition to, interests of other Spectrum stockholders. Spectrum stockholders should be aware of these interests when considering the Spectrum Board recommendation to adopt the merger agreement. See The Proposed Transaction Interests of Certain Persons in the Spectrum Merger for additional information.

The Harbinger Parties will exercise significant influence over SB Holdings and their interests in SB Holdings business may be different from the interests of Spectrum stockholders.

Upon consummation of the mergers and related transactions, the Harbinger Parties will beneficially own approximately 65% of the outstanding common stock of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers). The Harbinger Parties also owned approximately $93 million of Spectrum PIK Notes as of April 30, 2010. The Harbinger Parties will thus generally have the ability to influence the outcome of any corporate action of SB Holdings which requires stockholder approval, including, but not limited to, the election of directors, approval of merger transactions involving SB Holdings and the sale of all or substantially all of SB Holdings assets. In addition, SB Holdings is a party to the Stockholder Agreement pursuant to which the Harbinger Parties will have the right to designate for nomination for election six of SB Holdings ten board members subject to the terms and conditions described therein.

This influence and actual control may have the effect of discouraging offers to acquire SB Holdings because any such consummation would likely require the consent of the Harbinger Parties. The Harbinger Parties may also delay or prevent a change in control of SB Holdings. In addition, the significant concentration of stock ownership may adversely affect the value of SB Holdings common stock due to a resulting lack of liquidity of SB Holdings common stock or a perception among investors that conflicts of interest may exist or arise.

If the Harbinger Parties sell substantial amounts of SB Holdings common stock in the public market, or investors perceive that these sales could occur, the market price of SB Holdings common stock could be adversely affected. In connection with the execution of the merger agreement, SB Holdings entered into the Registration Rights Agreement with the Harbinger Parties and certain other existing stockholders of Spectrum who collectively own or control approximately 63% of Spectrum s outstanding common stock as of May 5, 2010. If requested properly under the terms of the Registration Rights Agreement, these stockholders have the right to require SB Holdings to register all or some of such shares for sale under the Securities Act in certain circumstances and also have the right to include those shares in a registration initiated by SB Holdings. If SB Holdings is required to include the shares of SB Holdings common stock held by these stockholders pursuant to these registration rights in a registration initiated by SB Holdings, sales made by such stockholders may adversely affect the price of SB Holdings common stock and SB Holdings ability to raise needed capital. In addition, if these stockholders exercise their demand registration rights and cause a large number of shares to be registered and sold in the public market or demand that SB Holdings register their shares on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of SB Holdings common stock.

The interests of the Harbinger Parties, which have investments in other companies, may from time to time diverge from the interests of other SB Holdings stockholders, particularly with regard to new investment opportunities. The Harbinger Parties are not restricted from investing in other businesses involving or related to the marketing or distribution of household products, pet and pest products and personal care products. The Harbinger Parties may also engage in other businesses that compete or may in the future compete with SB Holdings.

The value of the shares of SB Holdings common stock received upon the consummation of the mergers may be less than the value of the shares of Spectrum common stock as of the date of this proxy statement/prospectus or the date of the special meeting.

The consideration that holders of Spectrum common stock will be entitled to receive in the Spectrum merger is fixed and will not be adjusted in the event of any changes in the price of Spectrum common stock prior to the mergers. There may be a significant amount of time between the date when the stockholders of Spectrum vote on the merger agreement at the special meeting of Spectrum s stockholders and the date when the mergers are consummated. The price per share of Spectrum common stock may vary significantly between the date of this proxy statement/prospectus, the date of the special meeting and the date of the consummation of the mergers. These variations may be caused by, among other things, changes in the businesses, operations, results or prospects of Spectrum, market expectations of the likelihood that the mergers will be consummated and the timing of consummation, the prospects of post-merger operations, the effect of any conditions or restrictions imposed on or proposed with respect to SB Holdings by regulatory agencies and authorities, general market and economic conditions and other factors. In addition, it is impossible to predict accurately the market price of the SB Holdings common stock to be received by Spectrum stockholders after the consummation of the mergers. Accordingly, the price of Spectrum common stock on the date of this proxy statement/prospectus and on the date of the special meeting may not be indicative of its price immediately prior to consummation of the mergers and the price of SB Holdings common stock after the mergers are consummated.

The trading price of shares of SB Holdings common stock after the consummation of the mergers may be affected by factors different from those affecting the price of shares of Spectrum common stock before the mergers.

Upon the consummation of the mergers, holders of Spectrum common stock will be entitled to become holders of SB Holdings common stock. The results of operations of Spectrum, as well as the trading price of SB Holdings common stock, after the mergers may be affected by factors different from those currently affecting Spectrum s results of operations and the trading price of Spectrum common stock. For a discussion of the businesses of Spectrum and Russell Hobbs and of certain factors to consider in connection with those businesses, see The Companies Information About Spectrum and The Companies Information About Russell Hobbs.

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There has been no prior public market for SB Holdings common stock.

Before this offering, no public market existed for the SB Holdings common stock. It is anticipated that the SB Holdings common stock will be listed on the NYSE. However, an active public market for the SB Holdings common stock may not develop or be sustained after the consummation of the mergers, which could affect the ability to sell, or depress the market price of, the SB Holdings common stock. We cannot predict the extent to which a trading market will develop or how liquid that market might become.

The stock price of SB Holdings common stock may be volatile.

The stock price of SB Holdings common stock may be volatile and subject to wide fluctuations. In addition, the trading volume of SB Holdings common stock may fluctuate and cause significant price variations to occur. Some of the factors that could cause fluctuations in the stock price or trading volume of the SB Holdings common stock include:

- general market and economic conditions;
- actual or expected variations in quarterly operating results;
- differences between actual operating results and those expected by investors and analysts;
- changes in recommendations by securities analysts;
- operations and stock performance of competitors;
- accounting charges, including charges relating to the impairment of goodwill;
- significant acquisitions or strategic alliances by SB Holdings or by competitors;
- sales of the SB Holdings common stock, including sales by SB Holdings directors and officers or significant investors;
- recruitment or departure of key personnel; and
- loss of key customers.

We cannot assure you that the price of SB Holdings common stock will not fluctuate or decline significantly in the future. In addition, the stock market in general can experience considerable price and volume fluctuations that may be unrelated to SB Holdings performance.

Spectrum and Russell Hobbs face risks related to the current economic environment.

The current economic environment and related turmoil in the global financial system has had and may continue to have an impact on the business and financial condition of Spectrum and/or Russell Hobbs. Global economic conditions have significantly impacted economic markets within certain sectors, with financial industries and retail business being particularly impacted. The ability of Spectrum and/or Russell Hobbs to generate revenue depends significantly on discretionary consumer spending. It is difficult to predict new general economic conditions that could impact consumer and customer demand for products of Spectrum and/or Russell Hobbs or their respective ability to manage normal commercial

relationships with their customers, suppliers and creditors. The recent continuation of a number of negative economic factors, including constraints on the supply of credit to households, uncertainty and weakness in the labor market and general consumer fears of a continuing economic downturn could have a negative impact on discretionary consumer spending. If the economy continues to deteriorate or fails to improve, Spectrum s and Russell Hobbs respective businesses could be negatively impacted, including as a result of reduced demand for their products or supplier or customer disruptions. Any weakness in discretionary consumer spending could have a material adverse effect on the revenues, results of operations and financial condition of Spectrum and/or Russell Hobbs. In addition, the ability of Spectrum and/or Russell Hobbs to access the capital markets may be restricted at a time when Spectrum and/or Russell Hobbs, as the case may be, would like or need to do so, which could have an impact on its flexibility to react to changing economic and business conditions.

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Spectrum and Russell Hobbs participate in very competitive markets and they may not be able to compete successfully, causing them to lose market share and sales.

The markets in which Spectrum participates are very competitive. In the consumer battery market, Spectrum s primary competitors are *Duracell* (a brand of Procter & Gamble), *Energizer* and *Panasonic* (a brand of Matsushita). In the electric shaving and grooming and electric personal care product markets, Spectrum s primary competitors are *Braun* (a brand of Procter & Gamble), *Norelco* (a brand of Philips), and *Vidal Sassoon* and *Revlon* (brands of Helen of Troy). In the pet supplies market, Spectrum s primary competitors are *Mars*, *Hartz* and *Central Garden & Pet*. In the Home and Garden Business, Spectrum s principal national competitors are *The Scotts Company, Central Garden & Pet* and *S.C. Johnson*. In each of Spectrum s markets, it also faces competition from numerous other companies.

Russell Hobbs competes with established companies, a number of which have substantially greater facilities, personnel, financial and other resources than it has. The key competitors of Russell Hobbs in this market in the United States and Canada include Jarden Corporation, DeLonghi America, Euro-Pro Operating LLC, Metro Thebe, Inc., d/b/a HWI Breville, NACCO Industries, Inc. (*Hamilton Beach*) and SEB S.A. In addition, Russell Hobbs competes with its retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Some competitors may be willing to reduce prices and accept lower profit margins to compete with Russell Hobbs. As a result of this competition, Russell Hobbs could lose market share and sales, or be forced to reduce its prices to meet competition. Significant new competitors or increased competition from existing competitors may adversely affect Russell Hobbs business, financial condition and results of operations.

Spectrum and Russell Hobbs and their respective competitors compete for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. Spectrum s and Russell Hobbs ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

- Spectrum and Russell Hobbs compete against many well-established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than that of Spectrum and Russell Hobbs.

- In some key product lines, Spectrum s and Russell Hobbs competitors may have lower production costs and higher profit margins than that of Spectrum and Russell Hobbs, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.

- Product improvements or effective advertising campaigns by competitors may weaken consumer demand for Spectrum s and Russell Hobbs products.

- Consumer purchasing behavior may shift to distribution channels where Spectrum and Russell Hobbs do not have a strong presence.

- Consumer preferences may change to lower margin products or products other than those Spectrum and Russell Hobbs market.

If Spectrum s or Russell Hobbs product offerings are unable to compete successfully, Spectrum s or Russell Hobbs sales, results of operations and financial condition could be materially and adversely affected.

Sales of certain of Spectrum s and Russell Hobbs products are seasonal and may cause their quarterly operating results and working capital requirements to fluctuate.

Sales of Spectrum s battery and electric shaving and grooming and personal care products are seasonal. A large percentage of sales for these products generally occur during Spectrum s first fiscal quarter that ends on or

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about December 31, due to the impact of the December holiday season. Sales of Spectrum s lawn and garden and household insect control products that are offered through the Home and Garden Business are also seasonal. A large percentage of Spectrum s sales of these products occur during the spring and summer, typically Spectrum s second and third fiscal quarters. As a result of this seasonality, Spectrum s inventory and working capital needs relating to these products fluctuate significantly during the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If Spectrum is unable to accurately forecast and prepare for customer orders or its working capital needs, or there is a general downturn in business or economic conditions during these periods, Spectrum s business, financial condition and results of operations could be materially and adversely affected.

The market for small household appliances is highly seasonal in nature, and Russell Hobbs often recognizes a substantial portion of its sales in the last half of the calendar year. As a result of this seasonality, Russell Hobbs inventory and working capital needs relating to these products fluctuate significantly during the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If Russell Hobbs is unable to accurately forecast and prepare for customer orders or its working capital needs, or there is a general downturn in business or economic conditions during these periods, its businesses, financial condition and results of operations could be materially and adversely affected.

Spectrum and Russell Hobbs are subject to significant international business risks that could hurt their businesses and cause their results of operations to fluctuate.

A significant amount of Spectrum s and Russell Hobbs revenues are from customers outside of the United States. Each company s pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. International operations are subject to risks including, among others:

- currency fluctuations;
- changes in the economic conditions or consumer preferences or demand for Spectrum s and/or Russell Hobbs products in these markets;
- the risk that because Spectrum s and/or Russell Hobbs brand names may not be locally recognized, each company must spend significant amounts of time and money to build brand identities without certainty that it will be successful;
- labor unrest;
- political and economic instability, as a result of terrorist attacks, natural disasters or otherwise;
- lack of developed infrastructure;
- longer payment cycles and greater difficulty in collecting accounts;
- restrictions on transfers of funds;
- import and export duties and quotas, as well as general transportation costs;

changes in domestic and international customs and tariffs;

changes in foreign labor laws and regulations affecting the ability to hire, retain and discharge employees;

inadequate protection of intellectual property in foreign countries;

unexpected changes in regulatory environments;

difficulty in complying with a variety of foreign laws;

difficulty in obtaining distribution and support; and

potentially adverse tax consequences.

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The foregoing factors may have a material adverse effect on each company s ability to increase or maintain its respective supply of products, financial condition or results of operations.

SB Holdings will have various mechanisms in place that could prevent a change in control that a stockholder might favor.

The Stockholder Agreement and the New Certificate of Incorporation and New Bylaws (each as defined below) contain the following mechanisms, which restrict SB Holdings ability to engage in a transaction that would result in a change in control of SB Holdings:

- Under the New Certificate of Incorporation, stockholders owning 5% or more of SB Holdings outstanding common stock or capital stock into which any shares of common stock may be converted (voting securities) generally have the right to purchase their respective *pro rata* share of newly-issued SB Holdings securities.

- Significant Stockholders (as defined below) are prohibited from initiating or engaging in going private transactions, subject to certain exceptions set forth in the New Certificate of Incorporation.

- Subject to certain exceptions set forth in the Stockholder Agreement, the Harbinger Parties, as a Significant Stockholder, are prohibited from effecting any transfer of equity securities of SB Holdings to any person that would result in such person and its affiliates owning 40% or more of the outstanding voting securities of SB Holdings unless such person agrees in writing to be bound by the terms of the Stockholder Agreement to the same extent as the Harbinger Parties would be bound thereunder prior to giving effect to such transfer.

In addition, because the Harbinger Parties will hold a majority of the SB Holdings common stock following consummation of the mergers, a change in control will not be possible without the support of the Harbinger Parties.

Other Risks Currently Faced by Spectrum and Russell Hobbs that SB Holdings Will Face After Consummation of the Mergers

Spectrum and Russell Hobbs are, and will continue to be, and SB Holdings after consummation of the mergers will be, subject to the risks described in (i) Risks Related to Spectrum Prior to the Consummation of the Mergers, (ii) Risks Related to Spectrum Generally and (iii) Risks Related to Russell Hobbs.

Risks Related To Spectrum Prior to the Consummation of the Mergers

Because Spectrum s consolidated financial statements are required to reflect fresh-start reporting adjustments to be made upon emergence from bankruptcy, financial information in Spectrum s financial statements prepared after August 30, 2009 will not be comparable to Spectrum s financial information from prior periods.

All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on August 28, 2009 (the Effective Date). However, in light of the proximity of that date to Spectrum s accounting period close immediately following the Effective Date, which was August 30, 2009, Spectrum elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting. Spectrum adopted fresh-start reporting in accordance with the ASC Topic 852: *Reorganizations* (previously American Institute of Certified Public Accountants Statement of Position No. 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*) pursuant to which Spectrum s reorganization value, which is intended to reflect the fair value of the entity before considering liabilities and approximate the amount a willing buyer would pay for the assets of the entity immediately after the Reorganization, were allocated to the fair value of assets in conformity with Statement of Financial Accounting Standards No. 141, *Business Combinations*, using the purchase method of accounting for business combinations. Spectrum stated liabilities,

other than deferred taxes, at a present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of identified tangible and intangible assets was reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit was eliminated. Thus, Spectrum s future statements of financial position and results of operations will not be comparable in many respects to statements of financial position and consolidated statements of operations data for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing Spectrum s securities. Additionally, the financial information included in this proxy statement/prospectus may not be indicative of future financial information.

Spectrum s substantial indebtedness could adversely affect its business, financial condition and results of operations and prevent Spectrum from fulfilling its obligations under the terms of its indebtedness.

Spectrum has, and Spectrum expects to continue to have, a significant amount of indebtedness. As of January 3, 2010, Spectrum had total indebtedness under its senior subordinated notes, senior credit facilities and other senior debt of approximately $1.7 billion. Although the combined company s percentage of indebtedness relative to total value will be less than that of Spectrum currently, Spectrum s indebtedness will not be reduced in connection with the consummation of the mergers.

Spectrum s substantial indebtedness has had and could continue to have material adverse consequences for Spectrum s business, including:

- requiring Spectrum to dedicate a large portion of its cash flow to pay principal and interest on its indebtedness, which will reduce the availability of Spectrum s cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;
- increasing Spectrum s vulnerability to general adverse economic and industry conditions;
- limiting Spectrum s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- restricting Spectrum from making strategic acquisitions, dispositions or exploiting business opportunities;
- placing Spectrum at a competitive disadvantage compared to its competitors that have less debt; and
- limiting Spectrum s ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets.

In addition, a substantial portion of Spectrum s debt bears, and is expected to bear, interest at variable rates. If market interest rates increase, the interest rate on Spectrum s variable-rate debt will increase and will create higher debt service requirements, which would adversely affect Spectrum s cash flow and could adversely impact Spectrum s results of operations. While Spectrum may enter into agreements limiting its exposure to higher debt service requirements, any such agreements may not offer complete protection from this risk.

The terms of Spectrum s existing indebtedness impose and the New Facilities are expected to impose restrictions on Spectrum that may affect its ability to successfully operate its business.

The PIK Notes Indenture contains and the New Facilities are expected to contain covenants that, among other things, limit Spectrum s ability to:

- incur additional indebtedness;

borrow money or sell preferred stock;

create liens;

pay dividends on or redeem or repurchase stock;

make certain types of investments;

issue or sell stock in Spectrum s subsidiaries;

restrict dividends or other payments from Spectrum s subsidiaries;

issue guarantees of debt;

transfer or sell assets and utilize proceeds of any such sales;

enter into agreements that restrict Spectrum s restricted subsidiaries from paying dividends, making loans or otherwise transferring assets to Spectrum or to any of Spectrum s other restricted subsidiaries;

enter into or engage in transactions with affiliates; and

merge, consolidate or sell all or substantially all of Spectrum s assets.

In addition, the New Facilities are expected to require Spectrum to meet a number of financial ratios and tests. These covenants may have the effect of restricting Spectrum s ability to finance its operations or capital needs with additional sources of capital or engage in other business activities that may be in Spectrum s best interest and may also impede Spectrum s ability to expand or pursue Spectrum s business strategies. Spectrum may not be able to comply with all of its covenants and obligations in all of its debt instruments, and the failure to do so could result in a default or defaults under the New Facilities which would permit the acceleration of the due date of the indebtedness, which could have a material adverse effect on SB Holdings.

The market price of Spectrum common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond Spectrum s control.

Factors that may influence the price of the Spectrum common stock include, without limitation, the following:

loss of any of Spectrum s key customers or suppliers;

additions or departures of key personnel;

sales of the common stock;

Spectrum s ability to execute its business plan;

- operating results that fall below expectations;
- additional issuances of the common stock;
- low trading volume due to concentrated ownership of the common stock;
- intellectual property disputes;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in Spectrum s financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the common stock. Price volatility might be worse if the trading volume of shares of the common stock is low. Also, speculation regarding the likelihood of the consummation of the mergers could increase the volatility of the price of Spectrum common stock.

Additional issuances of Spectrum common stock may result in dilution to its existing stockholders.

As of May 6, 2010, Spectrum has issued 629,213 shares of common stock under its 2009 equity incentive plan and is authorized to issue up to a total of 3,333,333 shares of its common stock, or options exercisable for

shares of common stock under this plan. In addition, the Spectrum Board has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of common stock. If Spectrum does issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of common stock could be decreased. Under Spectrum s certificate of incorporation, holders of 5% or more of the outstanding voting securities have certain rights to purchase their *pro rata* share of certain future issuances of securities. The merger agreement prohibits Spectrum from issuing any shares of its capital stock prior to the termination of the merger agreement.

Spectrum has historically not paid dividends on its public common stock, and, therefore, any return on investment may be limited to the value of the common stock.

Spectrum has not declared or paid dividends on its common stock since the stock commenced public trading in 1997, and Spectrum does not anticipate paying dividends in the foreseeable future. The payment of dividends on outstanding common stock will depend on earnings, financial condition and other business and economic factors affecting Spectrum at such time as the Spectrum Board may consider relevant, including the ability to do so under its credit and other debt agreements. If Spectrum does not pay dividends, returns on an investment in its common stock will only occur if the stock price appreciates.

Risks Related To Spectrum Generally

Adverse weather conditions during Spectrum s peak selling season for its home and garden control products could have a material adverse effect on Spectrum s home and garden business.

Weather conditions in the U.S. have a significant impact on the timing and volume of sales of certain of Spectrum s lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. In addition, an abnormally cold spring throughout the U.S. could adversely affect insecticide sales and therefore have a material adverse effect on Spectrum s Home and Garden Business.

Spectrum s products utilize certain key raw materials; any increase in the price of these raw materials could have a material and adverse effect on Spectrum s business, financial condition and profits.

The principal raw materials used to produce Spectrum s products including zinc powder, electrolytic manganese dioxide powder and steel are sourced either on a global or regional basis, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2007 and 2008 Spectrum experienced extraordinary price increases for raw materials, particularly as a result of strong demand from China. Spectrum regularly engages in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs it expects to incur over the next 12 to 24 months; however, Spectrum s hedging positions may not be effective or may not anticipate beneficial trends in a particular raw material market or as a result of changes in Spectrum s business may no longer be useful for Spectrum. In addition, for certain of the principal raw materials Spectrum uses to produce its products, such as electrolytic manganese dioxide powder, there are no available effective hedging markets. If these efforts are not effective or expose Spectrum to above average costs for an extended period of time and Spectrum is unable to pass its raw materials costs on to its customers, Spectrum s future profitability may be materially and adversely affected. Further, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. Spectrum may be unable to pass these fuel surcharges on to its customers, which may have an adverse effect on Spectrum s profitability and results of operations.

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In addition, Spectrum has exclusivity arrangements and minimum purchase requirements with certain of its suppliers for the Home and Garden Business, which increase Spectrum s dependence upon and exposure to those suppliers. Some of those agreements include caps on the price Spectrum pays for its supplies and in certain instances, these caps have allowed Spectrum to purchase materials at below market prices. When Spectrum attempts to renew those contracts, the other parties to the contracts may not be willing to include or may limit the effect of those caps and could even attempt to impose above market prices in an effort to make up for any below market prices paid by Spectrum prior to the renewal of the agreement. Any failure to timely obtain suitable supplies at competitive prices could materially adversely affect Spectrum s business, financial condition and results of operations.

Spectrum may not be able to fully utilize its United States net operating loss carryforwards.

As of January 3, 2010, Spectrum has U.S. federal and state net operating loss carryforwards of approximately $682 and $732 million, respectively. These net operating loss carryforwards expire through years ending in 2030. As of January 3, 2010, Spectrum s management determined that it continues to be more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, would not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including Spectrum s net operating loss carryforwards. In addition, Spectrum has had changes of ownership, as defined under Internal Revenue Code Section 382, that continue to subject a significant amount of Spectrum s U.S. net operating losses and other tax attributes to certain limitations. Spectrum estimates that approximately $149 million of its federal and $311 million of its state net operating losses will expire unused due to the Internal Revenue Code Section 382 limitation. If Spectrum is unable to fully utilize its net operating losses other than those restricted under Internal Revenue Code Section 382, as discussed above, to offset taxable income generated in the future, Spectrum s results of operations could be materially and negatively impacted.

Consolidation of retailers and Spectrum s dependence on a small number of key customers for a significant percentage of its sales may negatively affect Spectrum s business, financial condition and results of operations.

As a result of consolidation of national mass merchandisers, a significant percentage of Spectrum s sales are attributable to a very limited group of retailer customers. Because of the importance of these key customers, demands for price reductions or promotions by such customers, reductions in their purchases, changes in their financial condition or loss of their accounts could have a material adverse effect on Spectrum s business, financial condition and results of operations. In addition, as a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among them to purchase Spectrum s products on a just-in-time basis. This requires Spectrum to shorten its lead-time for production in certain cases and more closely anticipate their demand, which could in the future require Spectrum to carry additional inventories, increase Spectrum s working capital and related financing requirements or result in excess inventory becoming unusable or obsolete. Furthermore, Spectrum primarily sells branded products and a move by one or more of its large customers to sell significant quantities of private label products, which Spectrum does not produce on their behalf and which directly compete with Spectrum s products, could have a material adverse effect on Spectrum s business, financial condition and results of operations.

As a result of Spectrum s international operations, it faces a number of risks related to exchange rates and foreign currencies.

Spectrum s international sales and certain of Spectrum s expenses are transacted in foreign currencies. During the fiscal year ended September 30, 2009, approximately 43% of Spectrum s net sales and 45% of Spectrum s operating expenses were denominated in foreign currencies. Spectrum expects that the amount of Spectrum s revenues and expenses transacted in foreign currencies will increase as Spectrum s Latin American, European and Asian operations grow and, as a result, Spectrum s exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign

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currencies could have a material effect on Spectrum s business, financial condition and results of operations. Changes in currency exchange rates may also affect Spectrum s sales to, purchases from and loans to Spectrum s subsidiaries as well as sales to, purchases from and bank lines of credit with Spectrum s customers, suppliers and creditors that are denominated in foreign currencies.

Spectrum sources many products from, and sells many products in, China and other Asian countries. To the extent the Chinese Renminbi (RMB) or other currencies appreciate with respect to the U.S. dollar, Spectrum may experience fluctuations in its results of operations. Since 2005, the RMB has no longer been pegged to the U.S. dollar at a constant exchange rate and instead fluctuates versus a basket of currencies. Although the People s Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate within a flexible peg range against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future Chinese authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

The RMB appreciated approximately 7% versus the U.S. dollar in 2008 and remained substantially unchanged in 2009. The RMB currency fluctuation in 2009 and 2008 has not generated material cost increases for products sourced from China, however, further significant appreciation of the RMB or other currencies in countries where Spectrum sources or sells products could adversely impact Spectrum s profitability. Very limited hedging transactions are available in China to reduce exposure to exchange rate fluctuations. While Spectrum may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and Spectrum may not be able to successfully hedge its exposure to currency fluctuations. Further, Spectrum may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, Spectrum s results of operations may be adversely impacted.

In addition, the Venezuelan government has imposed foreign exchange and price controls on the local currency. These foreign exchange controls increase Spectrum s costs to, and also limit its ability to, convert local currency into U.S. dollars and transfer funds out of Venezuela, and may have an adverse effect on Spectrum s Venezuelan customers. Further, given Venezuela s designation as a highly inflationary economy and the devaluation of the official rate, Spectrum s revenue, operating profit, and net income may be negatively impacted in the future.

Spectrum s international operations may expose it to risks related to compliance with the laws and regulations of foreign countries.

Spectrum is subject to three EU Directives that may have a material impact on its business: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed below. Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment requires Spectrum to eliminate specified hazardous materials from products Spectrum sells in EU member states. Waste of Electrical and Electronic Equipment requires Spectrum to collect and treat, dispose of or recycle certain products it manufactures or imports into the EU at Spectrum s own expense. The Directive on Batteries and Accumulators and Waste Batteries bans heavy metals in batteries by establishing maximum quantities of heavy metals in batteries and mandates waste management of these batteries, including collection, recycling and disposal systems, with the costs imposed upon producers and importers such as Spectrum. Complying or failing to comply with the EU directives may harm Spectrum s business. For example:

- Although contractually assured with Spectrum s suppliers, Spectrum may be unable to procure appropriate Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment compliant material in sufficient quantity and quality and/or be able to incorporate it into Spectrum s product procurement processes without compromising quality and/or harming Spectrum s cost structure.

Spectrum may face excess and obsolete inventory risk related to non-compliant inventory that Spectrum may continue to hold in fiscal 2010 for which there is reduced demand and Spectrum may need to write down the carrying value of such inventories.

Spectrum may be unable to sell certain existing inventories of its batteries in Europe.

Many of the developing countries in which Spectrum operates do not have significant governmental regulation relating to environmental safety, occupational safety, employment practices or other business matters routinely regulated in the U.S. or may not rigorously enforce such regulation. As these countries and their economies develop, it is possible that new regulations or increased enforcement of existing regulations may increase the expense of doing business in these countries. In addition, social legislation in many countries in which Spectrum operates may result in significantly higher expenses associated with labor costs, terminating employees or distributors and closing manufacturing facilities. Increases in Spectrum s costs as a result of increased regulation, legislation or enforcement could materially and adversely affect Spectrum s business, results of operations and financial condition.

Spectrum may not be able to adequately establish and protect its intellectual property rights.

To establish and protect Spectrum s intellectual property rights, Spectrum relies upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual arrangements. The measures Spectrum takes to protect its intellectual property rights may prove inadequate to prevent third parties from misappropriating Spectrum s intellectual property. Spectrum may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also invented by Spectrum, or a trademark application claiming a trademark, service mark or trade dress also used by Spectrum, in order to protect its rights, Spectrum may have to participate in expensive and time consuming interference proceedings before the United States Patent and Trademark Office or a similar foreign agency. In addition, Spectrum s intellectual property rights may be challenged by third parties. Even if Spectrum s intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of Spectrum s intellectual property rights. Furthermore, competitors may independently develop technologies that are substantially equivalent or superior to Spectrum s technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require Spectrum to incur substantial costs, including the diversion of management and technical personnel.

Moreover, the laws of certain foreign countries in which Spectrum operates or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate Spectrum s competitive or technological advantages in such markets. Also, some of the technology underlying Spectrum s products is the subject of nonexclusive licenses from third parties. As a result, this technology could be made available to Spectrum s competitors at any time. If Spectrum is unable to establish and then adequately protect its intellectual property rights, then Spectrum s business, financial condition and results of operations could be materially and adversely affected.

Claims by third parties that Spectrum is infringing on their intellectual property could adversely affect Spectrum s business.

From time to time in the past Spectrum has been subject to claims that Spectrum is infringing upon the intellectual property of others. Spectrum currently is the subject of claims that it is infringing upon the intellectual property of others, and it is possible that third parties will assert infringement claims against Spectrum in the future. An adverse finding against Spectrum in these or similar trademark or other intellectual property litigations may have a material adverse effect on Spectrum s business, financial condition and results of operations. Any such claims, with or without merit, could be time consuming and expensive, and may require Spectrum to incur substantial costs, including the diversion of management and technical personnel, cause

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product delays or require Spectrum to enter into licensing or other agreements in order to secure continued access to necessary or desirable intellectual property. If Spectrum is deemed to be infringing a third party s intellectual property and is unable to continue using that intellectual property as it had been, Spectrum s business and results of operations could be harmed if it is unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in intellectual property litigation could subject Spectrum to significant liability, as well as require Spectrum to cease developing, manufacturing or selling the affected products or using the affected processes or trademarks. Any significant restriction on Spectrum s proprietary or licensed intellectual property that impedes its ability to develop and commercialize its products could have a material adverse effect on Spectrum s business, financial condition and results of operations.

Spectrum s dependence on a few suppliers and one of its U.S. facilities for certain of its products makes Spectrum vulnerable to a disruption in the supply of its products.

Although Spectrum has long-standing relationships with many of its suppliers, Spectrum does not have long-term contracts with them. An adverse change in any of the following could have a material adverse effect on Spectrum s business, financial condition and results of operations:

- Spectrum s relationships with its suppliers;
- the terms and conditions upon which Spectrum purchases products from its suppliers;
- the financial condition of Spectrum s suppliers;
- the ability to import outsourced products; or
- Spectrum s suppliers ability to manufacture and deliver outsourced products on a timely basis.

If Spectrum s relationship with one of its key suppliers is adversely affected, Spectrum may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, molds or other specialized production equipment or processes used by such supplier in the manufacture of Spectrum s products. In addition, Spectrum manufactures the majority of its foil cutting systems for its shaving product lines, using specially designed machines and proprietary cutting technology, at its Portage, Wisconsin facility. Damage to this facility, or prolonged interruption in the operations of this facility for repairs, as a result of labor difficulties or for other reasons, would have a material adverse effect on Spectrum s ability to manufacture and sell its foil shaving products which would in turn harm Spectrum s business, financial condition and results of operations.

Class action and derivative action lawsuits and other investigations, regardless of their merits, could have an adverse effect on Spectrum s business, financial condition and results of operations.

Spectrum and certain of its officers and directors have been named in the past, and may be named in the future, as defendants of class action and derivative action lawsuits. In the past, Spectrum has also received requests for information from government authorities. Regardless of their subject matter or merits, class action lawsuits and other government investigations may result in significant cost to Spectrum, which may not be covered by insurance, may divert the attention of management or may otherwise have an adverse effect on Spectrum s business, financial condition and results of operations.

Spectrum may be exposed to significant product liability claims which its insurance may not cover and which could harm its reputation.

In the ordinary course of Spectrum s business, Spectrum may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on Spectrum s business, results of operations and financial condition if Spectrum is unable to successfully defend against or settle these matters or if Spectrum s insurance coverage is insufficient to

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satisfy any judgments against it or settlements relating to these matters. Although Spectrum has product liability insurance coverage and an excess umbrella policy, Spectrum s insurance policies may not provide coverage for certain, or any, claims against it or may not be sufficient to cover all possible liabilities. Moreover, any adverse publicity arising from claims made against Spectrum, even if the claims were not successful, could adversely affect the reputation and sales of its products.

Spectrum may incur material capital and other costs due to environmental liabilities.

Because of the nature of Spectrum s operations, Spectrum s facilities are subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

- discharges to the air, water and land;
- the handling and disposal of solid and hazardous substances and wastes; and
- remediation of contamination associated with release of hazardous substances at Spectrum s facilities and at off-site disposal locations.

Risk of environmental liability is inherent in Spectrum s business. As a result, material environmental costs may arise in the future. In particular, Spectrum may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies, such as the EU directives: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed above. Although Spectrum believes that it is substantially in compliance with applicable environmental regulations at its facilities, Spectrum may not be in compliance with such regulations in the future, which could have a material adverse effect on Spectrum s business, financial condition and results of operations.

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

Spectrum is also subject to proceedings related to its disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which Spectrum is responsible as a result of its relationship with such other parties. These proceedings are under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) or similar state laws that hold persons who arranged for the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. Spectrum occasionally is identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where Spectrum has been notified of its status as a potentially responsible party, it is either premature to determine if Spectrum s potential liability, if any, will be material or Spectrum does not believe that its liability, if any, will be material. Spectrum may be named as a potentially responsible party under CERCLA or similar state laws in the future for other sites not currently known to it, and the costs and liabilities associated with these sites may be material.

Compliance with various public health, consumer protection and other regulations applicable to Spectrum s products and facilities could increase Spectrum s cost of doing business and expose it to additional requirements with which it may be unable to comply.

Certain of Spectrum s products sold through, and facilities operated under, each of Spectrum s business segments are regulated by the U.S. Environmental Protection Agency, the U.S. Food and Drug Administration or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the U.S. Environmental Protection Agency and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Spectrum s inability to obtain, or the cancellation of, any registration could have an adverse effect on Spectrum s business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether Spectrum s competitors were similarly affected. Spectrum attempts to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients, but Spectrum may not always be able to avoid or minimize these risks.

The Food Quality Protection Act (FQPA) established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the U.S. Environmental Protection Agency is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of Spectrum s products that are sold through the Home and Garden Business continue to be evaluated by the U.S. Environmental Protection Agency as part of this program. It is possible that the U.S. Environmental Protection Agency or a third party active ingredient registrant may decide that a pesticide Spectrum uses in its products will be limited or made unavailable to Spectrum. Spectrum cannot predict the outcome or the severity of the effect of the U.S. Environmental Protection Agency s continuing evaluations of active ingredients used in its products.

In addition, the use of certain pesticide and fertilizer products that are sold through Spectrum s global pet supplies business and through the Home and Garden Business may, among other things, be regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may require that only certified or professional users apply the product, that users post notices on properties where products have been or will be applied or that certain ingredients may not be used. Compliance with such public health regulations could increase Spectrum s cost of doing business and expose it to additional requirements with which Spectrum may be unable to comply.

Spectrum faces risks related to its sales of products obtained from third-party suppliers.

Spectrum sells a number of products that are manufactured by third party suppliers over which Spectrum has no direct control. While Spectrum has implemented processes and procedures to try to ensure that the suppliers it uses are complying with all applicable food and health regulations, there can be no assurances that such suppliers in all instances will comply with such processes and procedures or otherwise with applicable food and health regulations. Noncompliance could result in Spectrum s marketing and distribution of contaminated or defective products which could subject Spectrum to liabilities and could result in the imposition by governmental authorities of procedures or penalties that could restrict or eliminate Spectrum s ability to purchase products from non-compliant suppliers. Any or all of these effects could adversely affect Spectrum s business, financial condition and results of operations.

Public perceptions that some of the products Spectrum produces and markets are not safe could adversely affect Spectrum.

Spectrum manufactures and markets a number of complex chemical products bearing its brands relating to the Home and Garden Business, such as herbicides and pesticides. On occasion, customers have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property.

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Public perception that any of Spectrum s products are not safe, whether justified or not, could impair Spectrum s reputation, damage its brand names and have a material adverse effect on its business, financial condition and results of operations.

If Spectrum is unable to negotiate satisfactory terms to continue existing or enter into additional collective bargaining agreements, Spectrum may experience an increased risk of labor disruptions and Spectrum s results of operations and financial condition may suffer.

Approximately 20% of Spectrum s total labor force is employed under collective bargaining agreements. Three of these agreements, which cover approximately 68% of the labor force under collective bargaining agreements, or approximately 14% of Spectrum s total labor force, are scheduled to expire during Spectrum s fiscal year ending September 30, 2010. While Spectrum currently expects to negotiate continuations to the terms of these agreements, there can be no assurances that Spectrum will be able to obtain terms that are satisfactory to it or otherwise to reach agreement at all with the applicable parties. In addition, in the course of Spectrum s business, it may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under Spectrum s current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than existing collective bargaining agreements, could adversely affect the operation of Spectrum s business, including through increased labor expenses. While Spectrum intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that it will be able to do so and any noncompliance could subject Spectrum to disruptions in its operations and materially and adversely affect its business, financial condition and results of operations.

Significant changes in actual investment return on pension assets, discount rates and other factors could affect Spectrum s results of operations, equity and pension contributions in future periods.

Spectrum s results of operations may be positively or negatively affected by the amount of income or expense Spectrum records for its defined benefit pension plans. U.S. generally accepted accounting principles (GAAP) requires that Spectrum calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions Spectrum used to estimate pension income or expense are the discount rate and the expected long-term rate of return on plan assets. In addition, Spectrum is required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash Spectrum would contribute to pension plans as required under the Employee Retirement Income Security Act.

Risks Related to Russell Hobbs

The failure of Russell Hobbs business strategy could seriously hurt its financial condition and results of operations.

As part of its business strategy, Russell Hobbs plans to:

- maximize utility of its brand assets;
- leverage innovation and strategic marketing to drive profitability;
- create long-term cost and quality advantages for its customers; and
- continue to optimize its supply chain.

Russell Hobbs strategic objectives may not be realized or, if realized, may not result in increased revenue, profitability or market presence. Executing its strategy may also place a strain on its suppliers, information technology systems and other resources. To manage growth effectively, Russell Hobbs must maintain a high

level of quality, properly manage its third-party suppliers, continue to enhance its operational, financial and management systems and expand, train and manage its employee base. Russell Hobbs may not be able to effectively manage its growth in any one or more of these areas, which could cause its business, financial condition and results of operations to suffer.

The small household appliance industry is consolidating, which could reduce Russell Hobbs ability to successfully secure product placements at key customers and limit its ability to sustain a cost competitive position in the industry.

Over the past several years, the small household appliance industry has undergone substantial consolidation, and further consolidation is likely. As a result of this consolidation, the small household appliance industry could primarily consist of a limited number of large distributors. To the extent that Russell Hobbs does not continue to be a major participant in the small household appliance industry, its ability to compete effectively with these larger distributors could be negatively impacted. As a result, this condition could reduce its ability to successfully secure product placements at key customers and limit its ability to sustain a cost competitive position in the industry.

Russell Hobbs future success requires it to develop new and innovative products on a consistent basis in order to increase revenues and it may not be able to do so.

Russell Hobbs believes that its future success is heavily dependent upon its ability to continue to make innovations in its existing products and to develop and market new products, which generally carry higher margins. Russell Hobbs may not be successful in the introduction, marketing and manufacture of any new products or product innovations and Russell Hobbs may not be able to develop and introduce in a timely manner innovations to its existing products that satisfy customer needs or achieve market acceptance.

Russell Hobbs may not be able to realize expected benefits and synergies from future acquisitions of businesses or product lines.

Russell Hobbs may acquire partial or full ownership in businesses or may acquire rights to market and distribute particular products or lines of products. The acquisition of a business or of the rights to market specific products or use specific product names may involve a financial commitment by Russell Hobbs, either in the form of cash or equity consideration. In the case of a new license, such commitments are usually in the form of prepaid royalties and future minimum royalty payments. There is no guarantee that Russell Hobbs will acquire businesses or product distribution rights that will contribute positively to its earnings. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations, and acquired businesses may carry unexpected liabilities.

Long lead times, potential material price increases and customer demands may cause Russell Hobbs to purchase more inventory than necessary, which may lead to increased obsolescence and adversely affect its results of operations.

Due to (i) manufacturing lead times, (ii) a strong concentration of its sales occurring during the last half of the calendar year and (iii) the potential for material price increases, Russell Hobbs may purchase products and thereby increase inventories based on anticipated sales and forecasts provided by its customers and its sales personnel. Russell Hobbs cannot provide assurance that its customers will order these inventories as anticipated. Changes in customer inventory management strategies could also make inventory management more difficult for Russell Hobbs. If retailers significantly change their inventory management strategies, Russell Hobbs may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are cancelling orders or returning products. Distribution difficulties may have an adverse effect on Russell Hobbs business by increasing the amount of inventory and the cost of warehousing inventory.

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If Russell Hobbs were to lose one or more of its major customers, or suffer a major reduction of orders from them, its financial results would suffer.

The success of Russell Hobbs depends on its sales to its significant customers. Although Russell Hobbs has long-established relationships with many of its customers, it does not have long-term agreements with them and purchases are generally made through the use of individual purchase orders. A significant reduction in purchases by any of these major customers or a general economic downturn in retail sales could have a material adverse effect on its business, financial condition and results of operations. In addition, failure to obtain anticipated orders or delays or cancellations of orders or significant pressure to reduce prices from key customers could have a material adverse effect on Russell Hobbs.

Large sophisticated customers may take actions that adversely affect the gross profit and result of operations of Russell Hobbs.

In recent years, Russell Hobbs has observed a consumer trend toward mass merchandisers, which include super centers and club stores. This trend has resulted in the increased size and influence of these mass merchandisers. As these mass merchandisers grow larger and become more sophisticated, they may demand lower pricing, special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer supplier relationship. If Russell Hobbs does not effectively respond to the demands of these mass merchandisers, they could decrease their purchases from Russell Hobbs. A reduction in the demand of its products by these mass merchandisers and the costs of complying with customer business demands could have a material adverse effect on its business, financial condition and results of operations.

The bankruptcy or financial difficulty of any major customer or fluctuations in the financial condition of the retail industry in general could adversely affect the results of operations of Russell Hobbs.

Russell Hobbs sells its products to distributors and retailers, including mass merchandisers, department stores and wholesale clubs. The financial difficulties of its customers or the loss of, or a substantial decrease in, the volume of purchases by a major customer could have a material adverse effect on Russell Hobbs. Additionally, a significant deterioration in the financial condition of the retail industry in general could have a material adverse effect on its sales and profitability.

Russell Hobbs depends on third party suppliers for the manufacturing of substantially all of its products and if Russell Hobbs fails to develop and maintain relationships with a sufficient number of qualified suppliers, its ability to timely and efficiently source products that meet its standards for quality could be adversely affected.

Russell Hobbs currently buys products and supplies from suppliers located primarily in Asia. Russell Hobbs ability to continue to identify and develop relationships with qualified suppliers who can satisfy its standards for quality and its need to access products in a timely and efficient manner is a significant challenge. Russell Hobbs ability to access products also can be adversely affected by political instability, the financial instability of suppliers, suppliers noncompliance with applicable laws, trade restrictions, tariffs, currency exchange rates, transport capacity and cost and other factors beyond its control. Any inability of its suppliers to timely deliver products or any unanticipated changes in its suppliers could be disruptive and costly to Russell Hobbs. Russell Hobbs ability to select reliable suppliers who provide timely deliveries of quality products will impact its success in meeting customer demand. Any significant failure to obtain products on a timely basis at an affordable cost or any significant delays or interruptions of supply could disrupt customer relationships and have a material adverse effect on its business, financial condition and results of operations.

Russell Hobbs purchases a large number of products from three suppliers. Production-related risks with these suppliers could jeopardize its ability to realize anticipated sales and profits until alternative supply arrangements are secured.

Tsann Kuen (China) Enterprises Co., Ltd. accounted for 15% and 24% of Russell Hobbs total purchases for the years ended June 30, 2009 and 2008, respectively. Elec-Tech International (H.K.) Company, Ltd. and its affiliates accounted for 10% and 23% of its total purchases for the years ended June 30, 2009 and 2008, respectively. Guangdong Xinbao Electrical Appliances Holding Co., Ltd. accounted for 16% and 12% of its total purchases for the years ended June 30, 2009 and 2008, respectively. In order for Russell Hobbs to realize sales and operating profits at anticipated levels, these suppliers must deliver high quality products in a timely manner. In addition, Russell Hobbs does not have long term contracts with two of these suppliers.

Although these suppliers are expected to remain significant suppliers for Russell Hobbs, there can be no assurance that such suppliers will be able to continue to so deliver good quality products at a commercially reasonable price. Any inability of such suppliers to do so may have a material adverse effect on Russell Hobbs business, financial condition and results of operations.

In addition, Tsann Kuen (China) Enterprises Co., Ltd. owns certain patent rights with respect to a portion of the products currently sold under the *George Foreman* brand. If Tsann Kuen prohibits Russell Hobbs from using such intellectual property rights, Russell Hobbs would have to change certain features of the affected products. This could result in increased costs and an interruption of product supply, which could have a material adverse effect on its business, financial condition and results of operations.

Any reduction in trade credit from Russell Hobbs suppliers could seriously harm its operations and financial condition.

Russell Hobbs depends on the continuing willingness of its suppliers to extend credit to it to finance its inventory purchases. If suppliers experience financial constraints or if they become concerned about Russell Hobbs ability to generate liquidity and pay suppliers, they may delay shipments to Russell Hobbs or require payment in advance. Any such actions by its suppliers could materially harm Russell Hobbs ability to continue its business.

Russell Hobbs ability to obtain products may be adversely impacted by changes in worldwide supply of or demand for raw materials.

Russell Hobbs products are predominantly made from petroleum-based plastic materials, steel, aluminum, copper and corrugated paper (for packaging). Russell Hobbs suppliers contract separately for the purchase of such raw materials. Russell Hobbs can provide no assurance that its sources of supply will not be interrupted should its suppliers not be able to obtain these materials due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow.

Russell Hobbs margins may be adversely impacted by increases in raw material prices.

The cost of Russell Hobbs products may be impacted by global increases in the price of petroleum-based plastic materials, steel, aluminum, copper and corrugated materials. Although Russell Hobbs may increase the prices of certain of its goods to its customers, it cannot provide any assurance that it will be able to pass all of these cost increases on to its customers. As a result, its margins may be adversely impacted by such cost increases.

Significant fluctuations in the exchange rate between the U.S. dollar and the currencies in which Russell Hobbs costs are denominated may reduce its sales or profits.

While Russell Hobbs reports financial results in U.S. dollars, a portion of its costs, such as payroll, rent and indirect operational costs, are denominated in other currencies, such as Australian dollars, British pounds,

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Canadian dollars and Mexican pesos. In addition, while a portion of its revenues are collected in foreign currencies, a significant portion of the related cost of goods sold is denominated in U.S. dollars. Changes in the relation of these and other currencies to the U.S. dollar will affect Russell Hobbs cost of goods sold and operating margins and could result in exchange losses. The impact of future exchange rate fluctuations on its results of operations cannot be accurately predicted.

The costs of the products purchased by Russell Hobbs could increase as a result of fluctuations in the Chinese currency.

In 1994, China pegged the RMB at an exchange rate of 8.28 to the U.S. dollar. However, certain U.S. groups argued that the peg made China s exports to the U.S. cheaper, and U.S. exports to China more expensive, thus greatly contributing to China s trade surplus with the U.S. Since 2005, the RMB has no longer been pegged to the U.S. dollar at a constant exchange rate and instead fluctuates versus a basket of currencies. Immediately, the new RMB rate revalued the currency by 2.1% to 8.11 to the dollar. As of May 6, 2010, the RMB exchange rate was 6.83 to the U.S. dollar. Because a substantial number of its products are imported from China, the floating currency could result in significant fluctuations in Russell Hobbs product costs. If the RMB increases in value against the U.S. dollar, Chinese exports to Russell Hobbs will become more expensive, and its costs will increase. If Russell Hobbs is unable to pass on the cost increases to customers, its gross profit would decline. An increase in product prices might lead to a decrease in demand for its products.

A deterioration in trade relations with China could lead to a substantial increase in tariffs imposed on goods of Chinese origin, which potentially could reduce demand for and sales of Russell Hobbs products.

A substantial number of Russell Hobbs products are imported from China. China gained Permanent Normal Trade Relations (PNTR) with the United States when it acceded to the World Trade Organization (WTO), effective January 2002. The United States imposes the lowest applicable tariffs on exports from PNTR countries to the United States. In order to maintain its WTO membership, China has agreed to several requirements, including the elimination of caps on foreign ownership of Chinese companies, lowering tariffs and publicizing its laws. China may not meet these requirements, it may not remain a member of the WTO, and its PNTR trading status may not be maintained. If China s WTO membership is withdrawn or if PNTR status for goods produced in China were removed, there could be a substantial increase in tariffs imposed on goods of Chinese origin entering the United States which could hurt Russell Hobbs sales and gross margin.

Compliance with governmental regulations could significantly increase Russell Hobbs operating costs or prevent it from selling its products.

Most federal, state and local authorities require certification by Underwriters Laboratory, Inc. (UL), an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing electrical appliances. Foreign jurisdictions also have regulatory authorities overseeing the safety of consumer products. Russell Hobbs products may not meet the specifications required by these authorities. A determination that Russell Hobbs is not in compliance with these rules and regulations could result in the imposition of fines or an award of damages to private litigants.

Product recalls or lawsuits relating to defective products could adversely impact Russell Hobbs results of operations.

As a distributor of consumer products in the United States, Russell Hobbs is subject to the Consumer Products Safety Act, which empowers the U.S. Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the U.S. Consumer Products Safety Commission could require Russell Hobbs to repair, replace or refund the purchase price of one or more of its products, or it may voluntarily do so. For example, in August 2009, Russell Hobbs, in cooperation with the Consumer Products Safety Commission, voluntarily recalled approximately 9,800 units of a thermal coffeemaker sold under the *Black & Decker* brand.

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Any additional repurchases or recalls of its products could be costly to Russell Hobbs and could damage its reputation or the value of its brands. If Russell Hobbs were required to remove, or it voluntarily removes, its products from the market, its reputation or brands could be tarnished and it might have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the U.S. Consumer Product Safety Commission of a potential safety hazard can result in significant fines being assessed against Russell Hobbs. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which Russell Hobbs sells its products, and more restrictive laws and regulations may be adopted in the future.

Russell Hobbs also faces exposure to product liability claims if one of its products is alleged to have caused property damage, bodily injury or other adverse effects. Russell Hobbs is self-insured to specified levels of those claims and maintains product liability insurance for claims above the self-insured levels. Russell Hobbs may not be able to maintain such insurance on acceptable terms, if at all, in the future. In addition, product liability claims may exceed the amount of insurance coverage. Additionally, Russell Hobbs does not maintain product recall insurance. Russell Hobbs results of operations are also susceptible to adverse publicity regarding the quality and safety of its products. In particular, product recalls or product liability claims challenging the safety of its products may result in a decline in sales for a particular product. This could be true even if the claims themselves are determined to be invalid or ultimately settled for immaterial amounts.

Russell Hobbs is subject to environmental laws and regulations that could impose significant liabilities, costs and obligations.

Russell Hobbs is subject to various federal, state and local laws and regulations relating to the environment and human health and safety, including requirements governing the management and disposal of hazardous substances and the sale and use of pest control products. Any failure to comply with these laws or regulations, or the terms of applicable environmental permits, could result in Russell Hobbs incurring substantial costs, including fines, penalties and other civil and criminal sanctions or the prohibition of sales of its pest control products. Environmental requirements, and the enforcement thereof, change frequently, have tended to become more stringent over time and could require Russell Hobbs to incur significant expenses. Under certain environmental laws, Russell Hobbs could be responsible for the costs relating to contamination at its or its predecessors current or former owned or operated properties or third-party waste disposal sites. Prior to 2003, subsidiaries of Russell Hobbs manufactured certain of their products at facilities in the United States and Europe. Russell Hobbs is investigating, monitoring or remediating contamination at certain of these manufacturing sites. Costs and liabilities relating to environmental matters could have a material adverse effect on Russell Hobbs business, financial condition and results of operations.

The infringement or loss of Russell Hobbs proprietary rights could harm its business.

Russell Hobbs regards its trademarks, patents and similar intellectual property as important to its success. Russell Hobbs relies on copyright and trademark laws in the United States and other jurisdictions to protect its proprietary rights. Russell Hobbs seeks to register its trademarks and patents in the United States and elsewhere. These registrations could be challenged by others or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. For example, Russell Hobbs has spent several million dollars on protecting its patented automatic litterbox business over the last few years. If any of these rights were infringed or invalidated, Russell Hobbs business, financial condition and results of operations could be materially adversely affected.

Russell Hobbs licenses various trademarks, trade names and patents from third parties for use on its products. These licenses generally place marketing obligations on Russell Hobbs and require it to pay fees and royalties based on net sales or profits. Typically, each license may be terminated if Russell Hobbs fails to satisfy minimum sales obligations or if it breaches the license. The termination of these licensing arrangements could materially adversely affect its business, financial condition and results of operations.

Russell Hobbs may be subject to litigation and infringement claims, which could cause it to incur significant expenses or prevent it from selling its products.

Russell Hobbs cannot assure that others will not claim its products are infringing their intellectual property rights or that it does not in fact infringe those intellectual property rights. If someone claimed that its products infringed their intellectual property rights, any resulting litigation could be costly and time consuming and would divert the attention of management and key personnel from other business issues. Russell Hobbs also may be subject to significant damages or an injunction against use of its products. A claim of patent or other intellectual property infringement against Russell Hobbs could harm its business, financial condition and results of operations.

In 2006, NACCO Industries, Inc. and HB-PS Holding Company, Inc. filed a civil complaint in the Delaware Court of Chancery against, among other parties, Applica and the Harbinger Parties. Although Russell Hobbs is not specifically named in the complaint, Applica is a predecessor to Russell Hobbs, and in addition, certain of the allegations in the complaint relate to, among other things, the acquisition of Salton by the Harbinger Parties. The Plaintiffs seek damages for alleged claims relating to the termination of plaintiffs merger agreement with Applica and for alleged claims relating to the Harbinger Parties acquisition of Applica. In 2009, the Court granted in part and denied in part the defendants motion to dismiss, and the parties are currently engaged in discovery. Trial is scheduled for December 13 through December 17, 2010. Due to the uncertain nature of litigation, Russell Hobbs cannot predict the outcome of this matter. However, litigation is very costly and the costs associated with prosecuting and defending this matter could have a material adverse effect on Russell Hobbs business, financial condition and results of operations.

If Russell Hobbs is unable to renew the Black & Decker trademark license agreement, its business could suffer.

Russell Hobbs licenses the *Black & Decker* brand for use in marketing certain small household appliances in North America, South America (excluding Brazil) and the Caribbean. Sales of *Black & Decker* branded products represent a significant portion of its total revenue. The sale of such products represented approximately 53% and 67% of its total consolidated revenue in the 2009 fiscal year and 2008 fiscal year, respectively. In December 2007, The Black & Decker Corporation extended the license agreement through December 2012, with an automatic extension through December 2014 if certain milestones are met regarding sales volume and product return. Russell Hobbs failure to renew the license agreement with The Black & Decker Corporation or to enter into a new agreement on acceptable terms would have a material adverse effect on its business, financial condition, liquidity and results of operations.

Russell Hobbs net operating loss carryforwards are limited as a result of prior mergers and are dependent upon it achieving profitable results.

As a consequence of the merger between Salton and Applica, as well as earlier business combinations and issuances of common stock consummated by both companies, use of the tax benefits of each company s loss carryforwards is subject to limitations imposed by Section 382 of the Internal Revenue Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Russell Hobbs has completed an analysis to determine what portion of these carryforwards are restricted or eliminated by that provision and, pursuant to such analysis, a significant portion of these carryforwards will not be available to offset future taxable income, if any. In addition, use of its net operating loss and credit carryforwards is dependent upon Russell Hobbs achieving profitable results in the future.

If Russell Hobbs goodwill, indefinite-lived intangible assets or other long-term assets become impaired, it will be required to record additional impairment charges, which may be significant.

A significant portion of Russell Hobbs long-term assets continues to consist of goodwill and other indefinite-lived intangible assets recorded as a result of past acquisitions. Russell Hobbs does not amortize

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goodwill and indefinite-lived intangible assets, but rather reviews them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Russell Hobbs considers whether circumstances or conditions exist which suggest that the carrying value of its goodwill and other long-lived assets might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair market value. If analysis indicates that an individual asset s carrying value does exceed its fair market value, the next step is to record a loss equal to the excess of the individual asset s carrying value over its fair value.

The steps required by GAAP entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there is impairment and which may indicate that interim impairment testing is necessary include, but are not limited to, strategic decisions to exit a business or dispose of an asset made in response to changes in economic, political and competitive conditions, the impact of the economic environment on the customer base and on broad market conditions that drive valuation considerations by market participants, Russell Hobbs internal expectations with regard to future revenue growth and the assumptions it makes when performing its impairment reviews, a significant decrease in the market price of its assets, a significant adverse change in the extent or manner in which its assets are used, a significant adverse change in legal factors or the business climate that could affect its assets, an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset, and significant changes in the cash flows associated with an asset. As a result of such circumstances, Russell Hobbs may be required to record a significant charge to earnings in its financial statements during the period in which any impairment of its goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on Russell Hobbs business, financial condition and results of operations.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Spectrum and Russell Hobbs have made forward-looking statements in this document, and in documents that are incorporated by reference in this document, that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of each company s management. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of Spectrum, Russell Hobbs and/or SB Holdings. Forward-looking statements specifically include, without limitation, the information in this document regarding: projections; efficiencies/cost avoidance; cost savings; income and margins; earnings per share; growth; economies of scale; combined operations; the economy; future economic performance; conditions to, and the timetable for, completing the transaction; future acquisitions and dispositions; litigation; potential and contingent liabilities; management s plans; business portfolios; taxes; and merger and integration-related expenses.

Forward-looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, estimates similar expressions. Spectrum, Russell Hobbs and SB Holdings claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Actual results may differ materially as a result of (i) Spectrum s and Russell Hobbs ability to manage and otherwise comply with its covenants with respect to its significant outstanding indebtedness, (ii) Spectrum s and Russell Hobbs ability to identify, develop and retain key employees, (iii) risks that changes and developments in external competitive market factors, such as introduction of new product features or technological developments, development of new competitors or competitive brands or competitive promotional activity or spending, (iv) changes in consumer demand for the various types of products Spectrum and Russell Hobbs offer, (v) unfavorable developments in the global credit markets, (vi) the impact of overall economic conditions on consumer spending, (vii) fluctuations in commodities prices, the costs or availability of raw materials or terms and conditions available from suppliers, (viii) changes in the general economic conditions in countries and regions where Spectrum and Russell Hobbs do business, such as stock market prices, interest rates, currency exchange rates, inflation and consumer spending, (ix) Spectrum s and Russell Hobbs ability to successfully implement manufacturing, distribution and other cost efficiencies and to continue to benefit from its cost-cutting initiatives, and (x) unfavorable weather conditions and various other risks and uncertainties, including those discussed herein and those set forth in Spectrum s securities filings, including the most recently filed Annual Report on Form 10-K or Quarterly Reports on Form 10-Q. Spectrum and Russell Hobbs also caution the reader that their estimates of trends, market share, retail consumption of their products and reasons for changes in such consumption are based solely on limited data available to Spectrum and Russell Hobbs and their respective management s reasonable assumptions about market conditions, and consequently may be inaccurate, or may not reflect significant segments of the retail market.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in Risk Factors above and elsewhere in this document, and in the documents which are incorporated by reference in this document, could affect the future results of Spectrum and Russell Hobbs, and of SB Holdings after the consummation of the mergers, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements:

- the failure of Spectrum stockholders to adopt the merger agreement;
- the risk that the businesses will not be integrated successfully;
- the risk that synergies will not be realized;
- the risk that SB Holdings following this transaction will not realize on its financing strategy;
- litigation in respect of either company or the mergers; and
- disruption from the mergers making it more difficult to maintain certain strategic relationships.

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Spectrum, Russell Hobbs and SB Holdings also caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this document. None of Spectrum, Russell Hobbs or SB Holdings undertakes any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this document or to reflect actual outcomes.

Additional factors that may affect future results and conditions are described in Spectrum s filings with the SEC, which are available at the SEC s website at www.sec.gov or at Spectrum s website at www.spectrumbrands.com.

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THE COMPANIES

Information About SB Holdings

Spectrum Brands Holdings, Inc.

c/o Russell Hobbs, Inc.

3633 Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

SB Holdings is a Delaware corporation and a newly formed holding company. SB Holdings was formed solely to effect the mergers and has not conducted any business, other than in connection with the merger agreement and related ancillary agreements to which SB Holdings is a party. Pursuant to the merger agreement, Spectrum and Russell Hobbs will survive as wholly owned subsidiaries of SB Holdings. It is anticipated that SB Holdings will trade on the NYSE under the symbol SPB . The NYSE has approved the listing of SB Holdings common stock under the symbol SPB , subject to official notice of issuance.

The combination of Spectrum and Russell Hobbs, if consummated, will create a new global consumer products company with an estimated $3 billion in annual revenues, a strong balance sheet, and a diverse portfolio of market-leading brands, including *Remington, Rayovac, VARTA, Hot Shot, Cutter, Repel, Spectracide, Black & Decker, George Foreman, Russell Hobbs, LitterMaid, Toastmaster, Tetra, 8 in 1* and *Dingo*.

Commitments for $1.8 billion in financing have been obtained from three financial institutions to be provided through a combination of new term loans, new senior notes and a new $300 million ABL revolving facility. Proceeds from the financing will be used to refinance substantially all of existing Spectrum and Russell Hobbs debt and to pay transaction fees and expenses (other than the Spectrum PIK Notes which are expected to remain outstanding after the mergers).

The proposed transaction is expected to improve Spectrum s leverage ratio, calculated as total debt less cash divided by adjusted EBITDA. Spectrum s leverage ratio was 4.7x for the quarter ended January 3, 2010. The leverage ratio declines to 4.0x pro forma for the transaction. The leverage ratio is projected to decline to 3.8x for fiscal 2010. Compared to Spectrum s existing capital structure, the new capital structure will provide longer maturities, with certain of the debt instruments expected to extend to 2016 and beyond, and additional liquidity for the combined company.

Consummation of the mergers, which is currently anticipated to occur by the end of the third or fourth quarter of Spectrum s fiscal year 2010, is subject to certain conditions, including, among others, closing of the new financing, adoption of the merger agreement by Spectrum s stockholders, required regulatory approvals, and other customary closing conditions.

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Set forth below is an organizational chart indicating the proposed corporate structure of the combined entities under SB Holdings.

If the proposed transaction is consummated, SB Holdings, operating under the Spectrum Brands name, will continue to be managed by Spectrum s senior management team, with the addition of Terry L. Polistina, current Chief Executive Officer of Russell Hobbs, to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of small household appliance brands. Spectrum s current reporting segments, Global Batteries and Personal Care, Global Pet Supplies and Home and Garden, will remain autonomous and will continue to operate under their current management structures. Including Russell Hobbs $800 million in annual revenues, SB Holdings is expected to be approximately $3 billion in annual revenues with $430 million to $440 million of adjusted EBITDA in fiscal 2010. Anticipated synergies of $25 million to $30 million are expected to be realized within 36 months following the consummation of the mergers.

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Information About Spectrum

Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

Telephone: (770) 829-6200

Spectrum, a Delaware corporation based in Atlanta, Georgia, is a global branded consumer products company with leading market positions in six major product categories: consumer batteries, pet supplies, electric shaving and grooming, electric personal care, portable lighting and home and garden control products. Spectrum is a leading worldwide manufacturer and marketer of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and a leading worldwide designer and marketer of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. Spectrum s operations also include the manufacturing and marketing of specialty pet supplies. Spectrum is also a leading North American manufacturer and marketer of herbicides, insecticides and repellents.

Spectrum sells its products in approximately 120 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers. Spectrum enjoys strong name recognition in its markets under the *Rayovac*, *VARTA* and *Remington* brands, each of which has been in existence for more than 80 years, and under the *Spectracide*, *Cutter*, *Tetra*, *8-in-1* and various other brands. Spectrum has manufacturing and product development facilities located in the United States, Europe, China and Latin America. Substantially all of Spectrum s rechargeable batteries and chargers, shaving and grooming products, personal care products and portable lighting products are manufactured by third party suppliers, primarily located in Asia.

On February 3, 2009, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas. On August 28, 2009, the Debtors Plan became effective and the Debtors emerged from Chapter 11 of the Bankruptcy Code. Pursuant to the Plan, Spectrum s capital structure was realigned. Spectrum s outstanding equity securities were cancelled with no distribution to holders of Spectrum s then existing equity. Spectrum issued new common stock and PIK Notes to holders of allowed claims in respect of Spectrum s then outstanding public senior subordinated notes. The supplemental and sub-supplemental participants in the Debtors debtor-in-possession credit facility also received the new common stock. Spectrum common stock has been listed on the NYSE under the symbol SPB since March 18, 2010.

Spectrum may incorporate by reference certain information into this proxy statement/prospectus. This means that Spectrum can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information in this document. This proxy statement/prospectus incorporates by reference the documents set forth below that Spectrum has previously filed with the SEC. These documents contain important information about Spectrum s companies and their financial performance. There have not been any material changes in Spectrum s affairs since the Form 10-Q for the fiscal quarter ended January 3, 2010 was filed with the SEC on February 10, 2010.

Annual Report on Form 10-K for the fiscal year ended September 30, 2009 filed with the SEC on December 29, 2009;

Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2009 filed with the SEC on March 29, 2010;

Quarterly Report on Form 10-Q for the quarterly period ended January 3, 2010 filed with the SEC on February 10, 2010; and

Current Reports on Form 8-K filed with the SEC on October 5, 2009, October 13, 2009, October 28, 2009, December 30, 2009, January 6, 2010, January 7, 2010, February 9, 2010, February 10, 2010, February 12, 2010, February 26, 2010, March 1, 2010, March 2, 2010, March 15, 2010, March 16, 2010, March 18, 2010, March 29, 2010, April 12, 2010, April 15, 2010, April 28, 2010, May 3, 2010, May 5, 2010 and May 6, 2010.

In addition, all reports and other documents that Spectrum subsequently files pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), after the date of this proxy statement/prospectus and prior to the termination of the offering of securities hereunder will be deemed to be incorporated by reference into this proxy statement/prospectus and to be part of this proxy statement/prospectus from the date of the filing of such reports and documents. Any statement contained herein or in a document incorporated or deemed to be incorporated herein by reference will be deemed to be modified or superseded for the purposes of this proxy statement/prospectus to the extent that a statement contained in any subsequently filed document which is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement/prospectus.

Russell Hobbs has supplied all information contained in this proxy statement/prospectus relating to Russell Hobbs, SB Holdings has supplied all information contained in this proxy statement/prospectus relating to SB Holdings and Spectrum has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to Spectrum.

This proxy statement/prospectus incorporates important business and financial information about Spectrum from documents that are not included in or delivered with this document. You may have already been sent some of the documents incorporated by reference, but you can obtain any of them through the Securities and Exchange Commission website at http://www.sec.gov or from Spectrum, excluding all exhibits (unless an exhibit has been specifically incorporated herein by reference), by requesting them in writing or by telephone from Spectrum at the following address:

Spectrum Brands, Inc.

Six Concourse Parkway, Suite 3300

Atlanta, GA 30328

(770) 829-6200

You can also get more information by visiting Spectrum s website at www.spectrumbrands.com. Website materials are not part of this proxy statement/prospectus.

You will not be charged for any of these documents that you request. If you would like to request documents from Spectrum, please do so by June 4, 2010 to receive them before the special stockholders meeting. *If you request any incorporated documents, Spectrum will strive to mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.*

See Where You Can Find More Information.

Information About Russell Hobbs

Russell Hobbs, Inc.

3633 S. Flamingo Road

Miramar, FL 33027

Telephone: (954) 883-1000

Description of Business

Overview

In December 2007, two longstanding companies in the small household appliance business, Salton and Applica combined their businesses through a merger, as a result of which Applica became a wholly-owned subsidiary of Salton. In December 2009, the combined company (formerly known as Salton, Inc.) changed its name to Russell Hobbs, Inc.

Russell Hobbs, based in Miramar, Florida, markets and distributes a broad range of branded small household appliances, pet and pest products, water products and personal care products. Russell Hobbs has a broad portfolio of well recognized brand names, including *Black & Decker, George Foreman, Russell Hobbs, Farberware, Toastmaster, Juiceman, Breadman* and *LitterMaid*. Russell Hobbs customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, South America, Europe and Australia.

Russell Hobbs manages its operations through two business segments: Household Products and Water Products. For information regarding the Water Products segment, see Water Products Segment below.

Information Regarding Financial Data

SFAS No. 141 *Business Combinations* requires the use of the purchase method of accounting for business combinations. In applying the purchase method, it is necessary to identify both the accounting acquiree and the accounting acquirer. In a business combination effected through an exchange of equity interests, such as the merger of Salton and Applica, the entity that issues the interests (Salton in this case) is normally the acquiring entity. However, in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including the relative voting interests in the combined entity after the combination and the composition of the governing body of the combined entity. While Salton was the legal acquirer and surviving registrant in the merger, Applica was deemed to be the accounting acquirer. Accordingly, the information presented in this section for the year ended June 30, 2008 represents Applica s operations for the periods presented and only includes Salton s operations from the consummation of the merger, which was December 28, 2007.

Competitive Strengths

Russell Hobbs believes that its business model provides an attractive value proposition to its customers and that it is distinguished by the following strengths:

Strong Portfolio of Highly Recognizable, Market Leading Brands. Russell Hobbs brands are some of the most recognized in the small appliances industry. It has a strong portfolio of flagship brands including *Black & Decker, George Foreman, Russell Hobbs, Toastmaster, Farberware* and *LitterMaid*. Russell Hobbs has a significant market presence with a diverse product offering spanning several key categories. Its products have significant market share across their respective U.S. small kitchen and household appliance product categories. *George Foreman* is the U.S. market leader in indoor grills and *Black & Decker* has the top U.S. market share in more categories than any other brand in the household appliance business.

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Long-term Established Relationships with Key Retailers and Suppliers. Russell Hobbs has deep and long standing relationships with its customers. For example, it has been a supplier to Wal-Mart Stores, Inc. and Target Corporation, its top two customers, for over 15 years. It continues to strengthen its relationships with these customers by integrating its supply chain processes with their inventory management systems and by having dedicated offices and personnel near their headquarters. Internationally, Russell Hobbs has relationships of over 15 years with customers such as Canadian Tire Corporation, one of Canada s most-shopped general merchandise retailers, and Argos Limited, a large multi-channel retailer located in the UK.

Additionally, Russell Hobbs has long standing relationships with its key suppliers around the world. Due to the strength of its relationships with its suppliers, Russell Hobbs has been able to optimize its supply chain in partnership with its core suppliers.

Significant Global Reach. Russell Hobbs is an international business with a global footprint throughout North America, Europe, Latin America and Australia. Its customer base includes both large multi-national retailers as well as retailers focused in a specific country or region. For the fiscal years ended June 30, 2009 and 2008, approximately 47.7% and 47.3% of its sales were outside the United States, respectively.

Proven and Experienced Management Team. Russell Hobbs senior management team has substantial experience in the consumer products industry, with specific expertise in the small appliance sector. Russell Hobbs senior management team is led by:

- Terry L. Polistina, its Chief Executive Officer and President,
- Ivan R. Habibe, its Vice President and Chief Financial Officer,
- Evanghela Hidalgo, its President and General Manager of the Americas Division,
- Martin Burns, its President and General Manager of the European Division, and
- Chris Dickins, its President and General Manager of the Australia/New Zealand Division.

Russell Hobbs management team has delivered strong operating results through disciplined execution and cost control. This team has successfully managed the integration of large companies, along with associated substantial cost reduction initiatives.

Business Strategy

Russell Hobbs has combined top brand names such as *Black & Decker, George Foreman, Russell Hobbs, Toastmaster* and *LitterMaid* with a reputation for durability and innovation. It is striving to become the preeminent provider of quality portable household appliances on a global basis across all price points and all distribution channels. Russell Hobbs business strategy includes the following:

Maximize Utility of Its Brand Assets. Russell Hobbs has a stable of world-class brands positioned in distinctive consumer segments. It plans to continue to strengthen its best performing brands, such as *Black & Decker, George Foreman, Russell Hobbs, Toastmaster* and *LitterMaid*, while also investing to improve under-utilized brands such as *Juiceman* and *Breadman*. Russell Hobbs product strategies and marketing plans are tailored to the unique needs of its consumers. Russell Hobbs is building a fully integrated communication strategy that allows for consistent communication of its brand equity across all consumer touch points including: industrial design, package graphics, in-store advertising, web design and national advertising.

Leverage Innovation and Strategic Marketing to Drive Profitability. Russell Hobbs drives revenues through innovation within its product categories using new marketing platforms to enhance its existing products. Russell Hobbs intends to develop new categories and grow its existing categories through distinctive product innovation, new product introductions and continued brand development. Its continued focus on product quality,

design, performance characteristics and speed-to-market is designed to maximize product success. Russell Hobbs development teams work closely with retailers and suppliers to identify consumer needs and preferences to generate new product ideas in and outside of its current product categories. New products allow Russell Hobbs to generate higher margins based on their uniqueness and desirability in the marketplace.

Create Long-Term Cost and Quality Advantages for Its Customers. Russell Hobbs maintains a value chain for its customers that strives to meet their cost and quality objectives. It is accomplishing this by strengthening its relationships with suppliers in Asia who can deliver quality products on a timely basis at a reasonable cost. These relationships allow Russell Hobbs to fully capitalize on its strengths of providing a foundation for new product development, delivering quality products consistent with the reputation of its brands and delivering products at costs that are competitive in its industry.

Continue to Optimize Its Supply Chain. Russell Hobbs continues to improve its global supply chain, reducing the need for large working capital investment. This effort continues to improve the definition of product velocities, as well as Russell Hobbs ability to estimate procurement, manufacturing and logistical lead times and to plan order placement accordingly. Russell Hobbs continues to improve its integration with its preferred suppliers through software connections and more effective collaborative communication.

Household Products

The following table sets forth the approximate amounts and percentages of Russell Hobbs consolidated net sales of household products by product category during the periods indicated:

	Fiscal Year ended June 30,			
	2009		2008 (1)	
	(Dollars in thousands)			
	Net Sales	**%**	**Net Sales**	**%**
Kitchen Products	$ 627,648	78	$ 499,796	75
Home Products	124,724	16	118,866	18
Pet Products	21,804	3	24,978	4
Personal Care Products	14,473	2	9,791	2
Pest Control Products	7,980	1	7,466	1
Total Household Products	$ 796,629	100%	$ 660,897	100%

(1) Pursuant to the requirements of SFAS No. 141, the information presented above for the year ended June 30, 2008 represents the sales of Applica for the periods presented and only includes the sales of Salton from the consummation of the merger of Applica and Salton, which was December 28, 2007.

The kitchen products group includes cooking, beverage and food preparation products and constitutes Russell Hobbs largest product category. Russell Hobbs provides customers with a broad product line in the small kitchen appliances market, primarily at mid- to high-tier price points. Russell Hobbs products in this category include grills, sandwich makers, kettles, toaster ovens, toasters, blenders, juicers, can openers, coffee grinders, coffee makers, electric knives, skillets, deep fryers, food choppers, food processors, hand mixers, rice cookers and steamers. Significant brands for this category include *Black & Decker, George Foreman, Russell Hobbs, Toastmaster, Farberware, Juiceman* and *Breadman*.

The home products group includes garment care products, such as hand-held irons, vacuum cleaners, air purifiers and heaters. Significant brands for this category include *Black & Decker* and *Russell Hobbs*. Vacuum cleaners are distributed under the *Black & Decker* brand in Latin America and under the *Russell Hobbs* brand in Europe and Australia.

The pet products group includes the *LitterMaid* Classic patented self-cleaning cat litter box and the *LitterMaid* Elite litter box, which contains innovative, consumer-driven features such as a sleep timer and a

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built-in ionic air cleaner. The *LitterMaid* product line also delivers a recurring revenue stream from consumable accessories, including privacy tents, litter carpets, crystal litter cartridges, charcoal filters, corn-based litter and replaceable waste receptacles.

The personal care products group offers a broad range of personal care products including hand-held dryers, curling irons, straightening irons, brush irons, airbrushes and hair setters. Significant brands for this category include *Russell Hobbs*, *Carmen*, *Andrew Collinge*, *Orva* and *Llongueras*.

The pest control products group includes pest control and repelling devices that use ultra-sonic or sub-sonic sound waves to control insects and rodents, primarily in homes. The core of the business is the ultrasonic direct plug-in pest repellers marketed under the *Black & Decker* brand name.

Product Development

Russell Hobbs product development process is designed to better serve consumer needs and maximize its available resources. The process is focused on quality, design, appropriate performance characteristics and speed-to-market. Russell Hobbs has product development teams dedicated to creating innovative products in its core categories. The product development process also helps Russell Hobbs manage the improvement of quality, performance and cost of existing products.

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

Brands

Russell Hobbs portfolio contains many time-honored traditional brands, as well as recently established names, within the world wide housewares industry. Russell Hobbs believes this brand portfolio contains many brands with strong consumer recognition throughout the world, including:

Black & Decker	*Farberware*	*Juiceman*	*Russell Hobbs*
Breadman	*George Foreman*	*LitterMaid*	*Toastmaster*

In addition, Russell Hobbs owns certain other brands, such as *Salton*, *Windmere*, *Orva, Haden* and *Tower*, and sub-brands, including *Gizmo*, *SmartBrew*, *Digital Advantage*, *Toast R Oven* and *Quick N Easy*. Russell Hobbs licenses the *Spacemaker* brand for under the cabinet kitchen appliances. Russell Hobbs continues to develop new brands and sub-brands for product differentiation at the retail level.

Russell Hobbs licenses the *Black & Decker* brand for use in marketing small household appliances in North America, Latin America (excluding Brazil) and the Caribbean. The major portion of its revenue is generated through the sale of *Black & Decke*r branded products, which represented approximately 53% of its total consolidated revenue for the fiscal year ended June 30, 2009 and 67% for the fiscal year ended June 30, 2008.

As part of the merger of Applica and Salton, over the last two years, Russell Hobbs has eliminated approximately 80 underperforming brands and reduced its SKUs (stock keeping units) by more than 1,000.

Russell Hobbs continues to seek to enhance its brand portfolio through licensing agreements and strategic alliances.

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Suppliers

All of Russell Hobbs finished products are acquired from third party suppliers, primarily in Asia. Russell Hobbs purchases a significant amount of its finished products from a limited number of suppliers. Its top two suppliers accounted for approximately 31% of total purchases for the fiscal year ended June 30, 2009 and 47% for the fiscal year ended June 30, 2008. Russell Hobbs maintains supply contracts with terms of one to three years with certain of its third party suppliers, which include standard terms for production, delivery, quality and indemnification for product liability claims. Specific production amounts are ordered by separate purchase orders.

Intellectual Property

Russell Hobbs markets and distributes products with features for which it has filed or obtained licenses for trademarks, patents and design registrations in the United States and in several foreign countries. Its right to these patents and trademarks is a significant part of its business and Russell Hobbs ability to create demand for its products is dependent to a large extent on its ability to capitalize on them. Russell Hobbs owns the following significant brand names:

George Foreman	*Juiceman*	*Russell Hobbs*
Breadman	*LitterMaid*	*Toastmaster*

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

Calendar year 2010: $14,500,000

Calendar year 2011: $15,000,000

Calendar year 2012: $15,000,000

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

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

Russell Hobbs licenses the *Farberware* brand from the Farberware Licensing Company in the United States, Canada and Mexico for several types of household appliances, including beverage products, food preparation products, garment care products and cooking products. The term of the license is through June 2010 and can be renewed for additional periods upon the mutual agreement of both parties. *Farberware* represented approximately 1.0% of Russell Hobbs total consolidated revenue for the fiscal year ended June 30, 2009 and approximately 0.8% for the fiscal year ended June 30, 2008. Under the agreement, Russell Hobbs agreed to pay Farberware Licensing Company royalties based on a percentage of sales, with minimum annual royalty payments. The minimum annual royalty payment for fiscal year 2010 is $1.5 million. Russell Hobbs is currently in discussions regarding an extension of the *Farberware* license.

Russell Hobbs owns the *LitterMaid* trademark for self-cleaning litter boxes and has extended the trademark for accessories such as litter, a litterbox privacy tent and waste receptacles. Russell Hobbs owns two patents and has exclusive licenses to three other patents covering the *LitterMaid* litter box, which requires it to pay royalties based on a percentage of sales. Sales of *LitterMaid* branded products represented approximately 2.7% of Russell Hobbs total consolidated revenue for the fiscal year ended June 30, 2009 and approximately 3.7% for the fiscal year ended June 30, 2008. The license agreements are for the life of the applicable patents and do not require minimum royalty payments. The patents have been issued in the United States and a number of foreign countries.

In 2007, pursuant to Russell Hobbs request, the U.S. International Trade Commission (ITC) initiated a Section 337 investigation into the exclusion of certain products from entry into the United States that infringe a patent protecting some of its *LitterMaid* branded litter box products. Russell Hobbs is the exclusive licensee of the patent with the right to enforce the same. In December 2008, an ITC administrative law judge ruled in Russell Hobbs favor, which ruling was affirmed by the ITC in April 2009. The ITC issued a limited exclusion order and a cease and desist order preventing importation and resale of infringing products (although such order is not currently being enforced by the U.S. Customs Department). The ruling is currently on appeal.

One ITC respondent has filed a reexamination request with the United States Patent & Trademark Office (USPTO) stating a substantial new question of patentability exists regarding the patent. Subsequently, the USPTO initiated a reexamination proceeding, which is currently pending.

Russell Hobbs also has related suits pending in the U.S. District Court for the Eastern District of Texas seeking monetary damages and other remedies. There, Russell Hobbs is pursuing infringement claims based on other patents in addition to the patent brought before the ITC. Such suits are currently stayed pending the outcome of the appeals of the ITC ruling.

Russell Hobbs maintains various other licensing and contractual relationships to market and distribute products under specific names and designs. These licensing arrangements generally require certain license fees and royalties and may contain minimum sales requirements.

Customers

Russell Hobbs markets its household appliances primarily through mass merchandisers, but also distributes to home improvement warehouses, specialty retailers, catalogers, warehouse clubs, drug and grocery stores, department stores, television shopping channels, pet supply retailers, and independent distributors, as well as through e-commerce websites. Its top two customers are Wal-Mart Stores, Inc. and Target Corporation. Wal-Mart Stores, Inc. accounted for approximately 24% of consolidated net sales for the fiscal year ended June 30, 2009 and 24% for the fiscal year ended June 30, 2008. Target Corporation accounted for approximately 10% of consolidated net sales for the fiscal year ended June 30, 2009 and 11% for the fiscal year ended June 30, 2008.

Sales, Marketing and Distribution

Russell Hobbs products are sold principally by an internal sales staff located in North America, Latin America, Europe, Australia and New Zealand. Russell Hobbs also uses independent sales representatives, primarily in Central America and the Caribbean. In addition to directing its marketing efforts toward retailers, Russell Hobbs sells certain of its products directly to consumers through infomercials and its Internet websites. For information on revenues attributable to the countries in which Russell Hobbs does business, see Note 11 to Russell Hobbs Consolidated Financial Statements for the fiscal years ended June 30, 2009 and 2008.

Russell Hobbs uses media advertising, cooperative advertising and other promotional materials to promote its products and develop brand awareness. Russell Hobbs enhances the equity of key brands through design, promotion and product functionality based on consumer feedback. Russell Hobbs provides promotional support for its products with the aid of various media, including television and print advertising, cooperative advertising

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with retailers and in-store displays and product demonstrations. Russell Hobbs believes that these promotional activities are important to strengthening its brand name recognition. The level of promotional effort targeted toward sales velocity and brand building is determined by the profitability of the category, the strategic importance of the brand and retailer plans.

Russell Hobbs distributes most of its products to retailers, including mass merchandisers, department stores, home improvement stores, warehouse clubs, drug chains, catalog stores and discount and variety stores.

Russell Hobbs policy is to maintain its inventory at levels reasonably necessary to service the rapid delivery requirements of its customers. Because of manufacturing lead times and seasonal sales, Russell Hobbs may increase inventories based on anticipated sales and forecasts provided by its customers and its sales personnel.

Backlog

Russell Hobbs backlog consists of commitments to order and orders for its products, which are typically subject to change and cancellation until shipment. Customer order patterns vary from year to year, largely because of differences in consumer acceptances of product lines, product availability, marketing strategies, inventory levels of retailers and overall economic conditions. As a result, comparisons of backlog between periods are not necessarily indicative of sales for that period. Accordingly, Russell Hobbs does not believe that the amount of backlog orders is a significant predictor of its business.

Seasonality

Russell Hobbs business is seasonal, with operating results varying from quarter to quarter. It historically has experienced higher revenues in the second half of the calendar year, primarily due to increased demand by customers in late summer for back-to-school sales and in the fall for the holiday season. The majority of Russell Hobbs sales occur from July through December.

Competition

The sale of small household appliances is characterized by intense competition. Competition is based on price and quality, as well as access to retail shelf space, product design, brand names, new product introductions, marketing support and distribution strategies. Russell Hobbs competes with various domestic, foreign and international marketers and distributors, some of which have substantially greater financial and other resources than Russell Hobbs. Russell Hobbs believes that its future success will depend upon its ability to develop and distribute reliable products that incorporate developments in technology and to satisfy consumer preferences with respect to style and design. It will also depend on Russell Hobbs ability to market a broad offering of products in each category at competitive prices.

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

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Regulation

As a marketer and distributor of consumer products in the United States, Russell Hobbs is subject to the Consumer Products Safety Act, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Products Safety Commission could require Russell Hobbs to repurchase or recall one or more of its products. In August 2009, Russell Hobbs, in cooperation with the Consumer Products Safety Commission, voluntarily recalled approximately 9,800 units of a thermal coffee maker sold under the *Black & Decker* brand.

Throughout the world, most federal, state, provincial and local authorities require safety regulation certification prior to marketing electrical appliances in those jurisdictions. Within the United States, Underwriters Laboratory, Inc. (UL) is the most widely recognized certification body for electrical appliances. UL is an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards. Russell Hobbs also uses the ETL SEMKO division of Intertek for certification and testing of compliance with UL standards, as well as other national and industry-specific standards. Russell Hobbs endeavors to have its products designed to meet the certification requirements of, and to be certified in, each of the jurisdictions in which they are sold.

Laws regulating certain consumer products also exist in some U.S. cities and states, as well as in other countries in which Russell Hobbs sells its products. Russell Hobbs believes that it is in substantial compliance with all of the laws and regulations applicable to it and its products.

Certain of the products sold by Russell Hobbs in the United States are also subject to the Fair Packaging and Labeling Act. Russell Hobbs believes that in addition to complying with the Fair Packaging and Labeling Act, it complies with the applicable rules and regulations of the Federal Trade Commission and other federal and state agencies with respect to the content of advertising and other trade practices.

Russell Hobbs pest control products are subject to various regulations, including regulations promulgated by the U.S. Environmental Protection Agency, as well as laws and regulations of the states and applicable state agencies. Compliance with such environmental regulations is not expected to have a material effect upon capital expenditures, earnings or Russell Hobbs competitive position in the pest product market.

Water Products Segment

In 2007, Russell Hobbs launched a new water products initiative, beginning with a water pitcher filtration system sold under the $Clear_2O$ brand. In May 2009, Russell Hobbs introduced its $Clear_2Go$ branded sports filtration bottle. The sales of $Clear_2O$ and $Clear_2Go$ branded products are made to mass merchandisers and specialty retailers primarily in North America.

In June 2008, Russell Hobbs entered into a license agreement with Island Sky Corporation for a patented air-to-water product. In August 2008, Russell Hobbs purchased 16,342,940 common shares of Island Sky Australia Limited, the parent company of Island Sky Corporation, for approximately $3.5 million. In December 2009, Russell Hobbs purchased an additional 2,887,968 common shares of Island Sky Australia Limited, previously owned by Harbinger, for approximately $274,000. At December 31, 2009, Russell Hobbs owed approximately 17% of Island Sky s outstanding common shares. Russell Hobbs President and Chief Executive Officer currently serves as a non-executive director of Island Sky Australia Limited. The air-to-water business of the Water Products Segment is in its beginning stages and is focused on the commercial markets in India and certain other countries in the Far East.

In December 2009, Russell Hobbs determined to divest the operations of its water filtration business sold under the $Clear_2O$ and $Clear_2Go$ brands and put the assets and business up for sale. Russell Hobbs decided to sell this division primarily because it does not strategically complement its appliance business, has incurred

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significant operating losses since its launch in 2007 and has not been successful in gaining any significant market share.

Prior to the mergers, Russell Hobbs intends to distribute its Water Products Segment to its sole stockholders, the Harbinger Parties, as a dividend.

Employees

As of March 1, 2010, Russell Hobbs had approximately 265 full-time employees in North America, approximately 190 full-time employees in Europe, approximately 75 full-time employees in South America and the Caribbean and approximately 45 full-time employees located in Australia and New Zealand. From time to time, Russell Hobbs also uses the services of seasonal employees.

None of Russell Hobbs employees are covered by a collective bargaining agreement. Russell Hobbs believes that it has satisfactory working relations with its employees.

As part of the merger of Applica and Salton, over the last two years, Russell Hobbs has reduced its headcount from more than 1,400 employees to less than 600 employees.

Properties

The following table sets forth Russell Hobbs principal operating facilities, all of which are used by the Household Products Segment:

Location	Description	Area (Square feet)
Redlands, California	Warehouse	983,986 Leased
Little Rock, Arkansas	Warehouse and distribution	562,000 Leased
Wolverhampton, England	Warehouse	312,000 Owned
Manchester, England	Sales and administrative office and warehouse	170,756 Owned
Wolverhampton, England	Warehouse	136,750 Leased
Miramar, Florida	Headquarters, general administration offices	110,000 Leased

Russell Hobbs leases additional warehouse and office space in the United States, Canada, Europe, Latin America, Australia and New Zealand pursuant to long and short-term contracts. Russell Hobbs also contracts with third party distribution providers that provide full service warehousing and shipping services. Russell Hobbs has such arrangements in North America, South America, Asia, Europe, Australia and New Zealand. Service contracts are typically short-term in nature, with fixed pricing, and provide for specific performance requirements related to customer service.

Russell Hobbs believes its current facilities are adequate to meet its needs in the foreseeable future. If necessary, Russell Hobbs may, from time to time, downsize current facilities or lease additional facilities for warehousing or other activities.

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THE SPECIAL MEETING AND PROXY SOLICITATION

The Spectrum Board is using this document to solicit proxies from the holders of Spectrum common stock for use at the special meeting of Spectrum s stockholders. Spectrum is first mailing this proxy statement/prospectus and accompanying form of proxy to Spectrum stockholders on or about May 12, 2010.

Matters Relating to the Special Meeting

Time and Place:	June 11, 2010

9:30 a.m., Eastern Time

Paul, Weiss, Rifkind, Wharton & Garrison LLP

1285 Avenue of the Americas

New York, New York 10019-6064

Purpose of Special Meeting Is to Vote on the Following Items:	1. To adopt the merger agreement, as described in The Merger Agreement (Proposal No. 1).

2. To approve a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

3. To transact such other business as may properly come before the meeting, and any adjournment or postponement thereof.

Record Date:	The record date for shares entitled to vote is May 5, 2010.
Outstanding Shares Held on Record Date:	On the record date, there were an aggregate of 30,629,213 shares of common stock outstanding and entitled to vote.
Shares Entitled to Vote:	Shares entitled to vote at the special meeting are Spectrum common stock. Each share of Spectrum common stock is entitled to one vote.
Quorum Requirement:	A quorum of stockholders (at least a majority of the outstanding shares of Spectrum common stock represented by proxy or in person at the special meeting) is necessary to hold a valid special meeting. On the record date, there were an aggregate of 30,629,213 shares of Spectrum common stock outstanding. Thus 15,314,607 shares must be represented by proxy or present in person at the special meeting to have a quorum. The inspector of elections will determine whether or not a quorum is present.

Abstentions count towards the quorum requirement. Broker non-votes will not count towards a quorum. If there is no quorum, a majority of the shares present in person or by proxy at the special meeting may vote to adjourn the special meeting to another date.

Shares Beneficially Owned by Spectrum Directors and Executive Officers as of the Record Date:	Spectrum directors and executive officers beneficially owned 629,213 shares of Spectrum common stock on the record date, including

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shares subject to restricted stock awards. These shares represent in total approximately 2% of the total voting power of Spectrum s voting securities. Spectrum s directors and executive officers intend to vote all of Spectrum common stock beneficially owned by them FOR the adoption of the merger agreement.

Votes Necessary to Adopt the Merger Agreement

Item	Vote Necessary
Proposal to Adopt the Merger Agreement	Adoption of the merger agreement requires the affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)). Abstentions and broker non-votes have the same effect as a vote against adoption of the merger agreement.
Proposal to Adjourn Special Meeting	If a quorum is present, approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies requires the affirmative vote of the holders of a majority of the shares represented at the special meeting and entitled to vote on the matter.

Proxies

Submitting Your Proxy. You may vote in person by ballot at the special meeting or by submitting a proxy. Please submit your proxy even if you plan to attend the special meeting. If you attend the special meeting in person, you may cancel any proxy previously given and vote by ballot.

Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Spectrum, one of the individuals named as your proxy will vote your shares as you have directed. You may direct your shares to be voted For or Against the proposals or abstain from voting.

How to Submit a Proxy

By mail: To submit your proxy by mail, simply complete, date and sign your proxy and return it in the return envelope provided. Postage will be pre-paid if mailed in the United States.

If you submit your proxy but do not make specific choices with respect to the proposals, your proxy will follow the Spectrum Board s recommendations and vote your shares:

FOR the adoption of the merger agreement; and

FOR the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies on the proposal to adopt the merger agreement.

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Changing or Revoking Your Proxy

You can revoke your proxy at any time before the close of voting at the special meeting. You may revoke your proxy in any of the following ways:

- Prior to the special meeting, you may:
  - submit another properly completed proxy card with a later date by following the return instructions on the proxy card; or
  - send a written notice that you are revoking your proxy to the Corporate Secretary at Spectrum s principal offices at Six Concourse Parkway, Suite 3300, Atlanta, GA 30328.
- During the special meeting, you may vote in person prior to the close of voting. Simply attending the special meeting will not, by itself, revoke your proxy.

Voting in Person

If you are a stockholder of record and you wish to vote in person at the special meeting, a ballot will be provided at the special meeting. However, if your shares are held in the name of your bank, broker, custodian or other record holder, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the meeting.

Proxy Solicitation

Spectrum will pay its own costs of soliciting proxies. In addition to the Spectrum s proxy materials, Spectrum s directors, officers, other employees and any other solicitors that Spectrum may retain may also solicit proxies personally, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. Spectrum will provide copies of its solicitation materials to banks, brokerage houses, fiduciaries and custodians that hold beneficially owned shares of Spectrum common stock for distribution to such beneficial owners. Spectrum has retained Georgeson, Inc. to aid in Spectrum s proxy solicitation process. Spectrum estimates that its proxy solicitor fees will be approximately $9,000.

Do not send in any stock certificates with your proxy cards. If the merger agreement is adopted, the exchange agent will mail transmittal forms with instructions for the surrender of stock certificates for Spectrum common stock to former Spectrum stockholders as soon as practicable after the completion of the Spectrum merger.

No Appraisal Rights

Spectrum stockholders are not entitled to appraisal rights under the DGCL in connection with the mergers.

Other Business

Spectrum is not currently aware of any other business to be acted upon at the special meeting. If, however, other matters are properly brought before the special meeting, or any adjourned meeting or postponement, your proxies include discretionary authority on the part of the individuals appointed to vote your shares or act on those matters according to their best judgment.

Spectrum Householding Information

The SEC has adopted rules that permit companies and intermediaries (*e.g.,* brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement/prospectus and annual report addressed to those stockholders.

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This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are our stockholders will be householding our proxy materials. A single proxy statement/prospectus will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement/prospectus, please notify your broker, direct your written request to Spectrum Brands, Inc., Investor Relations, Six Concourse Parkway, Suite 3300, Atlanta, GA 30328, or investorrelations@spectrumbrands.com or contact Investor Relations at (770) 829-6200. Stockholders who currently receive multiple copies of the proxy statement/prospectus at their address and would like to request householding of their communications should contact their broker.

Stockholder Account Maintenance

Spectrum s transfer agent is BNY Mellon Shareowner Services. All communications concerning accounts of stockholders of record, including address changes, name changes, inquiries as to requirements to transfer shares of common stock, and similar issues, should be made by calling the transfer agent s toll-free number, (800) 777-3694. In addition, you can access your account through the transfer agent s website. To access your account on the Internet, visit www.bnymellon.com/shareowner.

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THE PROPOSED TRANSACTION

General Description of the Proposed Transaction

On February 9, 2010, Spectrum entered into the merger agreement with Russell Hobbs, SB Holdings, Battery Sub and Grill Sub. As part of the proposed transaction, Spectrum and Russell Hobbs will become subsidiaries of SB Holdings, a newly created Delaware holding corporation.

Under the merger agreement, (i) Battery Sub will merge with and into Spectrum, with Spectrum as the surviving corporation (the Spectrum merger), and (ii) Grill Sub will merge with and into Russell Hobbs, with Russell Hobbs as the surviving corporation (the Russell Hobbs merger, which, together with the Spectrum merger, are referred to herein as the mergers). Battery Sub and Grill Sub are both direct wholly-owned subsidiaries of SB Holdings.

Upon the consummation of the mergers, (i) Spectrum stockholders will be entitled to receive in the Spectrum merger one share of the common stock of SB Holdings (SB Holdings common stock) in exchange for each share they hold of Spectrum common stock (Spectrum common stock) and (ii) Russell Hobbs stockholders will be entitled to receive shares of SB Holdings in exchange for their shares of Russell Hobbs common stock and preferred stock (Russell Hobbs Stock) in accordance with the terms of the merger agreement and based on a $675 million enterprise value of Russell Hobbs, subject to various adjustments set forth in the merger agreement, and a $31.50 per share valuation of Spectrum common stock. The adjustments set forth in the merger agreement include, among other things, adjustments to reflect the amount of cash held by Russell Hobbs and Russell Hobbs indebtedness for borrowed money.

Based on the information set forth in Russell Hobbs December 31, 2009 balance sheet, the adjustments to the enterprise value of Russell Hobbs set forth in the merger agreement would have resulted in a reduction of such enterprise value from $675 million to $644 million, taking into account the conversion of the Harbinger Parties existing approximately $158 million principal amount of Russell Hobbs term debt into SB Holdings common stock at a price of $31.50 per share. The shares of SB Holdings common stock to be issued to the Harbinger Parties upon such conversion are included in the calculation of the 20,432,000 shares to be issued to Russell Hobbs stockholders as described herein; however, such shares are not included in the shares of SB Holdings common stock to be registered under this proxy statement/prospectus.

As a result of the mergers, the stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings, and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

At the time of the special meeting, neither the stockholders of Spectrum nor the stockholders of Russell Hobbs will know the value of the consideration that they will receive in the merger. In addition, at the time that Spectrum stockholders vote on the adoption of the merger agreement, Spectrum stockholders will not know the number of shares of SB Holdings that will be issued pursuant to the merger agreement to the Harbinger Parties in exchange for the Harbinger Parties shares of Russell Hobbs common stock and preferred stock.

The following is an illustration of how the total consideration for the mergers would be calculated based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009.

SB Holdings Common Shares Issued To	Total Shares(1)		Value(2)
Harbinger Parties in exchange for shares of Russell Hobbs Stock	14,925,622	$	470,157,093
Harbinger Parties in exchange for conversion of Harbinger term loan	5,220,232	$	164,437,308
Harbinger Parties in exchange for shares of Spectrum common stock (3)	12,450,198	$	392,181,237
Other Spectrum stockholders in exchange for shares of Spectrum common stock	18,179,015	$	572,638,973
Russell Hobbs RSU holders (4)	286,146	$	9,013,599
Total shares of SB Holdings issued in mergers (including RSUs)	51,061,213	$	1,608,428,210

(1) The calculations of the SB Holdings shares issuable in the mergers in the above table are based on the information set forth in Russell Hobbs unaudited consolidated balance sheet as of December 31, 2009 and the adjustments provided in the merger agreement. The merger agreement provides for a one to one exchange ratio for shares of Spectrum common stock. There were 30,629,213 shares of Spectrum common stock outstanding, 110,231.34 shares of Russell Hobbs Series D Preferred Stock outstanding and 50,000 shares of Russell Hobbs Series E Preferred Stock outstanding. The exchange ratio for shares of Russell Hobbs Series D and Series E Preferred Stock is based on the liquidation preference and accrued but unpaid dividends with respect to each series of the preferred stock, and a $31.50 price per share for SB Holdings common stock. At December 31, 2009, the aggregate liquidation preference and accrued but unpaid dividends on (a) the Series D Preferred Stock was approximately $151,147,000 and (b) the Series E Preferred Stock was approximately $60,825,000.

The RH Common Exchange Ratio is based in part on (a) the amount of consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries in excess of $17 million, (b) the amount of consolidated indebtedness for money borrowed of Russell Hobbs and its subsidiaries (other than the Harbinger term loan to Russell Hobbs) and (c) the pay-off amount of the Harbinger term loan to Russell Hobbs. At December 31, 2009, the consolidated cash and cash equivalents was $24,299,000, the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) was $38,542,000 plus $149,000 in accrued but unpaid interest, and the Harbinger term loan pay-off amount was $164,437,000 (assuming prepayment penalties of $6,172,000).

The value of the consideration and the number of shares of SB Holdings common stock to be issued will differ from the example in this table (which is being presented for illustration purposes only) because the number of shares of SB Holdings common stock to be issued to each of the parties set forth in this table will vary based on changes prior to the closing of the mergers in (a) the liquidation preference and accrued but unpaid dividends owed on the Russell Hobbs Series D and Series E Preferred Stock, (b) the consolidated cash and cash equivalents held by Russell Hobbs and its subsidiaries, (c) the consolidated indebtedness for money borrowed (other than the Harbinger term loan to Russell Hobbs) and (d) the pay-off amount for the Harbinger term loan to Russell Hobbs.

(2) Based upon $31.50 per share.

(3) Based on the Harbinger Parties Form 4 filed on May 6, 2010, the Harbinger Parties collectively beneficially own 12,450,198 shares of Spectrum common stock as of that date.

(4) Based on 25,800,000 Russell Hobbs Restricted Stock Units outstanding on May 6, 2010.

The actual amounts of the adjustments to the exchange ratios at the closing of the mergers will not be known until immediately prior to the closing of the mergers, and therefore, the value of the consideration and the number of shares of SB Holdings common stock to be issued in the mergers will not be known at the time that Spectrum stockholders vote on the adoption of the merger agreement.

The merger agreement is attached as *Annex A-1* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The first amendment to the merger agreement, dated as of March 1, 2010, is attached as *Annex A-2* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The second amendment to the merger agreement, dated as of March 26, 2010, is attached as *Annex A-3* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. The third amendment to the

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merger agreement, dated as of April 30, 2010, is attached as *Annex A-4* to this proxy statement/prospectus and is incorporated by reference herein in its entirety. Spectrum encourages its stockholders to read the merger agreement and the three amendments thereto carefully and in their entirety, as the merger agreement is the principal legal document governing the mergers.

At the special meeting, holders of Spectrum common stock will be asked to vote upon a proposal to adopt the merger agreement and a proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to adopt the merger agreement.

The Spectrum Board is using this document to solicit proxies from the holders of Spectrum common stock for use at the special meeting. The mergers will not be consummated unless Spectrum s stockholders adopt the merger agreement.

Background of the Proposed Transaction

Spectrum Reorganization

Spectrum commenced Chapter 11 reorganization proceedings in February 2009 by filing a plan of reorganization supported by, among others, the Harbinger Parties, the Avenue Parties and D.E. Shaw Laminar Portfolios, L.L.C. (Shaw), who together owned approximately 70% of Spectrum s $1.05 billion aggregate principal amount of then-outstanding senior subordinated notes. The effective date of Spectrum s bankruptcy Plan was August 28, 2009. Under the Plan, (1) all of Spectrum s previously existing equity securities were cancelled, (2) reorganized Spectrum issued 30.0 million shares of common stock and $218 million aggregate principal amount of PIK Notes to holders of allowed claims and pre-petition notes and debtor-in-possession facility participants, including the Harbinger Parties, the Avenue Parties and Shaw, and (3) Spectrum s $1.34 billion pre-petition term credit facility was amended. Following the reorganization, the Harbinger Parties, the Avenue Parties and Shaw became holders of 39%, 22% and 14%, respectively, of reorganized Spectrum s outstanding common stock and PIK Notes in principal amount, as of September 21, 2009, of $92.0 million, $39.0 million and $24.8 million, respectively. In addition, Spectrum also obtained a $242 million asset-based exit loan facility that matures in 2011. The term debt facility matures in 2012.

Formation of the Committee

On October 23, 2009, representatives of Spectrum met with a representative of the Harbinger Parties and the representatives of an unaffiliated special purpose acquisition vehicle, commonly known as a SPAC, at their request. The Harbinger Parties and the SPAC explained that they were considering proposing a possible transaction in which Spectrum and Russell Hobbs (then known as Salton) would merge into the SPAC and Spectrum s existing indebtedness would be refinanced. They also explained that, because the SPAC s organizational documents required a SPAC stockholder vote in connection with any acquisition by mid-January 2010, definitive documents providing for a transaction would need to be executed by mid-November. The initial discussions did not include a specific proposed allocation of value among the respective stockholders of Russell Hobbs, the SPAC and Spectrum.

On October 25, 2009, the Spectrum Board, other than Terry L. Polistina, the chief executive officer of Russell Hobbs, met to discuss the proposal and formed the Committee, composed of Marc S. Kirschner, Norman S. Matthews and Hugh R. Rovit, to consider the possible transaction. None of the members of the Committee is employed by or otherwise affiliated with the Harbinger Parties, the SPAC or any of their respective affiliated entities, including Russell Hobbs.

The Committee met later that day and invited a representative of the Jones Day law firm (Jones Day) to join the call. The representative of Jones Day explained such firm s experience and expertise in this context and confirmed that the firm had not represented Spectrum, the Harbinger Parties or the SPAC and was otherwise free

of any conflicting relationships. Following discussion, the Committee determined to retain Jones Day as legal counsel. At the Committee s request, the representative of Jones Day reviewed the legal duties of the Committee members in connection with the possible transaction and the process typically employed in these circumstances. The Committee instructed the Jones Day representative to contact Spectrum s legal counsel to finalize formal resolutions memorializing its formation and authority and, in light of the tight timeline contemplated by the possible transaction, to determine the specific actions that would have to be taken.

The Spectrum Board confirmed the appointment of the Committee on November 6, 2009. The Committee was authorized to review the possible transaction and any alternative transaction and evaluate and, if applicable, negotiate and make recommendations to the Spectrum Board in connection with the possible transaction or any alternative, and to continue to exist until the Committee decided to discontinue its existence. No limitations were placed on the Committee s authority. Following a review of compensation for service in similar circumstances, the Spectrum Board approved a flat fee of $50,000 for each Committee member s service (plus reimbursement of expenses), the receipt of which was not dependent in any respect on the outcome of the process. On March 23, 2010, Spectrum s compensation committee approved the payment of an additional flat fee of $30,000 to each member of the Committee as compensation for the significant amount of work performed by the members of the Committee over and above that expected at the time the initial fee was approved.

Consideration of the Possible SPAC Transaction

During the period from October 26 through November 17, 2009, the Committee met 15 times to consider a possible transaction involving Russell Hobbs and the SPAC and also to discuss potential alternatives to the possible transaction, including maintaining the status quo or pursuing a partial refinancing or recapitalization of Spectrum (recognizing that a capital markets alternative would likely involve substantial dilution to existing stockholders and could not reasonably be completed until Spring 2010). On November 2, 2009, representatives of the Harbinger Parties and the SPAC proposed financial terms for a transaction, including that Spectrum common stock would be valued at a 5% discount to market prices and Russell Hobbs would be assigned a total enterprise value of $725 million. The initial proposal involving the SPAC went through a series of iterations and revisions during this period, and the Committee continually weighed a variety of factors that supported the proposed transaction, including (1) the potential de-leveraging of Spectrum contemplated by the proposed transaction, (2) access to additional capital, (3) enhanced liquidity and capital resources, (4) better credit metrics after giving effect to the transaction, (5) the Committee s sense, based in part on advice from Jones Day, that appropriate procedural protections to assure approval of the transaction on a non-coercive basis and governance mechanics to provide reasonable minority protections post-closing could each be negotiated, and (6) the substantial synergies which could be expected to be realized in a transaction (preliminarily estimated by Spectrum s management to be in the range of $25 to $30 million per year). The Committee also weighed a variety of factors that did not support a possible transaction, including (1) potential dilution to existing Spectrum stockholders given the SPAC s indication that any transaction it proposed would value Spectrum stock at a discount to market, (2) challenging timing considerations due to the SPAC s stockholder approval requirements, (3) management s then-current focus on implementing its business plan for the fourth calendar quarter of 2009 and the need to complete Spectrum s fresh start financial statements by the December 29th due date for Spectrum s filing of its annual report on Form 10-K for its 2009 fiscal year, (4) what appeared to be a full valuation assigned to Russell Hobbs, relative to Spectrum s valuation, in light of the fact that Russell Hobbs did not have a long track record of successful operations, forecasted substantial increases in adjusted EBITDA for the fourth calendar quarter of 2009 and continuing improvements in subsequent periods and was engaged in mature and highly competitive lines of business, and (5) that the Harbinger Parties would acquire a majority of Spectrum s common stock in the proposed transaction. (See The Proposed Transaction Background of the Proposed Transaction and The Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction for a complete discussion of the reasons for and against the transaction.)

In addition, during this period, the Committee engaged Barclays Capital as its financial advisor and The Parthenon Group as its industry consultant to assist the Committee in its review. The Committee s and

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Spectrum s advisors performed due diligence on Russell Hobbs, its subsidiaries and their respective businesses, including a financial due diligence review of Russell Hobbs by representatives of PricewaterhouseCoopers (PWC), the accounting firm engaged by Spectrum, which included due diligence meetings with management of Russell Hobbs at its Miramar, Florida operational headquarters that were also attended by Barclays Capital.

Jones Day advised the Committee from the outset that it believed that any transaction of the type proposed by the Harbinger Parties and the SPAC should require approval by holders of a majority of Spectrum s common stock not held by the Harbinger Parties. Accordingly, during the period referred to above, Spectrum entered into a nondisclosure agreement with an affiliate of the Avenue Parties so that the Committee could solicit the preliminary views of the Avenue Parties regarding a possible transaction. Representatives of the Avenue Parties informed the Committee that they believed that the combination of Russell Hobbs with Spectrum could be attractive, assuming that it could be done at an appropriate exchange ratio.

On November 17, 2009, the Committee s and the Harbinger Parties respective advisors met. Based on the various factors described above, including the Committee s concern with including the SPAC in a possible transaction due to the tight timetable, potential equity dilution resulting from the SPAC s participation and the parties differing points of view regarding the relative valuations of Russell Hobbs and Spectrum and the impact of potential synergies on the valuations, the Committee s representatives proposed, on behalf of the Committee, alternative transaction terms, which are described in the chart below and which included an earn-out structure in which a portion of the purchase price payable in respect of Russell Hobbs would be paid at closing with additional consideration payable following the achievement of an adjusted EBITDA target for calendar year 2010 in light of Spectrum management s uncertainty as to the ability of Russell Hobbs to achieve its forecasts.

On November 18, 2009, the Committee s advisors were informed that the SPAC had determined not to further pursue the proposed transaction. In a subsequent discussion, the Committee s advisors were informed that the Harbinger Parties were considering an alternative structure to combine Spectrum and Russell Hobbs that did not involve the SPAC.

The following chart depicts the principal financial terms of the proposal provided by the Harbinger Parties and the SPAC on November 2, 2009 and the Committee s November 17, 2009 counterproposal ($ in millions, except per share amounts).

	SPAC November 2, 2009 Proposal	**Committee November 17, 2009 Counterproposal**
Implied Spectrum price per share	$21.99	$23.15
Spectrum closing price on prior day	$23.15	$22.50
Premium to market	None	2.9%
Discount to market	5%	None
Russell Hobbs valuation	$725	$500
Earn-out?	No	Potential for another $150 based on Russell Hobbs CY 2010 adjusted EBITDA

Consideration of the Proposed Transaction Involving the Harbinger-Controlled Company

The Spectrum Board held a previously scheduled conference call on November 19, 2009 to review Spectrum s October results. On that call, members of the Committee explained the process undertaken by the Committee and the status of discussions, including the SPAC s recent withdrawal from discussions. Also on that call, Spectrum s management discussed generally improving conditions in the capital markets, including the possibility that Spectrum could access the capital markets to refinance its debt maturing in 2011 and 2012 and potentially obtain additional capital. In this regard, while management was optimistic that Spectrum would

perform well in its 2010 fiscal year, management did not expect that Spectrum s 2010 free cash flow would permit it to significantly reduce debt during that period and Spectrum would therefore remain capital constrained unless its Chapter 11 debt were refinanced. The Spectrum Board encouraged management to actively explore capital markets alternatives to de-lever Spectrum s balance sheet, extend its debt maturing in 2011 and 2012 and obtain additional capital resources.

During the period from November 19, 2009 to December 24, 2009, the Harbinger Parties made several proposals providing for a transaction involving Spectrum, Russell Hobbs and a non-operating company controlled by the Harbinger Parties, the primary assets of which consisted of $145 million of cash and short-term investments that could be used to de-lever the combined company. The following chart depicts the principal financial terms of these proposals, as well as the terms of a counterproposal focused on the valuation of Russell Hobbs which representatives of the Committee made for discussion purposes on November 29th ($ in millions, except per share amounts).

	November 19, 2009 Proposal	**November 29, 2009 Committee Counterproposal**	**December 21, 2009 Proposal**	**December 24, 2009**	
				Alternative 1	**Alternative 2**
Implied Spectrum price per share	$23.92	Not specified	$26.77	$26.75	$26.75
Spectrum closing price on prior day	$22.25	$22.00	$21.75	$21.95	$21.95
Premium to market	7.5%	Premium indicated but not specified	23.1%	21.9%	21.9%
Russell Hobbs valuation	$700	$550	$700	$700	$700
Earn-out?	Based only on Russell Hobbs CY 2010 adjusted EBITDA	Based on Russell Hobbs and Spectrum CY 2010 adjusted EBITDA	Based only on Russell Hobbs CY 2010 adjusted EBITDA	Based on Russell Hobbs and Spectrum CY 2010 adjusted EBITDA	Based only on Russell Hobbs CY 2010 adjusted EBITDA
Aggregate equitization of Harbinger Party-owned debt/ preferred securities)	$453 at $23.92/share	$453 (price not specified)	$453 at $26.77/share	$453 at $26.75/ share	$453 at $26.75/share
Harbinger Party majority control?	Yes	Yes	Yes	Yes	No

During the period from November 19 through November 30, 2009, the Committee met five times to discuss the possible transaction. During this period, the Harbinger Parties made several proposals providing for a possible transaction and the Committee continually considered several factors regarding the proposed transaction. (See The Proposed Transaction Background of the Proposed Transaction and The Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction for a complete discussion of the reasons for and against the transaction.) In considering the various proposals of the Harbinger Parties during this period, the Committee and its advisors also discussed the possibility of including an earn-out structure that would also take Spectrum s 2010 performance, in addition to Russell Hobbs 2010 performance, into consideration so that the value attributable to Spectrum in the transaction could be increased in the event that Spectrum s 2010 results exceeded its forecast. In connection with the Committee s deliberations, Jones Day reviewed on several occasions potential governance protections, including board representation for the non-Harbinger Party stockholders proportionate to stock ownership, that could be included in any proposed transaction, as well as potential procedural protections, such as including (1) a non-waivable requirement for the approval of the transaction by a majority of the Spectrum common stock not

held by the Harbinger Parties and (2) a go-shop process in order to determine whether other superior proposals for Spectrum were available. Jones Day informed the Committee that it believed that a post-signing go-shop process would likely be superior to a pre-signing market-check because a go-shop process would be conducted under procedures worked out with the Harbinger Parties, including possibly terms under which the Harbinger Parties would be obligated to support an alternative proposal determined to be superior by the Committee that was supported by the non-Harbinger Party stockholders, whereas prospective bidders would have no assurance of cooperation by the Harbinger Parties in a pre-signing market check. Jones Day proposed these procedural protective post-closing governance provisions to Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul Weiss), Russell Hobbs legal advisor, on November 25, 2009.

On November 29, 2009, Barclays Capital, at the direction of the Committee, delivered a counterproposal to the Harbinger Parties, the principal financial terms of which are summarized in the table above.

On November 30, 2009, representatives of the Harbinger Parties informed the Committee s representatives that the Harbinger Parties had decided to stop working on the possible transaction. No specific reason was assigned to the decision, but it was the sense of the Committee s advisors that the substantial difference in the parties relative valuations of Russell Hobbs was a major factor. The Committee met that day and determined that it should not at that time solicit any alternative proposals from or make further inquiries of the Harbinger Parties.

On December 9, 2009, the Committee s advisors were informed by representatives of the Harbinger Parties that the Harbinger Parties wished to restart discussions involving a possible transaction in which Russell Hobbs and Spectrum would be valued on a relative basis similar to that outlined on behalf of the Committee on November 29, 2009 with an additional investment in cash by the Harbinger Parties at a price per Spectrum share equal to the price implied by the relative valuations, a portion of which could be made available to repurchase stock at that value.

During the period from December 11 through December 24, 2009, the Committee s advisors engaged in several discussions with advisors to the Harbinger Parties and Russell Hobbs, the Harbinger Parties initial proposal regarding a transaction involving the company controlled by the Harbinger Parties went through a series of iterations and revisions and the Committee continually weighed a variety of factors regarding the proposed transaction as reflected in the revised proposals. (See The Proposed Transaction Background of the Proposed Transaction and The Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction for a complete discussion of the reasons for and against the transaction.) Proposals made by the Harbinger Parties on December 21, 2009 and December 24, 2009 are summarized in the table above.

The Committee met on December 27, 2009. Representatives of Jones Day and Barclays Capital were present, as was Mr. Hussey at the invitation of the Committee. The Committee discussed the two alternatives proposed by the Harbinger Parties on December 24, 2009 and summarized on the chart above, and also received an update from Mr. Hussey regarding the expected performance of Spectrum in the fourth calendar quarter of 2009. The Committee again discussed other alternatives available to Spectrum, including potential capital markets transactions. The Committee instructed its advisors to convey to the Harbinger Parties advisors that, if an earn-out structure were pursued, the Committee would prefer to consider a transaction in which Spectrum s 2010 performance was also taken into consideration. The Committee also observed that, as the Harbinger Parties had proposed when they initiated the current discussions, depending on the overall terms of any transaction, it might be desirable for the Harbinger Parties to provide equity financing to permit some portion of Spectrum stockholders who chose not to participate as stockholders in the combined company an option to cash out at least a portion of their stock. In this regard, the Committee recognized that any such liquidity feature would require additional analysis in that, among other things, it would reduce Spectrum s liquidity and increase its leverage post-closing and that, given Spectrum s financial position and capital markets considerations generally, it was not reasonable to expect that a substantial amount of cash would be available for this purpose.

Following the December 27, 2009 meeting, several discussions were held among the Committee s and the Harbinger Parties respective legal and financial advisors. In those discussions, the advisors discussed whether to include the company controlled by the Harbinger Parties in the potential transaction and the Committee s advisors conveyed the Committee s perspective regarding the matters discussed in its meeting earlier that day. The Harbinger Parties advisors informed the Committee s advisors that they believed that there could be no assurance that Spectrum could successfully de-lever through capital markets transactions and that the discounts inherent in any capital markets transaction would be very dilutive to existing stockholders.

On December 30, 2009, Spectrum announced its fiscal 2009 results. Spectrum reported net sales of $589.4 million and $2,230.5 million for the fourth quarter and full fiscal year 2009, respectively, and consolidated adjusted EBITDA of $91.4 million and $309.9 million for the fourth quarter and full fiscal year 2009, respectively.

Consideration of the Proposed Transaction Involving Only Spectrum and Russell Hobbs

During the period from January 4, 2010 to February 2, 2010, the Harbinger Parties made several proposals providing for a possible transaction involving only Spectrum and Russell Hobbs. The following chart depicts the principal financial terms of these proposals ($ in millions, except per share amounts).

	January 4, 2010	**January 28, 2010**	**February 2, 2010**	
			Alternative 1	**Alternative 2**
Implied Spectrum price per share	$26.75	$31.50	$31.50	$31.50
Spectrum closing price on prior day	$22.50	$29.00	$29.00	$29.00
Premium to market	18.9%	8.6%	8.6%	8.6%
Russell Hobbs valuation	$700	$675	$650	$675
Earn-out?	Based on Russell Hobbs and Spectrum CY 2010 adjusted EBITDA	No earnout	No earnout	No earnout
Equitization of Harbinger Party-owned debt/preferred securities	$453 at $26.75/share	$207 at $31.50/share	$365, at $31.50/share (but term loan converted at $27.00/share)	$365 at $31.50/share

As indicated above, on January 4, 2010, representatives of the Harbinger Parties delivered a revised proposal, which contemplated that the relative valuations of Russell Hobbs and Spectrum would be as set forth in the first alternative of the Harbinger Parties December 24th proposal ($700 million for Russell Hobbs with an earn-out adjustment, representing a 0.75x EBITDA multiple premium for Spectrum based on the two companies expected 2010 calendar year performances). In addition, the preferred stock of Russell Hobbs owned by the Harbinger Parties, the Russell Hobbs term loan held by the Harbinger Parties and the PIK Notes held by the Harbinger Parties would be converted into common stock of the combined company at a price of $26.75 per share, and $124 million would be invested in the combined company by the Harbinger Parties to lower the combined company s leverage, with a portion potentially available to permit Spectrum stockholders who wished to do so to sell a portion of their stock for cash at $26.75 per share. In addition, the proposal contemplated that no go-shop process would be permitted, the approval by a majority of the Spectrum common stock, other than those owned by the Harbinger Parties, would be required and the Harbinger Parties would have the power to elect a majority of the combined company s board of directors.

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On January 6, 2010, Spectrum held an investor call to discuss its 2009 fiscal year results. During the call, management indicated that it expected to be able to report at least 7% top line sales growth for the fiscal first quarter of 2010 (the quarter ended December 31, 2009) compared to the same quarter in fiscal 2009 and that management believed adjusted EBITDA for that quarter would be significantly above the prior year, which provided management confidence that Spectrum s full fiscal year 2010 results would exceed its previously forecasted results (adjusted EBITDA of $332 million).

The Committee met later that day. Representatives of Jones Day and Barclays Capital were present, as was Mr. Hussey at the invitation of the Committee. The Committee and its advisors discussed the latest proposal from the Harbinger Parties. Mr. Hussey informed the Committee that it was the general consensus of management that there was strategic sense to the acquisition of the Russell Hobbs business, and the proposed transaction provided Spectrum with a potentially attractive opportunity to de-lever Spectrum s balance sheet and obtain additional liquidity, provided that a transaction could be negotiated on otherwise acceptable terms. The Committee determined that it would be advisable to engage in further discussions regarding the relative valuation of the Russell Hobbs business, but also that management should continue to pursue a possible capital markets alternative to de-lever Spectrum and provide it with enhanced financial resources in light of the generally favorable market conditions and the fact that there was no assurance that any deal with the Harbinger Parties would be available. The Committee also determined that if discussions were to proceed, Spectrum should require a process for determining whether a superior transaction was reasonably available. The Committee again weighed the relative merits of a pre-signing market check or post-signing go-shop process and, based in part on advice from its legal and financial advisors, determined that a post-signing go-shop process appeared to be preferable because it could be conducted under agreed procedures, including procedures in which the Harbinger Parties would be required to support a superior proposal, whereas in a pre-signing market check potential bidders presumably would not be interested in seriously evaluating alternatives without the cooperation or support of the Harbinger Parties, itself a potential bidder and a 39.4% stockholder. The Committee also observed the importance of understanding plans for the integration process, the liquidity and financial resources of the combined company and the roles of management, particularly David Lumley, Co-Chief Operating Officer and President Global Batteries and Personal Care and Home and Garden, who the Committee perceived as a strong candidate to replace Mr. Hussey as Chief Executive Officer upon Mr. Hussey s retirement.

On January 7 and 12, 2010, the Committee s legal and financial advisors met with representatives of the Harbinger Parties and Paul Weiss to discuss issues relating to the proposed transaction and the Committee s reaction to the Harbinger Parties January 4th proposal. Mr. Lumley attended the January 12th meeting at the invitation of the Committee and indicated that, while management believed that an earn-out structure was feasible, it would be very difficult to implement and would necessarily adversely affect, or at least delay, the ability to realize synergy gains from the possible transaction.

Also on January 12, 2010, Mr. Lumley and Mr. Kirschner met separately with a representative of the Harbinger Parties to discuss the integration of the two businesses, as well as to understand the Harbinger Parties views as to the management of the combined company if a transaction were to be pursued. The representative of the Harbinger Parties conveyed the firm s intention that, should Mr. Hussey cease to be Chief Executive Officer of the combined company, Mr. Lumley would be a candidate to serve as his successor.

The Committee next met on January 18, 2010. Representatives of Jones Day and Barclays Capital were present, as was Mr. Hussey at the invitation of the Committee. The Committee and its advisors discussed the January 12th meeting, as well as Spectrum s recent trading prices. Spectrum s stock price had increased by approximately 27.2% since January 6, 2010, the date of Spectrum s investor call, closing at $29.25 per share on January 15, 2010. The Committee and its advisors again discussed Spectrum s potential ability to access the equity and debt markets, as well as the timing considerations and potential outcomes associated with such an approach. It was the consensus of the Committee that its advisors should engage in further discussions with the Harbinger Parties advisors to gain a better understanding of the Harbinger Parties view of Spectrum s valuation

in light of the recent increase in its trading price, and also continue to consider possible capital markets alternatives.

On January 20, 2010, Paul Weiss informed Jones Day that the Harbinger Parties would be willing to permit Spectrum to run a go-shop process following the announcement of the proposed transaction in order to determine whether third parties might be willing to provide higher value to Spectrum s stockholders than the consideration contemplated by the Harbinger Parties proposal. In addition, Paul Weiss indicated that the Harbinger Parties proposed that Spectrum s and Russell Hobbs relative valuations would be fixed prior to the announcement of the possible transaction rather than adjusted based on their respective calendar year 2010 performances given the difficulties associated with measuring the relative performances in a meaningful way without negatively impacting potential synergies. The Harbinger Parties and the Committee recognized that it would be advisable for the Committee to seek Avenue Capital s views regarding the potential transaction.

Also on January 20, 2010, representatives of Paul Weiss, Sutherland Asbill & Brennan, LLP (Sutherland), counsel to Spectrum, and Jones Day began to exchange and negotiate draft transaction documents relating to the possible transaction. In addition, members of the Committee and the Spectrum Board management interviewed three investment banks (including Barclays Capital) and discussed with those firms the ability of Spectrum to access the capital markets to refinance its debt maturity in 2012 and to receive additional capital.

The Committee met on January 22, 2010. Representatives of Jones Day and Barclays Capital were present. The Committee and its advisors reviewed the recent discussions among the advisors, including the revisions to the proposal received from the Harbinger Parties advisors on January 20, 2010. The Committee and its advisors noted that the implied value of Spectrum common stock in the current proposal of $26.75 per share remained lower than the then-current trading price of Spectrum common stock. It was the consensus of the Committee that it would be advisable to continue to pursue discussions with the Harbinger Parties and their advisors to determine whether the other remaining issues could be resolved. However, the Committee instructed its advisors to inform the Harbinger Parties that a transaction that valued the Spectrum common stock below its trading price would not be acceptable. It was also the consensus of the Committee that Spectrum should continue to consider a potential recapitalization through the capital markets.

On January 25, 2010, members of the Committee and representatives of Jones Day and Avenue Capital met to discuss the Harbinger Parties proposal. The Committee had requested these discussions in light of the fact that the Harbinger Parties and the Committee believed it would be advantageous to determine the view of Avenue Capital, and possibly Shaw, on support of the possible transaction. In the meeting, the representatives of Avenue Capital indicated that Avenue Capital generally supported the transaction assuming that the implied valuation of Spectrum was increased from $26.75 per share to an acceptable level, management conducted appropriate due diligence on the Russell Hobbs business and its prospects, appropriate minority stockholder and governance protections were included and an acceptable indemnity arrangement was developed to protect the combined company against exposure arising out of litigation related to the Applica transaction in 2007. The representatives of Avenue Capital also indicated that Avenue Capital generally did not support a substantial capital markets transaction involving the sale of equity capital in light of the substantial dilution of existing stockholders that it would likely involve. The Harbinger Parties and the Committee did not initiate discussions with Shaw prior to the announcement of the transaction.

The Committee and its advisors discussed the input received from Avenue Capital at a meeting the following day, and the Committee determined that the Committee s and Spectrum s respective advisors should continue to engage in discussions regarding a possible transaction, but that it was essential that (1) any proposal be based on a higher valuation for Spectrum and (2) due diligence regarding Russell Hobbs and its future prospects be completed before the Committee could consider a definitive proposal, particularly in light of the Harbinger Parties proposed removal of the earn-out feature.

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The Spectrum Board had a regularly scheduled meeting on January 27, 2010. At the meeting, in addition to unrelated business, members of the Committee updated the board generally as to the status of discussions with the Harbinger Parties and management updated the board as to its consideration of capital markets alternatives.

Discussions among the parties representatives continued over the next few days in which the Committee s advisors informed the Harbinger Parties advisors that it was the consensus of the Committee that the Harbinger Parties had to substantially increase the implied valuation of Spectrum in any transaction and that the Harbinger Parties would have to agree to support an alternative transaction if obtained in the go-shop process that had a value substantially in excess of the value of the Harbinger Parties proposal.

On January 28, 2010, the Harbinger Parties enhanced their proposal by lowering the valuation of Russell Hobbs to $675 million from $700 million and increasing Spectrum s valuation so that it would have an implied value of $31.50 per share, representing a 1.0x valuation multiple premium to Russell Hobbs (based on expected adjusted EBITDA in calendar year 2010), and a premium of 8.6% to the closing price of the Spectrum common stock on January 27, 2010. In addition, the proposal contemplated that the Russell Hobbs term loan held by the Harbinger Parties and the PIK Notes held by the Harbinger Parties would not be converted into common stock of the combined company, but that Harbinger Capital would instead provide equity capital to the combined company in the aggregate amount of $200 million, valued at $27.00 per share, to be used to lower the combined company s leverage. No cash would be available to permit Spectrum stockholders to exchange stock for cash in the proposed transaction.

The Committee met on January 29, 2010. Representatives of Jones Day and Barclays Capital were present, as was Mr. Hussey at the invitation of the Committee. Mr. Hussey reviewed management s current forecast for Spectrum s 2010 fiscal year, which was in the range of $335 to $345 million of adjusted EBITDA. While management believed there was some upside potential to its forecast, there also was downside risk due to continuing uncertainty as to consumer spending and general economic conditions as well as increased competition in certain of Spectrum s product lines. The Committee discussed the Harbinger Parties revised proposal and noted that the implied per share price for Spectrum s common stock in the proposal represented a 36.4% premium to the trading price when discussions of a possible transaction involving Russell Hobbs began in October 2009. The Committee also observed that Spectrum s full fiscal year 2010 midpoint forecast of $340 million of adjusted EBITDA was essentially the same as Spectrum s forecast of $332 million of adjusted EBITDA published in connection with Spectrum s Chapter 11 bankruptcy plan. As a result, there did not appear to be a substantial benefit to insisting on a pricing mechanism that adjusted based on Spectrum s 2010 actual results, which was consistent with the Harbinger Parties January 20th modification of its proposal. However, the Committee noted that fixing the value of Russell Hobbs would require a reasonable level of assurance that its forecast was achievable, as well as analysis of the possible transaction on more conservative assumptions relating to Russell Hobbs 2010 adjusted EBITDA. The Committee instructed management to complete the Russell Hobbs due diligence as promptly as reasonably practicable and report back to it.

On January 31, 2010, representatives of Jones Day and Barclays Capital met with representatives of Avenue Capital and Akin Gump Strauss Hauer & Feld LLP (Akin Gump), Avenue Capital s counsel. During that meeting, the representatives of Avenue Capital indicated that they believed that Avenue Capital would likely support the Harbinger Parties most recently proposed terms, except that Avenue Capital believed that the Harbinger Parties investment in the combined company (whether through debt conversion or direct capital infusion) should be valued at the $31.50 implied Spectrum valuation (not the $27.00 price the Harbinger Parties had proposed) and that any transaction had to include appropriate governance provisions to appropriately protect non-Harbinger stockholders, as well as an acceptable indemnity from Harbinger Master Fund relating to the litigation arising in connection with the 2007 Applica transaction.

The Committee met later that day. Representatives of Jones Day, Barclays Capital and management were present at the invitation of the Committee. Representatives of management indicated that Russell Hobbs fourth quarter financial results had been reviewed by PWC and Spectrum management. The representatives of

management indicated that the business performance of Russell Hobbs in the fourth calendar quarter and in 2009 generally was consistent with the key assumptions included in Russell Hobbs 2009 budget. While Russell Hobbs fourth quarter revenues were $20 million lower than forecasted, it nonetheless achieved its forecasted adjusted EBITDA due to conservative cost assumptions in its budget. In this regard, management informed the Committee that it did not believe that Russell Hobbs had deferred expenses or taken other steps artificially to meet its forecasted adjusted EBITDA target. Management also informed the Committee that it believed that Russell Hobbs 2010 adjusted EBITDA forecast of $104 million was not certain but appeared to be reasonably achievable even if the revenue targets were not met due to the conservative cost assumptions contained in Russell Hobbs management s forecast. In this regard, management reminded the Committee that Russell Hobbs had missed its revenue forecast for the fourth quarter of 2009 by about $20 million, yet was able to meet its adjusted EBITDA forecast as described above. It was the consensus of the Committee that, while proceeding without an earn-out structure necessarily presented some risk, the risk was not unreasonable, particularly in light of the enhanced valuation of Spectrum to $31.50 per share. However, the Committee instructed its advisors to inform the Harbinger Parties that the contemplated equity investment by the Harbinger Parties in the combined company should be at $31.50 per share, not $27.00 per share as proposed by the Harbinger Parties, and that it would be preferable for such investment to include equitization of the PIK Notes held by the Harbinger Parties given their high coupon rate. It was the sense of the Committee that its advisors should analyze the possible transaction both on the assumption that Russell Hobbs achieved its forecasted $104 million 2010 adjusted EBITDA, and on a more conservative assumption that its forecasted 2010 adjusted EBITDA was $97 million. See The Proposed Transaction Certain Financial Forecasts and The Proposed Transaction Opinion of the Committee s Financial Advisor.

On February 1, 2010, the Committee s advisors informed representatives of the Harbinger Parties as to the Committee s preference for a transaction in which approximately $125 million of equity capital was invested in Spectrum by the Harbinger Parties and the $88 million of PIK Notes owned by the Harbinger Parties would be converted into Spectrum common stock, in each case at $31.50 per share, rather than a transaction in which $200 million was invested at a lower per share price. The representatives of the Committee also emphasized that the Committee needed a better understanding of the debt financing necessary to refinance Spectrum s outstanding indebtedness.

On February 2, 2010, the representatives of the Harbinger Parties proposed that the Committee could choose one of two alternative proposed structures. In the first structure, Russell Hobbs would be valued at $650 million and the Russell Hobbs term loan would convert into common stock at $27.00, a discount to the per share price that would be implied in the proposed transaction of $31.50. In the second structure, Russell Hobbs would be valued at $675 million and the same term loan would be converted at an implied per share price of $31.50. The PIK Notes held by the Harbinger parties would not be converted into equity in either alternative.

The Committee met later in the day on February 2, 2010. Representatives of Jones Day, Barclays Capital and management, including Mr. Hussey, were present at the invitation of the Committee. A representative of Barclays Capital informed the Committee that the terms of the financing being provided by Credit Suisse to the Harbinger Parties had not yet been resolved. The Committee and its advisors discussed the two alternatives, as well as Avenue Capital s preference (indicated earlier that day in discussions with its and the Committee s advisors) for the second alternative. Barclays Capital indicated that the two alternatives were substantially equal in terms of their potential impact on the pro forma ownership of Spectrum s stockholders (other than the Harbinger Parties). During the meeting, Mr. Hussey informed the Committee that management continued to be comfortable with Russell Hobbs adjusted EBITDA projections for 2010 and believed that the $25 million to $30 million estimated synergies previously discussed by the parties were reasonable. He also indicated that management was generally supportive of the current terms and preferred a transaction in which the Harbinger Parties capital contribution was valued at $31.50 per share. It was the consensus of the Committee that the proposal in which Russell Hobbs was valued at $675 million and the term debt was converted into common stock of the combined company at $31.50 per shares was preferable, but that the Committee would not support a transaction unless the terms of the debt financing were resolved in an acceptable manner, a satisfactory

indemnity for the litigation arising out of the Applica transaction was provided by Harbinger Master Fund and an adequate post-closing governance structure was developed.

Between February 3 and 8, 2010, the Committee s and Spectrum s advisors continued to have discussions with the Harbinger Parties and Avenue Capital s advisors regarding the unresolved issues and to negotiate and finalize the definitive transaction documents should the Committee ultimately determine to recommend the proposed transaction. During this period, Credit Suisse AG, Credit Suisse Securities (USA) LLC, Bank of America, N.A., Bank of America Bridge LLC, Banc of America Securities LLC, Deutsche Bank Trust Company Americas, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. agreed with the Harbinger Parties to the terms of a commitment to finance the transaction, the terms of which are described in The Proposed Transaction Financing the Mergers. In addition, Harbinger Master Fund agreed to the terms of an indemnity agreement relating to litigation arising from the Applica transaction, and the parties agreed upon the corporate governance provisions that would be applicable to the combined company.

The Committee met on February 5, 2010 to receive an update as to the status of the discussions and the financing commitments, and again on February 8, 2010 to consider whether to recommend the proposed transaction to the Spectrum Board. Representatives of Jones Day, Barclays Capital, management and Sutherland were present at the February 8th meeting. Drafts of the transaction documents, including the merger agreement, and other materials prepared by the Committee s and Spectrum s advisors were distributed to the members of the Committee in advance of the meeting. Jones Day reviewed the Committee s fiduciary duties in this context, as well as the history of the discussions that had taken place in connection with the transaction, including the various proposals that had been received by the Committee. Management summarized its due diligence reviews of Russell Hobbs business, financial position and prospects, the strategic rationale for the possible transaction and integration plans. Management also reviewed Spectrum s stand-alone forecast for 2010. Spectrum s counsel reviewed the legal due diligence performed in respect of Russell Hobbs, including the indemnity arrangement negotiated with the Harbinger Parties in respect of the litigation resulting from the Applica transaction in 2007. Management concluded its presentation by informing the Committee that management believed that the transaction was in the best interests of Spectrum and its stockholders.

The Committee and its advisors then discussed the recent developments with respect to the negotiations and the possible resolution of the terms of the merger agreement and the related transaction documents, including the support agreements pursuant to which the Harbinger Parties and the Avenue Parties would agree to vote in favor of the proposed transaction. Jones Day reviewed the material terms of the draft merger agreement and related documents. Jones Day reviewed with the Committee key issues that had been presented over the course of the discussions with the various parties, including the financial terms of the various proposals and alternatives to the proposed transaction. The Committee also considered and weighed various key elements of the possible transaction and prior proposals, including the go-shop process and Spectrum s ability to pursue a possible superior proposal, the terms of the proposed financing, the proposed post-closing corporate governance provisions and other matters.

Barclays Capital reviewed with the Committee its financial analysis of the 1.0 exchange ratio in the Spectrum merger, as more fully described in The Proposed Transaction Opinion of the Committee s Financial Advisor. Barclays Capital then delivered to the Committee an oral opinion, which was confirmed by delivery of a written opinion dated February 8, 2010, to the effect that, as of that date and based on and subject to the matters reviewed with the Committee and the factors and assumptions set forth in such opinion, the 1.0 exchange ratio in the Spectrum merger was fair, from a financial point of view, to the holders of Spectrum common stock, other than the Harbinger Parties and their respective affiliates. An extensive and wide-ranging discussion followed, after which the Committee unanimously determined that the transactions contemplated by the merger agreement and the related agreements were advisable and fair to and in the best interests of Spectrum s stockholders, other than the Harbinger Parties and their respective affiliates, and recommended that the merger agreement be approved by the Spectrum Board and that the board recommend its adoption to the stockholders of Spectrum.

Following the Committee meeting, the Spectrum Board met to consider the proposed transaction. Representatives of management, Sutherland, Richards Layton & Finger, Spectrum s Delaware counsel, Barclays Capital and Jones Day attended the meeting. (Mr. Polistina received notice of the meeting and declined to participate in light of his position as Chief Executive Officer of Russell Hobbs). Drafts of the transaction documents, including the merger agreement, and other materials prepared by the Committee s and Spectrum s advisors were distributed to the members of the board in advance of the meeting. A representative of Richards Layton & Finger reviewed the directors fiduciary duties in these circumstances, after which representatives of management described the due diligence reviews undertaken, the history of the discussions and the terms of the proposed transaction. A representative of Jones Day reviewed the process and analyses undertaken by the Committee and the go-shop and fiduciary provisions in the transaction documents as well as the stockholder support agreements. At the request of the Committee, Barclays Capital informed the board that it had reviewed with the Committee its financial analysis and delivered an opinion to the Committee with respect to the 1.0 exchange ratio, as described above. The Committee reported to the board its recommendation as described above. The Spectrum Board, based in part on the recommendation of the Committee:

determined that the merger agreement and the related documents, and the transactions contemplated thereby, were fair to, and in the best interests of, Spectrum and all of its stockholders other than the Harbinger Parties and their respective affiliates;

declared it to be advisable for Spectrum to enter into the merger agreement and each of the related documents and to consummate the transactions contemplated thereby;

approved the merger agreement and the related documents and the consummation of the transactions contemplated thereby; and

recommended that the stockholders of Spectrum vote in favor of the adoption of the merger agreement.

Following the Committee and board meetings, representatives of Paul Weiss, Jones Day, Sutherland and Akin Gump finalized the transaction documents. On February 9, 2010, the financing commitment letter was executed by Credit Suisse AG, Credit Suisse Securities (USA) LLC, Bank of America, N.A., Bank of America Bridge LLC, Banc of America Securities LLC, Deutsche Bank Trust Company Americas, Deutsche Bank AG Cayman Islands Branch and Deutsche Bank Securities Inc. and accepted by Russell Hobbs. See The Proposed Transaction Financing the Mergers.

Early in the morning of February 9, 2010, the parties executed the transaction documents. Thereafter, Spectrum published its financial results for the first quarter of fiscal 2010, which included management s guidance that adjusted EBITDA was expected to be in the range of $335 million to $345 million for the full fiscal year 2010, and Russell Hobbs and Spectrum issued a joint press release announcing the execution of the merger agreement.

Go-Shop Process

After the merger agreement was signed and in connection with the go-shop process permitted under the terms thereof, Barclays Capital prepared, with the input of the Committee, a list of potential parties that might be interested in engaging in an alternative transaction with Spectrum. Materials based on publicly available and other information regarding Spectrum and its businesses also were prepared for distribution to potential acquirors. Spectrum s legal advisors prepared a form of confidentiality agreement based on the confidentiality agreement that Spectrum had entered into with Russell Hobbs, consistent with the requirements of the merger agreement. Early in the 60-day go-shop period following the execution of the merger agreement, Barclays Capital, on behalf of Spectrum, contacted 63 potential acquirors regarding their possible interest in pursuing an alternative transaction with Spectrum. Of the parties contacted, 24 signed confidentiality agreements and were granted access to an electronic data room containing information regarding Spectrum and its businesses.

Prior to the expiration of the go-shop period, Spectrum received nine indications of interest, none of which contemplated acquiring Spectrum as a whole. Each was subject to due diligence, documentation and other conditions, including in most cases receipt of third-party financing. Four of the indications of interest, all of which were submitted by private equity firms, contemplated the purchase of only Spectrum s Global Pet Supplies business for valuations ranging from $700 million to $790 million. Three of the indications of interest, one of which was submitted by a strategic party and two of which were submitted by private equity firms, contemplated the purchase of only Spectrum s Home and Garden business for valuations ranging from $320 million to $460 million. One of the indications of interest contemplated the purchase by a strategic party, partnering with a private equity firm, of both the Global Pet Supplies and Home and Garden businesses for $1.175 billion. The last indication of interest contemplated the purchase of Spectrum s Personal Care business (excluding Spectrum s battery business) by a strategic party for $320 million. Each of the parties that submitted proposals also indicated that they were unlikely to improve their offers beyond the high end of the range and none of the parties committed to the valuations at the high end of the ranges noted above.

During the 60-day go-shop period, the Committee met on three occasions with representatives of Barclays Capital, Jones Day and Spectrum s management to review the solicitation process and related matters. In addition, the Committee s advisors and members of the Committee had periodic discussions throughout the go-shop period regarding the process.

On April 7, 2010 and April 8, 2010, the Committee met with its legal and financial advisors to review and discuss the indications of interest received. At these meetings, Barclays Capital reviewed with the Committee the financial terms of such indications of interest relative to the financial terms of the Russell Hobbs transaction. After careful deliberation, the Committee determined that it could not in good faith determine that the indications of interest received prior to the April 9th end of the go-shop period, alone or in various potential combinations, would reasonably be expected to result in a superior proposal. As a result, the Committee did not recommend that Spectrum s Board of Directors designate any of the bidders as excluded parties for purposes of the merger agreement. In reaching its conclusion, the Committee noted that Spectrum would continue to be a public company following the divestitures and that the residual value of Spectrum (after giving effect to the divestitures) would likely be below the value of Spectrum after giving effect to the Russell Hobbs transaction assuming that the synergies expected in the Russell Hobbs transaction are achieved, even assuming that (1) each of the various businesses were sold at the top end of each indicated price range, (2) there were no trailing liabilities that Spectrum would have after the divestitures, and (3) there were no stranded costs which Spectrum would continue to bear due to infrastructure and personnel no longer needed to support the divested businesses. The Committee also considered a variety of other factors, including the difficulties of negotiating a break-up of Spectrum s businesses with multiple buyers, management s view that the indications of interest did not provide fair value for the applicable businesses, uncertainty as to whether shareholder approval could be obtained for the divestitures and the impact of pursuing the break-up strategy on Spectrum s results of operations and prospects as well as on the pending Russell Hobbs transaction.

On April 12, 2010, Spectrum issued a press release announcing that the go-shop period had expired and that no proposals that would reasonably be expected to result in a superior proposal had been received.

See The Merger Agreement Restrictions on Solicitations of Other Offers Spectrum Solicitation for a discussion of the provisions of the merger agreement applicable to Spectrum s ability to engage in discussions with and provide information to third parties with respect to an alternative transaction after the expiration of the go-shop period.

Amendments to Merger Agreement and Harbinger Support Agreement

On February 17, 2010, a representative of Paul Weiss contacted a representative of Jones Day to discuss the possibility of the Harbinger Parties purchasing Spectrum common stock. The transaction documents prohibited the Harbinger Parties and their affiliates from buying additional Spectrum common stock prior to the termination of the merger agreement.

Between February 17, 2010 and February 26, 2010, representatives of Jones Day, Sutherland and Paul Weiss engaged in discussions regarding the Harbinger Parties request. In those discussions, the representatives of Jones Day informed the representatives of Paul Weiss that, while the potential additional liquidity for stockholders who wanted to sell their stock prior to the completion of the transaction could be desirable, it was important that any Spectrum common stock so acquired generally be voted on a consistent basis with the way such stock otherwise would have been voted had the Harbinger Parties not purchased such stock, whether such vote related to the transactions contemplated by the merger agreement or a potentially superior proposal. In addition, based in part on discussions that the Committee s advisors previously had with representatives of Shaw following the announcement of the transaction in which Shaw suggested that it would prefer that the go-shop period be extended to provide Spectrum with additional time to solicit alternative proposals, the Committee s and Spectrum s advisors requested that, in connection with the Committee s consideration of the proposed waiver to permit stock purchases by the Harbinger Parties, Russell Hobbs agree to extend the go-shop period provided for in the merger agreement by 15 days until April 9, 2010.

In light of, among other things, Russell Hobbs willingness to extend the go-shop period by 15 days, the potential additional liquidity being provided to stockholders who choose to sell their stock prior to the completion of the transaction and the Harbinger Parties agreement to vote any acquired stock in a manner designed so as not to affect the required stockholder votes under the merger agreement or in respect of a superior proposal, on March 1, 2010, the Committee authorized Spectrum to enter into a letter agreement and an amendment to the merger agreement and recommended that the Spectrum Board approve the letter agreement and the amendment to the merger agreement. The Spectrum Board subsequently approved these amendments.

On March 26, 2010, Spectrum and the Harbinger Parties agreed to further amend the merger agreement to clarify the specific matters that are required to be approved by Spectrum s stockholders under the merger agreement and to amend and replace the New Certificate of Incorporation and New Bylaws of SB Holdings that are exhibits to the merger agreement in order to reflect certain technical revisions to, among other things, the stockholder proposal process and previously agreed to governance provisions. The amendment was authorized by the Committee, which also recommended that the Spectrum Board approve the amendment. The Spectrum Board subsequently approved the amendment.

On April 30, 2010, Spectrum and the Harbinger Parties agreed to amend the merger agreement to amend and replace the New Certificate of Incorporation of SB Holdings that is an exhibit to the merger agreement in order to reflect clarifying revisions to certain preemptive rights and restrictions on affiliate transactions set forth therein. The amendment was authorized by the Committee, which also recommended that the Spectrum Board approve the amendment, and the Spectrum Board subsequently approved the amendment.

Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction

The Committee

The Harbinger Parties are collectively the largest stockholder of Spectrum and also own all of the outstanding voting securities of Russell Hobbs. Accordingly, the Spectrum Board established the Committee to review the transactions proposed by the Harbinger Parties and any alternative thereto, and to evaluate, negotiate and make recommendations to the Spectrum Board in connection with the proposed transaction and any alternative. The Committee, with the advice and assistance of independent legal and financial advisors, evaluated and negotiated the transaction, including the terms and conditions of the merger agreement and the related agreements, with the Harbinger Parties. Following the negotiations, the Committee unanimously determined that the transactions contemplated by the merger agreement were advisable and fair to and in the best interests of Spectrum s stockholders, other than the Harbinger Parties and their affiliates, and recommended that the merger agreement be approved by the Spectrum Board and that the board recommend its adoption to the stockholders of Spectrum.

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In the course of reaching its determination and making the recommendation described above, the Committee considered a number of factors and a substantial amount of information, including at 32 committee meetings and substantial additional discussions in between such meetings. The principal factors and benefits that the Committee believes support its conclusion are set forth below:

Valuation of Spectrum. Spectrum s common stock was valued at $31.50 per share in the transaction. This amount represents:

- a premium of 36.4% over the $23.10 closing price of Spectrum s common stock on October 23, 2009, the last trading day prior to date on which representatives of the Harbinger Parties and the SPAC informed management of Spectrum of their desire to pursue a possible transaction;
- a premium of 31.7% over the $23.92 implied price per share contemplated by the Harbinger Parties proposal on November 19, 2009;
- a premium of 17.8% over the $26.75 implied price per share contemplated by the Harbinger Parties proposal on January 4, 2010; and
- a premium of 8.6% over the $29.00 closing price of Spectrum s common stock on February 8, 2010, the last trading day prior to announcement of the execution of the merger agreement.

The Committee is aware that, subsequent to the announcement of the transaction, the market price for Spectrum common stock has been below the $31.50 per share valuation implied in the transaction and has traded in a range from $22.95 per share to $30.44 per share. Accordingly, the fact that Spectrum was valued at $31.50 per share in fixing the exchange ratio between Russell Hobbs and Spectrum stockholders and that the Harbinger Parties have agreed to invest in Spectrum common stock at $31.50 per share does not guarantee that Spectrum stockholders will be able to realize that amount for their stock.

Enhanced Financial Resources and Flexibility. Despite a generally positive outlook for its business, Spectrum did not expect to be able to significantly de-lever in the near and intermediate terms from free cash flow from operations. As a result, the Committee considered the extension of the maturity of the almost $1.4 billion of Spectrum debt from 2012 to 2014 and beyond, and that the combined company is expected to be significantly less leveraged than Spectrum is currently (due in part to the fact that Russell Hobbs will be acquired on a substantially unleveraged basis and has $104 million of forecasted 2010 adjusted EBITDA), with enhanced liquidity and significant financial resources and flexibility to support long-term growth. In particular, giving effect to the transaction and refinancing, the combined company s leverage ratio, calculated as total debt less cash divided by adjusted EBITDA, is projected to decline to 3.8x for fiscal 2010 from 4.7x for Spectrum s quarter ended January 3, 2010.

Synergies. The Committee also considered, based on synergy estimates of management, that potential synergies are estimated to generate $25-30 million of improved profitability annually by the end of the 36-month anniversary of the transaction.

Alternatives. The Committee determined that the transaction and the merger consideration would result in greater value to Spectrum stockholders than any of the other strategic alternatives considered by the Committee, including the continued execution of Spectrum s strategic plan on a stand-alone basis. Among other things, the Committee determined that the Harbinger Parties substantial equity ownership in Spectrum made it difficult, absent an organized mechanism such as the go-shop process provided for in the merger agreement, to seek a superior transactional alternative. The Committee also considered capital markets alternatives that could be available to Spectrum. While it was the sense of the Committee that a de-leveraging capital markets transaction could be attractive, there could be no assurance that such a transaction would be available in light of the continuing uncertainty of the capital markets after the 2008-2009 financial crisis and the substantial discounts inherent in any capital markets transaction with respect to

the per share price at which common stock could be issued. In addition, both the Harbinger Parties and Avenue Capital informed the Committee that they did not

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favor a substantial capital markets transaction in which Spectrum was de-leveraged through the sale of common stock due to the dilution inherent in such a transaction, and the Committee believed, based on discussions with investment banking firms interviewed as capital markets alternatives were being considered, that it could be difficult to raise substantial additional equity capital through a rights offering to existing stockholders and that a rights offering would not enhance, and could in fact diminish, liquidity for Spectrum s common stock.

Opinion of the Committee s Financial Advisor. The Committee considered Barclays Capital s opinion and financial analysis, dated February 8, 2010, as to the fairness, from a financial point of view and as of that date, to the holders of Spectrum common stock, other than the Harbinger Parties and their respective affiliates, of the 1.0 exchange ratio in the Spectrum merger, as more fully described below under the caption The Proposed Transaction Opinion of the Committee s Financial Advisor.

Trading Liquidity. The Committee considered that, by listing the newly issued shares of the combined company s common stock on a national exchange, the liquidity of the common stock could be enhanced, although the Committee was aware that the non-Harbinger Party stockholders would own less of the combined company on a percentage basis than they now own of Spectrum.

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

- the requirement that a majority of the non-Harbinger Party stockholders approve the merger for it to be adopted by stockholders;

- the merger agreement s inclusion of provisions that provided the Committee with a post-signing go-shop period during which the Committee had the right to actively solicit additional interest in a transaction involving Spectrum and the ability to respond to unsolicited proposals prior to the stockholder vote, subject in each case to specified conditions as more fully described under The Merger Agreement Restrictions on Solicitations of Other Offers ;

- the fact that the Harbinger Parties will in certain circumstances be obligated to vote certain of their common stock in favor of an alternative transaction if the merger agreement is terminated, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction The Harbinger Support Agreement ;

- the fact that the Harbinger Parties and the Avenue Parties have entered into support agreements to vote their stock in favor of the transaction, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction ;

- the fact that the Avenue Parties are not obligated to vote their common stock in favor of the transaction involving the Harbinger Parties if the merger agreement is terminated or if the Spectrum Board changes its recommendation in favor of the transaction, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction The Avenue Support Agreement ;

- the provisions of the limited guarantee by Harbinger Master Fund of up to $50 million, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction the Limited Guarantee ;

- the protections in favor of minority stockholders following the transaction under the terms of the combined company s certificate of incorporation and bylaws and the stockholder agreement to which the combined company is a party, including the

selection of independent directors by a special nominating committee, preemptive rights for certain eligible stockholders, limitations on transactions with affiliates of significant stockholders, limitations on going private transactions and tag-along rights, as described in The Proposed Transaction New Certificate of Incorporation and New Bylaws of SB Holdings; Stockholder Agreement ; and

the indemnification provided by Harbinger Master Fund regarding litigation relating to the Applica transaction in 2007, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction Harbinger Indemnification Agreement.

The Committee also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated thereby. These factors included:

Harbinger Parties Ownership. The Harbinger Parties then owned approximately 40% of Spectrum s outstanding common stock, and this could negatively impact the interest of third parties in making alternative proposals that would be more favorable for Spectrum than the transactions contemplated by the merger agreement. In addition, following the transaction, the Harbinger Parties were expected to own 64% of the common stock of the combined company (assuming that the Harbinger Parties do not purchase any additional shares of Spectrum common stock prior to the consummation of the transaction). Although the combined company s organizational documents and stockholder agreement will provide for a variety of protections for minority stockholders of the combined company, the Harbinger Parties have the right to elect a majority of the members of the combined company s board of directors. In addition, while the combined company s common stock is expected to be listed on the New York Stock Exchange, it is likely that the Harbinger Parties control position will result in the combined company being exempt from certain New York Stock Exchange board and committee independence requirements.

Conditions to the Transaction; Financing. The fact that, while Spectrum expects the transaction to be consummated, there can be no assurance that all conditions to the parties obligations to consummate the transaction, including the receipt of debt financing and any necessary regulatory consents and approvals, will be satisfied such that the mergers will be consummated. Particularly with respect to the debt financing condition, the Committee considered the unprecedented volatility in the financial markets since the 2008-2009 financial crisis and the resulting unpredictability with respect to the availability of financing.

Timing of the Transaction. In part because of the capital constraints under which Spectrum operated, but also because of the mature and highly competitive nature of its businesses, Spectrum s management had informed the Committee that it would not have independently pursued the acquisition of Russell Hobbs at the time that the Harbinger Parties and the SPAC first approached Spectrum regarding a possible transaction.

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

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

Arms Length Negotiations. The Committee engaged in arms length negotiations, with the assistance of independent legal and financial advisors, with representatives of the Harbinger Parties regarding the merger consideration and the other terms of the transaction and the merger agreement, which the Committee believes resulted in the transaction s terms being more beneficial to Spectrum s stockholders, other than the Harbinger Parties and their affiliates, than those originally proposed by the Harbinger Parties.

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

Required Vote. The merger agreement requires, as a non-waivable condition to the consummation of the transaction, that the Spectrum merger be approved by the affirmative vote of a majority of the

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Spectrum common stock entitled to vote, other than any Spectrum common stock beneficially owned by the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010).

Go-Shop Process. The merger agreement includes provisions that provided the Committee with a post-signing go-shop period during which the Committee had the right to actively solicit additional interest in a transaction involving Spectrum and, after such go-shop period, the Committee would be permitted to continue any then on-going discussions with third parties which qualified under the terms of the merger agreement, and also provides that, following the go-shop period, the Committee may respond to unsolicited proposals prior to the stockholder vote, subject in each case to specified conditions as more fully described under The Merger Agreement Restrictions on Solicitations of Other Offers.

Advisors. The Committee received the advice and assistance of Jones Day, as legal advisor, and Barclays Capital, as financial advisor, which the Committee determined had no relationships that would compromise their independence.

Interests of the Committee. The Committee is comprised of three independent Spectrum directors who are not affiliated with the Harbinger Parties or any of their affiliates and are not employees of Spectrum or any of its affiliates. Other than the receipt of Spectrum board and committee fees and reimbursement of expenses, which are not contingent upon the consummation of the transaction or the Committee s recommendation of the transaction, and their indemnification and liability insurance rights under the merger agreement, members of the Committee do not have an interest in the transaction different from that of Spectrum stockholders generally, other than the Harbinger Parties. While the merger agreement provides that the members of the Committee will comprise the independent non-Harbinger Party designated directors of the combined company following the completion of the transaction, the Committee was not aware prior to acting on the proposed transaction that the Harbinger Parties had recommended that they so serve.

Recommendation Changes and Termination. Under the terms of the merger agreement, the Spectrum Board, acting through or consistent with the recommendation of the Committee, may withdraw, modify or qualify its recommendation, or terminate the merger agreement, in certain circumstances as more fully described under The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal. In that event, the Avenue Parties are free to vote their Spectrum common stock in their discretion.

In light of the procedural safeguards described above, the Committee did not consider it necessary to retain an unaffiliated representative to act solely on behalf of Spectrum s unaffiliated stockholders for purposes of negotiating the terms of the merger agreement or preparing a report concerning the fairness of the merger agreement or the transactions contemplated thereby.

This discussion of the information and factors considered by the Committee in reaching its conclusions and recommendation includes all of the material factors considered by the Committee, but is not intended to be exhaustive. In view of the wide variety of factors the Committee considered in evaluating the merger agreement and the transactions contemplated thereby and the complexity of these matters, the Committee did not find it practicable, and did not attempt, to quantify, rank or otherwise assign relative weight to such factors. In addition, different members of the Committee may have given different weight to different factors.

The Spectrum Board of Directors

The Spectrum Board met on February 8, 2010 to consider the merger agreement and the transactions contemplated thereby. On the basis of the Committee s recommendations and the other factors described below, the board, among other things, (1) determined that the merger agreement and the related documents, and the transactions contemplated thereby, including the mergers, are advisable and fair to, and in the best interests of Spectrum and all of its stockholders, other than the Harbinger Parties, (2) declared it to be advisable for Spectrum

to enter into the merger agreement and each of the related documents and to consummate the transactions contemplated thereby, including the mergers, (3) approved the merger agreement and the related documents and the consummation of the transactions contemplated thereby, including the mergers, and all other actions contemplated thereby, and (4) recommended that the stockholders of Spectrum vote in favor of the adoption of the merger agreement. See Background of the Proposed Transaction Consideration of the Proposed Transaction Involving Only Spectrum and Russell Hobbs.

In determining that the merger agreement and the Spectrum merger are advisable and fair to, and in the best interests of Spectrum and its stockholders, other than the Harbinger Parties, the Spectrum Board considered:

- the unanimous determination and recommendation of the Committee; and
- the factors considered by the Committee as described in The Proposed Transaction Recommendation of the Committee and the Spectrum Board of Directors; Reasons for the Transaction The Committee, including the positive factors and potential benefits of the merger agreement and the mergers, the risks and potentially negative factors relating to the merger agreement and the mergers and the factors relating to procedural safeguards.

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

In connection with the consummation of the mergers, Mr. Hussey, the management member of the Spectrum Board, may receive benefits and compensation that may differ from the merger consideration Spectrum stockholders would receive. See The Proposed Transaction Interests of Certain Persons in the Spectrum Merger.

Based in part on the recommendation of the Committee, the Spectrum Board, by the unanimous vote of the independent directors, recommends that Spectrum s stockholders vote **FOR** the approval of the proposal to adopt the merger agreement.

Certain Financial Forecasts

Spectrum Forecast

As is typical in chapter 11 reorganizations, Spectrum included a forecast of its results of operations for its 2009 fiscal year and subsequent periods in the disclosure statement prepared in connection with its emergence from reorganization proceedings. The forecast, which was prepared in the summer of 2009, projected fiscal 2009 revenue of $2,263 million and fiscal 2009 EBITDA (as adjusted for reorganization expenses and other nonrecurring items) of $313 million, and fiscal 2010 revenue and adjusted EBITDA of $2,263 million and $332 million, respectively. The forecast assumed that revenue would increase by 4% each year thereafter during the five-year forecast period and that Spectrum s adjusted EBITDA margin would increase to 15% in fiscal 2010 and remain constant during the period.

Since Spectrum s emergence from chapter 11 reorganization proceedings, Spectrum did not as a matter of course make public updated financial forecasts as to future financial performance, and Spectrum is cautious about making financial forecasts for extended periods due to the unpredictability of general business conditions, consumer sentiment, costs and other factors that affect future financial performance. However, Spectrum updated its financial forecast for fiscal year 2010 after the completion of fiscal year 2009 based upon its 2010 business plan and a bottoms-up review of its business and prospects, and created a new five-year forecast based on its updated 2010 forecast, extended out for the next four years based on Spectrum management s estimate of

Spectrum s performance for fiscal year 2010 and reflecting a revenue forecast of a 3.0% annual growth rate from fiscal year 2010 to 2011, and a 4% annual growth rate from fiscal year 2011 through 2014. The updated forecast also reflected an adjusted EBITDA margin of 15% for each of fiscal years 2011 through 2014. The updated forecast of revenue and adjusted EBITDA assumed that Spectrum would continue its business generally as then conducted and that Spectrum would not take any extraordinary actions, such as dispositions of assets or properties or refinancing of indebtedness. The updated forecast also did not take into account any of the transactions contemplated by the merger agreement. The financial advisors of the Harbinger Parties and Russell Hobbs were informed of Spectrum management s updated forecast during the course of the negotiations, but that information was not furnished to the Harbinger Parties or Russell Hobbs personnel until late January 2010 in connection with discussions of the terms of a possible transaction.

Spectrum management s updated financial forecast is summarized below:

	Fiscal Year Ending September 30,				
	2010E	2011E	2012E	2013E	2014E
			(in millions)		
Revenue	$ 2,335	$ 2,405	$ 2,501	$ 2,601	$ 2,705
Adjusted EBITDA	340	361	375	390	406

The principal adjustments to EBITDA in Spectrum management s updated forecast for fiscal year 2010 are a non-cash charge related to the revaluation of Spectrum s inventory in connection with its adoption of fresh-start reporting, restructuring and related charges and expenses incurred in connection with its chapter 11 reorganization. No adjustments to EBITDA were assumed for subsequent periods.

Spectrum s updated forecast was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or GAAP. In addition, Spectrum s 2009 and updated forecasts were not prepared with the assistance of, or reviewed, compiled or examined by, Spectrum s independent registered public accounting firm, any other independent accountants or compiled or prepared with the assistance of Barclays Capital, the Committee or the Spectrum Board. The summary of Spectrum s forecasts is not being included in this document to influence your decision whether to vote for or against the adoption of the merger agreement, but because the updated forecast was provided by Spectrum management to the Committee and the Spectrum Board in connection with their evaluation of a possible transaction between Spectrum and Russell Hobbs. The updated forecast also was provided to the Committee s financial advisor in connection with its financial analysis. The inclusion of Spectrum s forecasts in this document is not an admission or representation by Spectrum, the Committee, the Spectrum Board or their respective advisors that Spectrum s forecasts are viewed by any of them as material information.

Spectrum s forecasts were based on numerous variables and assumptions that are inherently uncertain, many of which are beyond the control of Spectrum. Important factors that may affect actual results and cause the updated forecast to not be achieved include, but are not limited to, risks and uncertainties relating to Spectrum s business (including its ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described under Cautionary Statement Regarding Forward-Looking Statements. Spectrum s forecasts also reflect assumptions as to certain business decisions that are subject to change. Furthermore, because Spectrum s forecasts cover multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ from those contained in Spectrum s updated forecast and those differences could be material. Accordingly, there can be no assurance that the updated forecast will be realized or that Spectrum s future financial results will not materially vary from the updated forecast.

The inclusion of Spectrum s forecasts in this document should not be regarded as an indication that Spectrum or its affiliates or representatives considered the forecasts to be predictive of actual future events, and

the forecasts should not be relied upon as such. None of Spectrum, its affiliates or representatives undertakes any obligation to update or otherwise revise or reconcile the updated forecast to reflect circumstances existing after the time that the updated forecast was generated or to reflect the occurrence of future events, including any of the transactions contemplated by the merger agreement, even in the event that any or all of the assumptions underlying the updated forecast are shown to be in error. Spectrum does not intend to make publicly available any update or other revision to the updated forecast. None of Spectrum, its affiliates or representatives has made or makes any representation to any stockholder or other person regarding Spectrum s ultimate performance compared to the information contained in the updated forecast or that forecasted results will be achieved, including in the merger agreement. The updated forecast should not be compared to actual financial results disclosed in Spectrum s periodic reports filed with the SEC or elsewhere.

Russell Hobbs Forecast

Russell Hobbs furnished its financial forecast to Spectrum in connection with the discussions of the possible transaction. Russell Hobbs forecast included projections of revenue and adjusted EBITDA for calendar year 2010 through 2013. The forecast did not take into account any of the transactions contemplated by the merger agreement, including transaction costs, costs to achieve synergies or severance costs. The adjustments to EBITDA in Russell Hobbs forecast included elimination of costs and expenses related to Russell Hobbs *LitterMaid* patent litigation and NACCO Industries litigation and the elimination of costs and expenses related to discontinued operations. Russell Hobbs forecast assumed that Russell Hobbs would continue its business generally as then conducted and that Russell Hobbs would not take any extraordinary actions, such as dispositions of assets or properties or refinancing of indebtedness.

	Calendar Year Ending December 31,			
	2010E	2011E	2012E	2013E
	(in millions)			
Revenue	$ 859	$ 898	$ 926	$ 951
Adjusted EBITDA	104	116	122	126

Spectrum management conducted a due diligence review of Russell Hobbs forecast, focused initially on the forecast of revenue and adjusted EBITDA for 2010. Spectrum s management concluded that the $104 million of adjusted EBITDA for 2010 forecasted by Russell Hobbs management was reasonably achievable, but Spectrum management s view was that revenue growth assumptions in Russell Hobbs forecast were aggressive, albeit not unreasonable. Accordingly, Spectrum management revised Russell Hobbs management s forecast downward, primarily by reducing the revenue growth rate to 3% over the forecast period, compared to 8.3% for 2010, 6.1% for 2011 and approximately 3% per year thereafter, and extended the forecast to a fifth year using the same assumptions applied to the prior years in the forecast period. Russell Hobbs revised forecast, as so adjusted, is summarized below.

	Calendar Year Ending December 31,				
	2010E	2011E	2012E	2013E	2014E
	(in millions)				
Revenue	$ 821	$ 846	$ 871	$ 897	$ 924
Adjusted EBITDA	97	108	116	118	122

The Committee and the Spectrum Board considered both Russell Hobbs management forecast and Spectrum management s adjusted forecast for Russell Hobbs in considering the proposed transaction, and Barclays Capital utilized both forecasts in its financial analysis. See The Proposed Transaction Opinion of the Committee s Financial Advisor.

The Russell Hobbs forecast and the adjusted forecast were not prepared with a view toward public disclosure, nor were they prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation

of prospective financial information or generally accepted accounting principles. In addition, the Russell Hobbs forecast and the adjusted forecast were not prepared with the assistance of, or reviewed, compiled or examined by, Russell Hobbs or Spectrum s independent registered public accounting firm or any other independent accountants or compiled or prepared with the assistance of Barclays Capital, the Committee or the Spectrum Board. The summary of the Russell Hobbs forecast and the adjusted forecast is not being included in this document to influence your decision whether to vote for or against the adoption of the merger agreement, but because the Russell Hobbs forecast and the adjusted forecast were provided by Russell Hobbs to Spectrum, and considered in connection with the evaluation by the Committee and the Spectrum Board of a possible transaction between Spectrum and Russell Hobbs. The inclusion of the Russell Hobbs forecast and the adjusted forecast in this document is not an admission or representation by Russell Hobbs, Spectrum, the Committee or the Spectrum Board or their respective advisors that the Russell Hobbs forecast and the adjusted forecast are viewed by any of them as material information.

The Russell Hobbs forecast and the adjusted forecast were based on numerous variables and assumptions that are inherently uncertain, many of which are beyond the control of Russell Hobbs. Important factors that may affect actual results and cause these forecasts to not be achieved include, but are not limited to, risks and uncertainties relating to Russell Hobbs business (including its ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described under Cautionary Statement Regarding Forward-Looking Statements. The Russell Hobbs forecast and the adjusted forecast also reflect assumptions as to certain business decisions that are subject to change. Furthermore, because the Russell Hobbs forecast and the adjusted forecast cover multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ from those contained in the Russell Hobbs forecast and the adjusted forecast and those differences could be material. Accordingly, there can be no assurance that the Russell Hobbs forecast and the adjusted forecast will be realized or that Russell Hobbs future financial results will not materially vary from the Russell Hobbs forecast and the adjusted forecast.

The inclusion of the Russell Hobbs forecast and the adjusted forecast in this document should not be regarded as an indication that Russell Hobbs or Spectrum or their respective affiliates or representatives considered the forecasts to be predictive of actual future events, and the Russell Hobbs forecast and the adjusted forecast should not be relied upon as such. None of Russell Hobbs, Spectrum, their respective affiliates or representatives undertakes any obligation to update or otherwise revise or reconcile the Russell Hobbs forecast or the adjusted forecast to reflect circumstances existing after the time that such forecasts were generated or to reflect the occurrence of future events, including any of the transactions contemplated by the merger agreement, even in the event that any or all of the assumptions underlying such forecasts are shown to be in error. Neither Russell Hobbs nor Spectrum intends to make publicly available any update or other revision to the Russell Hobbs forecast or the adjusted forecast. None of Russell Hobbs, Spectrum, their respective affiliates or representatives has made or makes any representation to any stockholder or other person regarding Russell Hobbs ultimate performance compared to the information contained in the Russell Hobbs forecast and the adjusted forecast or that forecasted results will be achieved, including in the merger agreement. The Russell Hobbs forecast and the adjusted forecast should not be compared to actual financial results disclosed in Spectrum s periodic reports filed with the SEC or elsewhere.

Combined Company Forecast

As part of the financing process for the mergers, Spectrum and Russell Hobbs prepared a forecast relating to the combined company for the fiscal years ending September 2010 through 2013 which forecast was provided solely to the rating agencies and not to the Committee, the Spectrum Board or their respective advisors in connection with their review of the transaction. The combined company forecast takes into account the transactions contemplated by the merger agreement and includes synergies, but does not include related expenses to achieve such synergies, which expenses are currently estimated to be approximately $17 million in 2011 and approximately $6 million in 2012.

The combined company forecast reflected a year-over-year increase in revenue of 3% to 4% from fiscal year 2010 to 2013. The combined company forecast also reflected an adjusted EBITDA margin of 14% to 15% for each of 2010 through 2013. Spectrum and Russell Hobbs are unable to present a quantitative reconciliation of forecasted adjusted EBITDA to the most directly comparable forward-looking GAAP financial measure without unreasonable effort because the items used to calculate adjusted EBITDA are difficult to estimate and dependent on future events.

The forecast for the combined company is summarized below:

	Fiscal Year Ending September 30,			
	2010E	2011E	2012E	2013E
	(in millions)			
Revenue	$ 3,153	$ 3,259	$ 3,382	$ 3,505
Adjusted EBITDA	$ 431	$ 457	$ 484	514

The combined company forecast was based on numerous variables and assumptions that are inherently uncertain, many of which will be beyond the control of the combined company. Important factors that may affect actual results and cause the combined company forecast to not be achieved include, but are not limited to, risks and uncertainties relating to the combined company s business (including its ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, the regulatory environment, general business and economic conditions and other factors described under Cautionary Statement Regarding Forward-Looking Statements. The combined company forecast also reflects assumptions as to certain business decisions that are subject to change. Furthermore, because the combined company forecast covers multiple years, such information by its nature becomes less predictive with each successive year. Actual results may differ from those contained in the combined company forecast and those differences could be material. Accordingly, there can be no assurance that the combined company forecast will be realized or that the combined company s future financial results will not materially vary from the combined company forecast.

The inclusion of the combined company forecast in this document should not be regarded as an indication that the combined company, Spectrum, Russell Hobbs or their respective affiliates or representatives consider the forecast to be predictive of actual future events, and the combined company forecast should not be relied upon as such. None of the combined company, Spectrum, Russell Hobbs nor their respective affiliates or representatives undertakes any obligation to update or otherwise revise or reconcile the combined company forecast to reflect circumstances existing after the time that the combined company forecast was generated or to reflect the occurrence of future events, including any of the transactions contemplated by the merger agreement, even in the event that any or all of the assumptions underlying the combined company forecast are shown to be in error. None of the combined company, Spectrum or Russell Hobbs intends to make publicly available any update or other revision to the combined company forecast. None of the combined company, Spectrum, Russell Hobbs or any of their respective affiliates or representatives has made or makes any representation to any stockholder or other person regarding the combined company s ultimate performance compared to the information contained in the combined company forecast or that forecasted results will be achieved, including in the merger agreement.

Opinion of the Committee s Financial Advisor

The Committee engaged Barclays Capital to act as its financial advisor in connection with the proposed transaction. At the February 8, 2010 meeting of the Committee held to evaluate the proposed transaction, Barclays Capital rendered to the Committee an oral opinion, which was confirmed by delivery of a written opinion dated February 8, 2010, to the effect that, as of that date and based on and subject to the qualifications, limitations and assumptions stated in its opinion, the Spectrum Exchange Ratio was fair, from a financial point of view, to holders of Spectrum common stock (other than the Harbinger Parties and their respective affiliates).

The full text of Barclays Capital s written opinion, dated February 8, 2010, is attached as *Annex B* to this proxy statement/prospectus. Barclays Capital s written opinion sets forth, among other things, the

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assumptions made, procedures followed, factors considered and limitations on the review undertaken by Barclays Capital in rendering its opinion. The following summary of Barclays Capital s opinion is qualified in its entirety by reference to the full text of the opinion. Barclays Capital s opinion, the issuance of which was approved by Barclays Capital s fairness opinion committee, is addressed to the Committee (solely in its capacity as such) and relates only to the fairness, from a financial point of view, of the Spectrum Exchange Ratio. Barclays Capital s opinion does not in any manner address Spectrum s underlying business decision to proceed with or effect the proposed transaction, the likelihood of consummation of the proposed transaction or the terms of any related financing and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the proposed transaction.

In arriving at its opinion, Barclays Capital, among other things:

- reviewed a draft, dated February 8, 2010, of the merger agreement and certain related documents and the specific financial terms of the proposed transaction;
- reviewed and analyzed publicly available information concerning Spectrum that Barclays Capital believed to be relevant to its analysis, including Spectrum s Annual Report on Form 10-K for the fiscal year ended September 30, 2009;
- reviewed and analyzed financial and operating information with respect to Spectrum s business, operations and prospects furnished to Barclays Capital by Spectrum, including financial projections of Spectrum prepared by Spectrum s management;
- reviewed and analyzed financial and operating information with respect to Russell Hobbs business, operations and prospects furnished to Barclays Capital by Russell Hobbs and Spectrum, including financial projections of Russell Hobbs prepared by Russell Hobbs and Spectrum s respective managements;
- reviewed and analyzed potential cost savings, operating synergies and other strategic benefits estimated by Spectrum s and Russell Hobbs managements to result from the proposed transaction;
- reviewed and analyzed a trading history of Spectrum common stock from September 2, 2009 to February 5, 2010 and a comparison of that trading history with those of other companies that Barclays Capital deemed relevant;
- reviewed and analyzed a comparison of certain financial data of Spectrum and Russell Hobbs with each other and with those of other companies that Barclays Capital deemed relevant;
- reviewed and analyzed a comparison of the financial terms of the proposed transaction with the financial terms of certain other transactions that Barclays Capital deemed relevant;
- reviewed and analyzed the relative contributions of Spectrum and Russell Hobbs to the financial performance of the combined company on a *pro forma* basis;
- reviewed and analyzed the potential *pro forma* financial impact of the proposed transaction on the future financial performance of the combined company, including the expected synergies estimated by Spectrum s and Russell Hobbs managements to result from the proposed transaction;

- had discussions with Spectrum s and Russell Hobbs managements concerning Spectrum s and Russell Hobbs respective businesses, operations, assets, liabilities, financial condition and prospects; and

- undertook such other studies, analyses and investigations as Barclays Capital deemed appropriate.

In arriving at its opinion, Barclays Capital assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays Capital without any independent verification of such information and further relied upon the assurances of Spectrum s and Russell Hobbs managements that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With

respect to the financial projections of Spectrum and Russell Hobbs, including the expected synergies estimated by Spectrum s and Russell Hobbs managements to result from the proposed transaction, upon the advice of Spectrum and Russell Hobbs, Barclays Capital assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Spectrum s and Russell Hobbs managements as to the future financial performance of Spectrum and Russell Hobbs, as the case may be, and the other matters covered thereby. For purposes of its analysis, Barclays Capital also considered certain projections relating to Russell Hobbs prepared by Spectrum s management reflecting more conservative assumptions and estimates as to the future financial performance of Russell Hobbs. With respect to the expected synergies estimated by Spectrum s and Russell Hobbs managements to result from the proposed transaction, upon the advice of Spectrum and Russell Hobbs, Barclays Capital assumed that the amount and timing of such expected synergies were reasonable and, for purposes of the analyses in which the expected synergies were utilized, that such expected synergies would be realized substantially in accordance with such estimates. Barclays Capital assumed no responsibility for and expressed no view as to any projections or estimates reviewed by it or the assumptions on which they were based. In addition, Barclays Capital relied upon, without any independent verification, the assessments of Spectrum s and Russell Hobbs managements as to the ability to integrate Spectrum s and Russell Hobbs businesses and to retain certain material licenses relating to Spectrum s and Russell Hobbs businesses and assumed, upon the advice of Spectrum and Russell Hobbs, that there would be no developments with respect to any such matters that would have an adverse effect on Spectrum, Russell Hobbs or the contemplated benefits of the proposed transaction in any respect material to Barclays Capital s analyses or opinion.

In arriving at its opinion, Barclays Capital did not conduct a physical inspection of the properties and facilities of Spectrum, Russell Hobbs or any other entity and did not make or obtain any evaluations or appraisals of the assets or liabilities, contingent or otherwise, of Spectrum, Russell Hobbs or any other entity. The Committee did not authorize Barclays Capital to solicit, and Barclays Capital did not solicit, any indications of interest from any third party with respect to the purchase of all or a part of Spectrum s business; however, Barclays Capital was requested to solicit third party indications of interest in the possible acquisition of Spectrum for a specified period after the date of the merger agreement as permitted under its provisions. Barclays Capital s opinion necessarily was based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of its opinion. The credit, financial and stock markets have been experiencing unusual volatility and Barclays Capital expressed no opinion or view as to any potential effects of such volatility on Spectrum, Russell Hobbs or any other entity or on the proposed transaction or any related financing. Barclays Capital assumed no responsibility for updating or revising its opinion based on events or circumstances that may occur after the date of its opinion. Barclays Capital expressed no opinion as to the prices at which shares of Spectrum common stock would trade following the announcement of the proposed transaction or shares of SB Holdings common stock would trade following consummation of the proposed transaction. Barclays Capital s opinion should not be viewed as providing any assurance that the market value of the shares of SB Holdings common stock to be held by holders of Spectrum common stock after consummation of the proposed transaction will be in excess of the market value of Spectrum common stock owned by such holders at any time prior to the announcement or consummation of the proposed transaction.

Barclays Capital assumed that the executed merger agreement and related documents would conform in all material respects to the last drafts of such documents reviewed by Barclays Capital, including with respect to the terms of any financing. In addition, Barclays Capital assumed the accuracy of the representations and warranties contained in the merger agreement and all related agreements. Barclays Capital also assumed, upon Spectrum s advice, that all material governmental, regulatory and third party approvals, consents and releases for the proposed transaction and related transactions would be obtained within the constraints contemplated by the merger agreement and related documents and that the proposed transaction and related transactions, including any related financing, would be consummated in accordance with their respective terms without waiver, modification or amendment of any material term, condition or agreement. Barclays Capital did not express an opinion as to any terms or other aspects of the proposed transaction (other than the Spectrum Exchange Ratio to the extent expressly specified in its opinion) or any related transactions, including, without limitation, the Russell

Hobbs merger, the terms of any guarantees, indemnities or other arrangements with respect to outstanding litigation or otherwise or any other transactions, agreements or arrangements entered into in connection with, or otherwise contemplated by, the proposed transaction or any related transactions. Barclays Capital also did not express any opinion as to any tax or other consequences that might result from the proposed transaction or any related transactions, nor did its opinion address any legal, tax, regulatory or accounting matters, as to which Barclays Capital understood that Spectrum had obtained such advice as it deemed necessary from qualified professionals. In addition, Barclays Capital expressed no opinion on, and its opinion did not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the proposed transaction, or any class of such persons, relative to the Spectrum Exchange Ratio or otherwise.

In connection with rendering its opinion, Barclays Capital performed certain financial, comparative and other analyses as summarized below. This summary is not a complete description of Barclays Capital s opinion or the financial analyses performed and factors considered by it in connection with its opinion. In arriving at its opinion, Barclays Capital did not ascribe a specific range of values to Spectrum or Russell Hobbs but rather made its determination as to the fairness, from a financial point of view, of the Spectrum Exchange Ratio on the basis of various financial and comparative analyses taken as a whole. The preparation of a fairness opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to summary description.

In arriving at its opinion, Barclays Capital did not attribute any particular weight to any single analysis or factor considered by it but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered by it and in the context of the circumstances of the particular transaction. Accordingly, Barclays Capital believes that the analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying its opinion.

The following is a summary of the material financial analyses reviewed with the Committee in connection with Barclays Capital s opinion, dated February 8, 2010. **Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses.** In performing these analyses, Barclays Capital considered industry performance, general business and economic conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Spectrum, Russell Hobbs or any other parties to the proposed transaction. None of Spectrum, Russell Hobbs, Barclays Capital or any other person assumes responsibility if future results are different from those discussed, whether or not any such difference is material. Any estimates contained in these analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold or acquired. Accordingly, the assumptions and estimates used in, and the results derived from, Barclays Capital s analyses are inherently subject to substantial uncertainty.

In connection with the Selected Company Analyses, Selected Transactions Analyses and Discounted Cash Flow Analyses described below, Barclays Capital calculated equity ownership percentage ranges for Spectrum s stockholders in the *pro forma* company implied by the respective standalone reference ranges derived for Spectrum and Russell Hobbs from each analysis, as adjusted for net debt (calculated as the sum of short- and long-term debt and accrued restructuring charges, less cash and cash equivalents). The high-end of the implied

equity ownership percentage range was based on the high-end of the standalone implied equity reference range derived for Spectrum and the low-end of the standalone implied equity reference range derived for Russell Hobbs. The low-end of the implied equity ownership percentage range was based on the low-end of the standalone implied equity reference range derived for Spectrum and the high-end of the standalone implied equity reference range derived for Russell Hobbs. The implied exchange ratio reference ranges were then calculated assuming Russell Hobbs stockholders receive 21 million shares of SB Holdings common stock and Spectrum s stockholders receive that number of shares of SB Holdings common stock that would result in Spectrum s stockholders having an overall equity ownership percentage in the *pro forma* company equal to the implied equity ownership percentages derived by the respective analyses. In connection with its analyses described below, Barclays Capital utilized, with respect to Spectrum, financial projections prepared by Spectrum s management and, with respect to Russell Hobbs, two sets of financial projections, one prepared by Russell Hobbs management and one prepared by Spectrum s management.

Selected Company Analyses

In order to assess how the public market values shares of publicly traded companies in the consumer products industry, which is the industry in which Spectrum and Russell Hobbs generally operate, Barclays Capital performed separate selected company analyses of Spectrum and Russell Hobbs. Barclays Capital reviewed and compared specific financial and operating data relating to Spectrum and Russell Hobbs with the following nine selected publicly-held consumer product companies and, with respect to the selected company analysis for Russell Hobbs, Barclays Capital also included Spectrum:

Central Garden & Pet Company

Energizer Holdings, Inc.

SEB S.A.

Helen of Troy Limited

Jarden Corporation

Newell Rubbermaid Inc.

Prestige Brands Holdings, Inc.

The Scotts Miracle-Gro Company

Société BIC S.A.

Barclays Capital calculated, among other things, the ratio of each of the above-listed company s enterprise value to its calendar year 2010 estimated earnings before interest, taxes, depreciation and amortization (EBITDA). Enterprise value generally was obtained by adding short- and long-term debt to the sum of the market value of common equity, calculated using a fully diluted share count assuming the treasury stock method, and the book value of any minority interest, and subtracting cash and cash equivalents. All of these calculations were performed based on publicly available financial data and closing stock prices as of February 5, 2010, the last trading date prior to the delivery of Barclays Capital s opinion. Barclays Capital selected the companies listed above because, among other things, such companies operate in the consumer products industry and, as a result, their respective businesses and operating profiles are generally similar to those of Spectrum and Russell Hobbs; provided, however, no selected company is identical to Spectrum or Russell Hobbs. Accordingly, Barclays Capital believes that purely quantitative analyses are not, in isolation, determinative and that qualitative judgments concerning differences in the business, financial and

operating characteristics and prospects of Spectrum, Russell Hobbs and the selected companies that could affect public trading values also are relevant. With respect to Spectrum, Barclays Capital calculated an implied reference range by applying a range of multiples of calendar year 2010 estimated EBITDA derived from the selected companies to corresponding data of Spectrum based on internal estimates prepared by Spectrum s management. With respect to Russell Hobbs,

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Barclays Capital calculated an implied reference range by applying a range of multiples of calendar year 2010 estimated EBITDA derived from Spectrum and the selected companies to corresponding data of Russell Hobbs based on internal estimates relating to Russell Hobbs prepared by Spectrum s and Russell Hobbs respective managements. These implied reference ranges indicated the following implied exchange ratio reference range, as compared to the Spectrum Exchange Ratio:

Implied Exchange Ratio Reference Range	Spectrum Exchange Ratio
0.707x 1.260x	1.0x

Selected Transactions Analyses

In order to assess how consumer products companies have been valued in merger and acquisition transactions, Barclays Capital performed separate selected transactions analyses of Spectrum and Russell Hobbs. Barclays Capital reviewed and compared the purchase prices and financial multiples paid in selected transactions described below. The reasons for and the circumstances surrounding each of the transactions considered were diverse and there are inherent differences in the business, operations, financial conditions and prospects of Spectrum and Russell Hobbs and the companies included in such transactions. Accordingly, Barclays Capital believes that purely quantitative analyses are not, in isolation, determinative and that qualitative judgments concerning differences in the characteristics of the selected transactions and the proposed transaction that could affect the acquisition values of the selected target companies, Spectrum and Russell Hobbs also are relevant. Barclays Capital calculated transaction values in the selected transactions as the ratio of the target company s enterprise value, based on the consideration payable in the selected transaction, to its latest 12 months EBITDA based on publicly available information at the time of announcement of the relevant transaction.

Spectrum. Given the diverse nature of Spectrum s business, Barclays Capital performed a sum-of-the-parts analysis of Spectrum, including its global battery and personal care business, pet supplies business and home and garden business. Barclays Capital reviewed the following 17 selected transactions, seven of which involve companies with operations in the global battery and personal care industries, six of which involve companies with operations in the pet supplies industry and four of which involve companies with operations in the home and garden industry:

Selected Battery and Personal Care Transactions

Acquirer	Target
Holmes Products Corp.	The Rival Company
Jarden Corporation	American Household, Inc.
Libbey Inc.	Anchor Hocking glassware operations of Newell Rubbermaid Inc.
Spectrum	Remington Products Company, L.L.C.
Spectrum	VARTA AG
Sunbeam Corporation	Signature Brands USA, Inc.
Techtronic Industries Company Limited	Royal Appliance Mfg. Co.

Selected Pet Supplies Transactions

Acquirer	Target
Central Garden & Pet Company	Farnam Companies, Inc.
Del Monte Foods Company	Meow Mix Holdings, Inc.
Del Monte Foods Company	Milk-Bone business of Kraft Foods Global, Inc.
Salton, Inc.	United Pet Group business of Spectrum
Spectrum	Tetra Holding GmbH
United Industries Corporation	United Pet Group, Inc.

Selected Home and Garden Transactions

Acquirer	Target
Castle Harlan Partners IV, L.P.	Ames True Temper, Inc.
Jarden Corporation	The Holmes Group, Inc.
Jarden Corporation	Lehigh Consumer Products Corporation
Spectrum	United Industries Corporation

Barclays Capital calculated an overall implied reference range for Spectrum by applying multiples of latest 12 months EBITDA derived from the selected battery and personal care transactions, pet supplies transactions and home and garden transactions to Spectrum s latest 12 months EBITDA (as of January 3, 2010) attributable to its global battery and personal care business, pet supplies business and home and garden business, respectively, and taking into account Spectrum s general corporate expenses. Financial data of Spectrum was based on internal estimates prepared by Spectrum s management.

Russell Hobbs. With respect to Russell Hobbs, Barclays Capital reviewed the following 10 selected transactions involving consumer products companies, referred to as the Russell Hobbs selected transactions:

Acquirer	Target
Castle Harlan Partners IV, L.P.	Ames True Temper, Inc.
Harbinger Capital Partners	Applica Incorporated
Holmes Products Corp.	The Rival Company
Jarden Corporation	The Holmes Group, Inc.
Jarden Corporation	American Household, Inc.
Jarden Corporation	Lehigh Consumer Products Corporation
Libbey Inc.	Anchor Hocking glassware operations of Newell Rubbermaid Inc.
Spectrum	Remington Products Company, L.L.C.
Sunbeam Corporation	Signature Brands USA, Inc.
Techtronic Industries Company Limited	Royal Appliance Mfg. Co.

Barclays Capital calculated an implied reference range for Russell Hobbs by applying a range of selected multiples of latest 12 months EBITDA derived from the Russell Hobbs selected transactions to Russell Hobbs latest 12 months EBITDA (as of December 31, 2009) based on internal estimates relating to Russell Hobbs prepared by Spectrum s and Russell Hobbs respective managements. These implied reference ranges indicated the following implied exchange ratio reference range, as compared to the Spectrum Exchange Ratio:

Implied Exchange Ratio Reference Range	Spectrum Exchange Ratio
0.719x 1.415x	1.0x

Discounted Cash Flow Analyses

In order to assess the present value of estimated future cash flows of Spectrum and Russell Hobbs, Barclays Capital performed separate discounted cash flow analyses of Spectrum and Russell Hobbs (both before and after taking into account expected synergies estimated by Spectrum s and Russell Hobbs respective managements to result from the proposed transaction). Present value refers to the current value of future cash flows and is obtained by discounting those future cash flows by a discount rate that takes into account macroeconomic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors.

To calculate implied reference ranges for each of Spectrum and Russell Hobbs using the discounted cash flow method, Barclays Capital added (1) each of Spectrum s and Russell Hobbs projected after-tax unlevered free cash flows for fiscal years 2010 through 2014 based on, in the case of Spectrum, internal estimates prepared by Spectrum s management and, in the case of Russell Hobbs, internal estimates prepared by Spectrum s and

Russell Hobbs respective managements (before and after taking into account expected synergies) to (2) the residual or terminal value of each of Spectrum and Russell Hobbs at the end of the forecast period, and discounted such amounts to present value using a range of selected discount rates. The after-tax unlevered free cash flows were calculated by taking the tax-affected earnings before interest and tax expense, adding back non-cash depreciation and amortization, subtracting capital expenditures and adjusting for changes in working capital. The terminal value of each of Spectrum and Russell Hobbs was estimated by applying a selected range of perpetual growth rates of 2.25% to 2.75% to each company s respective fiscal year 2014 projected unlevered free cash flows. Barclays Capital selected ranges of discount rates of 11.0% to 12.0% for Spectrum and 12.0% to 13.0% for Russell Hobbs based on, among other factors, a weighted average cost of capital calculation. These implied reference ranges for Spectrum and Russell Hobbs (both before and after taking into account expected synergies) indicated the following implied exchange ratio reference ranges, as compared to the Spectrum Exchange Ratio:

Implied Exchange Ratio Reference Ranges		Spectrum Exchange Ratio
Excluding Synergies	**Including Synergies**	
0.608x 1.167x	0.501x 0.932x	1.0x

Contribution Analysis

Barclays Capital reviewed the relative financial contributions of Spectrum and Russell Hobbs to the financial performance of the combined company on a *pro forma* basis. Barclays Capital reviewed latest 12 months and fiscal years 2010 and 2011 estimated net sales and EBITDA (as adjusted for certain one-time nonrecurring items) based on internal estimates prepared by Spectrum s management with respect to Spectrum s financial data and internal estimates prepared by Spectrum s and Russell Hobbs respective managements with respect to Russell Hobbs financial data. Barclays Capital calculated the following overall aggregate equity ownership percentages of Spectrum stockholders (other than the Harbinger Parties) in the combined company based on such relative contributions, and then compared such percentages to the aggregate *pro forma* equity ownership percentages of such Spectrum stockholders in the combined company upon consummation of the proposed transaction based on the Spectrum Exchange Ratio:

Equity Contribution Percentage Reference Range for Spectrum Non-Affiliated Stockholders	Aggregate *Pro Forma* Equity Ownership by Spectrum Non-Affiliated Stockholders Based on Spectrum Exchange Ratio
29.9% - 34.9%	36%

Pro Forma Financial Analysis

Barclays Capital reviewed the potential *pro forma* financial effects of the proposed transaction on the combined company s fiscal year 2011 estimated earnings per share (EPS) relative to Spectrum s fiscal year 2011 estimated EPS on a standalone basis, based on internal estimates prepared by Spectrum s management with respect to Spectrum s financial data and internal estimates prepared by Spectrum s and Russell Hobbs respective managements with respect to Russell Hobbs financial data. Barclays Capital also considered expected synergies estimated by Spectrum s and Russell Hobbs respective managements to result from the proposed transaction, utilizing both the expected synergies estimated to be realized in fiscal year 2011 and the expected run-rate synergies estimated to be realized over time. Based on the Spectrum Exchange Ratio, this analysis indicated that the combined company s fiscal year 2011 estimated EPS could be accretive relative to Spectrum s fiscal year 2011 estimated EPS on a standalone basis, both before and after taking into account expected synergies. The actual results achieved by the combined company may vary from forecasted results and the variations may be material.

Other Factors. With respect to Spectrum, Barclays Capital also considered, for informational purposes, certain other factors, including:

Historical Trading Prices. To illustrate the trend in historical trading prices of Spectrum common stock, Barclays Capital considered historical data with regard to the trading prices of Spectrum

common stock for the period from September 2, 2009 to February 5, 2010 and compared such data with the relative stock price performances during the same period of the selected companies listed under the caption Selected Company Analysis above. Barclays Capital noted that during such period, the closing price of Spectrum common stock ranged from $21.00 per share to $29.70 per share; and

Leveraged Buyout Analysis. To illustrate a range of theoretical purchase prices that might be achieved in a leveraged buyout transaction with a financial buyer, Barclays Capital considered a leveraged buyout analysis of Spectrum assuming, among other things, a debt capital structure consistent with the proposed transaction, current market conditions, that such financial buyer would attempt to realize a return on its investment in Spectrum s fiscal year 2013 or 2015, projected EBITDA terminal value multiples of 7.25x to 7.75x and a required internal rate of return of approximately 20% to 25%. Based upon these assumptions and internal estimates prepared by Spectrum s management, this analysis indicated an illustrative implied per share equity value reference range for Spectrum of approximately $20.75 to $27.25.

Miscellaneous

The terms of the proposed transaction were determined through negotiations among Spectrum, Russell Hobbs and the Harbinger Parties, and the decision to enter into the merger agreement was solely that of the Spectrum Board, after receiving the recommendation of the Committee, and was approved by the Spectrum Board. Barclays Capital s opinion was only one of many factors considered by the Committee in its evaluation of the proposed transaction and should not be viewed as determinative of the views of the Committee, the Spectrum Board or management or any other party with respect to the proposed transaction or the consideration payable in the proposed transaction. Barclays Capital did not recommend any specific form of consideration to the Committee or that any specific form of consideration constituted the only appropriate consideration for the proposed transaction.

Barclays Capital is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The Committee selected Barclays Capital as its financial advisor in connection with the proposed transaction because of Barclays Capital s qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally.

As compensation for its services in connection with the proposed transaction, Spectrum has agreed to pay Barclays Capital an aggregate fee currently estimated to be $6.6 million, a portion of which was paid or payable upon its engagement and in connection with its opinion and $2.5 million of which is contingent upon the consummation of the proposed transaction. In the event Spectrum had entered into a definitive agreement in connection with a superior proposal received by Spectrum during the go-shop process described in the merger agreement, Barclays Capital would have been entitled to receive a substantial fee contingent upon consummation of such other transaction based on the consideration payable in connection with such other transaction. In addition, Spectrum has agreed to reimburse Barclays Capital for expenses and to indemnify Barclays Capital and related parties for certain liabilities that may arise out of Barclays Capital s engagement. Barclays Capital has performed limited investment banking services for Spectrum and certain of its affiliates during the past two years prior to the date of its opinion, and may perform investment banking services in the future, and has received and may receive, customary fees for such services.

Barclays Capital and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of business, Barclays Capital and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of Spectrum, Russell Hobbs and certain of their respective affiliates for their own account and for the accounts of

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their customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

Spectrum Stockholder Vote Required

Adoption of the merger agreement requires the affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)). Approval of the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies if adoption of the merger agreement is not obtained at the special meeting, requires the affirmative vote of the holders of a majority of the shares represented at the special meeting and entitled to vote.

The Harbinger Parties have agreed, under the circumstances described below, to vote their shares of Spectrum common stock acquired prior to the date of the merger agreement: (i) in favor of the adoption of the merger agreement; (ii) against any action or proposal that would reasonably be expected to result in a material breach by Spectrum or Russell Hobbs of any covenant, warranty or representation contained in the merger agreement; and (iii) except with the written consent of Spectrum, against (x) any Alternative Proposal with respect to Spectrum or Russell Hobbs that would impede the mergers or (y) any other action or proposal involving Spectrum or Russell Hobbs that would reasonably be expected to prevent or materially impede, interfere with or delay the mergers. In the event that the merger agreement is terminated by Spectrum in connection with a Superior Proposal, the Harbinger Parties have agreed to vote certain of their shares in favor of such Superior Proposal, as described in The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction The Harbinger Support Agreement.

The Harbinger Parties have agreed to vote those shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010 proportionally with the votes of the other holders of Spectrum common stock with respect to the adoption of the merger agreement, except that the Harbinger Parties will vote shares of Spectrum common stock that they purchased from the Avenue Parties in accordance with the Avenue Support Agreement. If the Avenue Support Agreement has been terminated or suspended, the Harbinger Parties will vote shares of Spectrum common stock that they purchased from the Avenue Parties after March 1, 2010 proportionally with the other holders of Spectrum common stock (other than the Harbinger Parties and the Avenue Parties) with respect to the adoption of the merger agreement.

The Avenue Parties have also agreed to vote their shares of Spectrum common stock at any meeting of the Spectrum stockholders: (i) in favor of the adoption of the merger agreement; (ii) against any action or proposal that would reasonably be expected to result in a material breach by Spectrum of any covenant, warranty or representation contained in the merger agreement; and (iii) except with the written consent of Spectrum, against (x) any Alternative Proposal with respect to Spectrum that would impede the mergers or (y) any other action or proposal involving Spectrum that would reasonably be expected to prevent or materially impede, interfere with or delay the Spectrum merger.

Spectrum s directors and officers have not entered into any voting agreements. However, Spectrum s directors and executive officers intend to vote all of the Spectrum common stock beneficially owned by them FOR the adoption of the merger agreement.

Interests of Certain Persons in the Spectrum Merger

In considering the recommendation of the Spectrum Board with respect to adopting the merger agreement, Spectrum stockholders should be aware that certain Spectrum and Russell Hobbs directors, executive officers and stockholders have interests in the Spectrum merger that are different from, or in addition to, the interests of the Spectrum stockholders. These interests create a potential conflict of interest. The Spectrum Board was aware of

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these potential conflicts of interest during its deliberations on the merits of the mergers and in making its decision to adopt the merger agreement.

Spectrum Officers and Directors Equity Awards

As of May 5, 2010, Spectrum directors and named executive officers have been granted restricted stock which represents approximately 2% of the outstanding shares of Spectrum common stock. They will be entitled to receive the same consideration for their shares of Spectrum common stock in the Spectrum merger as the other holders of Spectrum common stock. The named executive officers hold restricted stock, which vests 75% on October 1, 2010, and 25% on October 1, 2011, and the directors hold restricted stock which vests 100% on October 1, 2010, if the executive officer is employed by (or the director is serving as a director of) Spectrum on such date. If the executive officer terminates employment (or the director ceases to serve as a director) before such date under certain circumstances, vesting of the restricted stock may be accelerated or may continue as if such executive officer remained employed by (or the director continued to serve as a director of) Spectrum. The following table shows the ownership of unvested shares of Spectrum s restricted stock awards, and the corresponding vesting schedule, for Spectrum s named executive officers and directors that own shares of Spectrum common stock:

Grantee	Unvested Shares	Vesting Schedule
Kent Hussey	(1)	None
John Heil	111,111	75% on 10/1/2010; 25% on 10/1/2011
David Lumley	166,667	75% on 10/1/2010; 25% on 10/1/2011
Anthony Genito	111,111	75% on 10/1/2010; 25% on 10/1/2011
Norman Matthews	3,017	100% on 10/1/2010
Marc Kirschner	3,017	100% on 10/1/2010
Eugene Davis	3,017	100% on 10/1/2010
Kenneth Ambrecht	3,017	100% on 10/1/2010
Hugh Rovit	3,017	100% on 10/1/2010
Terry L. Polistina	3,017	100% on 10/1/2010

(1) Pursuant to Mr. Hussey s Separation Agreement (as defined below), the restrictions on Mr. Hussey s 222,222 shares of restricted stock have lapsed.

Under the merger agreement, the Spectrum equity awards will be converted, based on the exchange ratio for the conversion of Spectrum common stock specified in the merger agreement, into comparable equity awards with respect to SB Holdings common stock at the effective time of the mergers (see The Merger Agreement (Proposal No. 1) Merger Consideration). The mergers will not cause the accelerated vesting of any Spectrum equity awards.

Spectrum Employment Agreements

Under the employment agreement between Spectrum and Mr. Anthony L. Genito, its Executive Vice President, Chief Financial Officer and Chief Accounting Officer, Mr. Genito may have been entitled to terminate his employment with Spectrum voluntarily within 60 days following the consummation of the mergers and have such termination treated as a termination by Spectrum without cause. If Mr. Genito had terminated his employment during such 60-day period, he would have become entitled to: (i) an amount equal to two times his base salary plus his target incentive bonus for the fiscal year immediately preceding the fiscal year in which his employment terminated, paid ratably over 24 months; (ii) the *pro rata* portion of the incentive bonus he would have earned in the year his employment terminated; (iii) payment of his health and other welfare benefits for two years; and (iv) payment of accrued vacation time. Pursuant to a signed Change in Control Waiver and Release, effective as of February 8, 2010, Mr. Genito waived the right to assert that the Spectrum merger is a change in control under his employment agreement and award agreement and has thereby waived the right to receive the above payments and benefits in connection with a voluntary termination by him during the 60 days following the mergers.

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Spectrum obtained similar waivers and releases from Kent J. Hussey, its former Chief Executive Officer and Chairman of the Spectrum Board, David R. Lumley, its Chief Executive Officer and President of its Global Batteries and Personal Care and Home and Garden segments, and John A. Heil, its Co-Chief Operating Officer and President of its Global Pet Suppliers division. The mergers would not have constituted a change in control under their respective employment agreements with Spectrum, but such waivers and releases were obtained in order to avoid any potential uncertainty.

Russell Hobbs Equity Awards

Pursuant to Russell Hobbs 2007 Omnibus Equity Award Plan (the Equity Plan), there are 25.8 million RSUs outstanding, which will vest on the earlier to occur of (i) a change in control of Russell Hobbs, (ii) the first anniversary of a significant corporate event, or (iii) the termination of the RSU holder s employment with Russell Hobbs without cause or by the employee for good reason (as defined in the Equity Plan or the employee s award agreement) after the occurrence of a significant corporate event.

Under the award agreements, a significant corporate event is defined as a merger, consolidation, business combination or similar corporate event of Russell Hobbs with Spectrum and/or Harbinger Group, Inc. Under the Equity Plan, a change in control is defined as the occurrence of any one of the following events: (i) the acquisition by any Person (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Section 13(d)(3) and 14(d)(2) of the Exchange Act), other than the Harbinger Parties or their affiliates, of more than 50% of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of Russell Hobbs; (ii) any merger, consolidation, reorganization, recapitalization, tender or exchange offer or any other transaction with or affecting Russell Hobbs as a result of which a Person, other than the Harbinger Parties or their affiliates, owns after such transaction more than 50% of the combined voting power of the then outstanding securities entitled to vote generally in the election of the directors of Russell Hobbs; (iii) the sale, lease, exchange, transfer or other disposition to any Person, other than the Harbinger Parties or their affiliates, of all or substantially all, of the assets of Russell Hobbs and its consolidated subsidiaries; (iv) Russell Hobbs adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; or (v) a change in the composition of the Russell Hobbs board of directors over a period of 36 months or less such that a majority of the member of the Russell Hobbs board of directors (rounded up to the next whole number) ceases, by reason of one or more contested elections for membership to the Russell Hobbs board of directors, to be comprised of individuals who are continuing directors. Notwithstanding the foregoing, (A) a Person shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement (or voting or option agreement related thereto) until the consummation of the transactions contemplated by such agreement and (B) any holding company whose only material asset is equity interests of Russell Hobbs or any of its direct or indirect parent companies shall be disregarded for purposes of determining beneficial ownership under clause (ii) above.

The board of directors of Russell Hobbs has determined that the Russell Hobbs merger will not constitute a change in control under the Equity Plan or RSU award agreements but will constitute a significant corporate event. Russell Hobbs has obtained waivers and releases from six individual holders of 15 million of the 25.8 million outstanding RSUs (of which 12 million are held by the executive officers of Russell Hobbs listed below) acknowledging that the Russell Hobbs merger does not constitute a change in control under either the Equity Plan or their RSU award agreements and waiving their rights to claim otherwise.

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The individuals listed below own the number of RSUs indicated below and have signed the waivers and releases described above.

Name	Title	Number of RSUs
Terry L. Polistina	Chief Executive Officer and President	10,000,000
Ivan Habibe	Vice President and Chief Financial Officer	1,000,000
Lisa Carstarphen	Vice President, General Counsel and Secretary	1,000,000

Under the merger agreement, the Russell Hobbs equity awards will be converted into comparable equity awards with respect to SB Holdings common stock at the effective time of the mergers (see The Merger Agreement (Proposal No. 1) Merger Consideration).

Indemnification and Insurance

Under the terms of the merger agreement, SB Holdings, Spectrum and Russell Hobbs have agreed that all rights of indemnification to Spectrum s and Russell Hobbs current and former directors and officers provided by Spectrum or Russell Hobbs, as applicable, in their respective organizational documents or indemnification contracts will survive the mergers and continue in full force and effect and will be assumed and performed by SB Holdings, Spectrum and Russell Hobbs after consummation of the mergers. In addition, SB Holdings has agreed that, upon its, Spectrum s or Russell Hobbs future merger or sale after the consummation of the mergers, it will make proper provision so that the successors and assigns of SB Holdings, Spectrum or Russell Hobbs, as applicable, assume such indemnification obligations.

In addition, the merger agreement requires SB Holdings to either maintain Spectrum s and Russell Hobbs current directors and officers liability insurance policies for a period of six years from the effective time of the mergers or obtain substitute policies or purchase a tail policy with a claims period of at least six years from the effective time of the mergers, in each case that provides coverage for events occurring on or before the effective time of mergers. The terms of the insurance policies will be no less favorable than Spectrum s and Russell Hobbs respective existing policies, unless the annual premiums of the policies would exceed 300% of the current policies premiums as of the date of the merger agreement, in which case the coverage will be the greatest amount of coverage available for a premium amount not exceeding 300% of such current premiums.

Management of SB Holdings Following the Mergers

Upon the consummation of the mergers: (i) David R. Lumley, Chief Executive Officer and President of the Global Batteries and Personal Care and Home and Garden divisions of Spectrum, will become Chief Executive Officer of SB Holdings and President of the Global Batteries and Personal Care and Home and Garden divisions of SB Holdings; (ii) Anthony L. Genito, Executive Vice President, Chief Financial Officer and Chief Accounting Officer of Spectrum, will become Executive Vice President, Chief Financial Officer and Chief Accounting Officer of SB Holdings; and (iii) John T. Wilson, Senior Vice President, General Counsel and Secretary of Spectrum, will become Senior Vice President, General Counsel and Secretary of SB Holdings. Each of Terry L. Polistina, Chief Executive Officer and President of Russell Hobbs, and John A. Heil, President of the Global Pet division of Spectrum, will remain in his respective position upon the consummation of the mergers.

On February 8, 2010, Spectrum entered into an amendment to the employment agreement of David R. Lumley, Spectrum s then Co-Chief Operating Officer and President of its Global Batteries and Personal Care and Home and Garden segments. This amendment provided that, in the event that Spectrum s then Chief Executive Officer, Kent J. Hussey, no longer served as the sole Chief Executive Officer, Mr. Lumley would succeed Mr. Hussey as the sole Chief Executive Officer of Spectrum and the sole Chief Executive Officer of the business group of which Spectrum is a part. On April 13, 2010, Mr. Hussey retired as Chief Executive Officer of Spectrum and Mr. Lumley was appointed to succeed him as Chief Executive Officer. Mr. Hussey will continue to

serve as Chairman of the Board of Spectrum until the earlier of August 12, 2010 or the closing date of the mergers. In connection with such change of position, SB Holdings and Mr. Lumley will enter into a new employment agreement providing for compensation and benefits commensurate with such position, which terms shall not be less favorable than the compensation and benefits currently in effect for Mr. Lumley.

Currently, Spectrum s executive management team consists of the following persons: (1) David R. Lumley, Chief Executive Officer, President Global Batteries and Personal Care and Home and Garden; (2) Anthony L. Genito, Executive Vice President, Chief Financial Officer and Chief Accounting Officer; (3) John A. Heil, President Global Pet Supplies; and (4) John T. Wilson, Senior Vice President, Secretary and General Counsel. It is expected that certain other officers and directors of Spectrum and Russell Hobbs will continue as officers and/or directors of SB Holdings, Spectrum or Russell Hobbs following the consummation of the mergers.

Hussey Separation Agreement

Mr. Hussey will remain the Chairman of Spectrum s Board of Directors until the earlier of August 12, 2010 or the closing of the mergers. In connection with his retirement, Mr. Hussey entered into a Separation and Consulting Agreement, dated April 14, 2010, with Spectrum (the Separation Agreement). The Separation Agreement provides Mr. Hussey with the following benefits in lieu of the payments and benefits he would have received under his employment agreement with Spectrum: (1) a consulting fee of $250,000 per year for a three-year period for certain consulting and advisory services; (2) a lump-sum cash payment of $1,800,000; (3) a lump-sum cash payment of $3,712,500 (plus interest) six months after Mr. Hussey s retirement; (4) a lump-sum cash payment equal to the annual bonus Mr. Hussey would have earned with respect to fiscal year 2010 based on actual performance for fiscal 2010 on a prorated basis; (5) a lump-sum cash payment of Mr. Hussey s Long Term Incentive Plan award of $1,237,500; and (6) the lapsing of the restrictions on Mr. Hussey s restricted stock (222,222 shares). Provisions are also made in the Separation Agreement with respect to: (1) the right to purchase the Spectrum vehicle that Mr. Hussey currently uses; (2) continued participation in welfare benefits (including long term care and long term disability insurance) until September 30, 2012; (3) reimbursement for tax preparation and financial planning services for a period of ten years; (4) continuation of medical, dental, and life insurance benefits for a period of ten years; (5) accrued payments and benefits; and (6) reimbursement of reasonable legal fees incurred in connection with entering into the Separation Agreement. In consideration of these benefits, Mr. Hussey agreed to comply with certain restrictive covenants, including the requirement not to compete with Spectrum for the later of two years or the end of his consulting and advisory services, disclose confidential information about Spectrum or disparage Spectrum. The Separation Agreement contains other terms and conditions, including a release of claims in favor of Spectrum and indemnification obligations.

The Harbinger Parties

The Harbinger Parties currently own approximately 40% of Spectrum and own 100% of Russell Hobbs. As of April 30, 2010, the Harbinger Parties owned approximately $93 million of Spectrum s PIK Notes. The Harbinger Parties may have interests that differ from and/or are in addition to those of the other Spectrum stockholders due to their 100% ownership of Russell Hobbs. As a result of the mergers, the Harbinger Parties will reduce their ownership of Russell Hobbs from 100% direct ownership to approximately 65% indirect ownership, and they will increase their ownership of Spectrum from approximately 40% direct ownership to approximately 65% indirect ownership (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

The Spectrum Board appointed the Committee to represent the interests of the non-Harbinger Parties stockholders of Spectrum, and the merger agreement requires that the holders of a majority of the shares of Spectrum common stock (other than those shares of Spectrum common stock owned by the Harbinger Parties as of February 9, 2010) adopt the merger agreement as a condition to the consummation of the mergers. The Harbinger Parties have entered into the Harbinger Support Agreement, which was amended by the Letter Agreement (see The Proposed Transaction Material Support and Ancillary Agreements in Connection with the

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Proposed Transaction The Harbinger Support Agreement), pursuant to which, among other things and subject to the terms and conditions set forth therein, the Harbinger Parties have agreed to:

vote their shares of Spectrum common stock acquired prior to the date of the merger agreement and Russell Hobbs Stock to adopt the merger agreement, or if the Spectrum Board terminates the merger agreement in connection with a Superior Proposal (as defined in the Harbinger Support Agreement), the consideration for Spectrum common stock under such Superior Proposal is equal to at least $34.65 per share, and at least two-thirds of the shares of Spectrum common stock (excluding the shares of the Harbinger Parties (except any shares of Spectrum common stock acquired by the Harbinger Parties after March 1, 2010)) are voted in favor of such Superior Proposal, to vote sufficient shares to adopt and approve such Superior Proposal;

vote any shares of Spectrum common stock acquired after March 1, 2010 pursuant to the Letter Agreement, which requires such shares (i) to be voted proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties and the Avenue Parties) with respect to the merger agreement and the mergers, except that the Harbinger Parties will vote any such shares purchased from the Avenue Parties in accordance with the Avenue Parties voting obligations under the Avenue Support Agreement, or if the Avenue Support Agreement is terminated or suspended, then proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties and the Avenue Parties) with respect to the merger agreement and the mergers, or (ii) if the Spectrum Board terminates the merger agreement in connection with a Superior Proposal, regardless of the price offered for Spectrum common stock under the Superior Proposal, to be voted proportionately with the holders of Spectrum common stock (other than the Harbinger Parties) with respect to the Superior Proposal; and

limit their acquisition of Spectrum common stock to 100,000 shares per week, up to an aggregate maximum of two million shares, until the consummation of the mergers or the termination of the merger agreement.

The Harbinger Parties have also entered into the Registration Rights Agreement with the Avenue Parties and SB Holdings pursuant to which SB Holdings will, among other things and subject to the terms and conditions set forth in the Registration Rights Agreement, provide the Harbinger Parties and the Avenue Parties with certain demand and piggyback registration rights after the consummation of the mergers (see The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction Registration Rights Agreement).

Plans for SB Holdings After the Proposed Transaction

Following consummation of the mergers, SB Holdings will then contribute 100% of the equity interests in Russell Hobbs to Spectrum, such that after such contribution, Russell Hobbs will be a wholly-owned subsidiary of Spectrum. SB Holdings will then contribute 100% of the equity interests of Spectrum to a newly-formed Delaware limited liability company which will be wholly-owned by SB Holdings. The NYSE has approved the listing of SB Holdings common stock under the symbol SPB , subject to official notice of issuance.

SB Holdings, operating under the Spectrum Brands name, will continue to be managed by Spectrum s senior management team, with the addition of Terry L. Polistina, current Chief Executive Officer of Russell Hobbs, to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of small household appliance brands. Spectrum s current reporting segments, Global Batteries and Personal Care, Global Pet Supplies and Home and Garden, each of which reported positive adjusted EBITDA results for fiscal 2009, will remain autonomous and continue their focus on achieving profitable growth under their current management structures. Including Russell Hobbs $800 million in annual revenues, SB Holdings is expected to be approximately $3 billion in annual revenues with $430 million to $440 million of adjusted EBITDA in fiscal 2010. Anticipated synergies of $25 million to $30 million should be realized over the 36 months following the consummation of the mergers.

Ownership of SB Holdings After the Proposed Transaction

The stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

Effects on Spectrum if the Proposed Transaction is Not Consummated

If the merger agreement is not adopted by the requisite vote of Spectrum s stockholders, or if the mergers are not consummated for any other reason, Spectrum s stockholders will not receive any shares of SB Holdings common stock for their shares of Spectrum common stock in connection with the Spectrum merger. Instead, Spectrum will remain an independent public company and its common stock will continue to be listed on the NYSE. Under circumstances specified in the merger agreement, Spectrum may be required to pay Russell Hobbs a termination fee of $1 million (or $10 million in specified circumstances) and reimburse Russell Hobbs for certain expenses related to the merger agreement up to an aggregate amount of $10 million (or in some cases expense reimbursement will not be subject to this $10 million limit). In connection with the termination of the merger agreement due to the failure to obtain the debt financing, Russell Hobbs may be required to pay Spectrum a reverse termination fee of $1 million and reimburse Spectrum Brands for certain expenses related to the merger agreement up to an aggregate amount of $10 million.

Financing the Mergers

In order to refinance Spectrum s existing senior debt and a portion of Russell Hobbs existing senior debt, as well as to pay transaction expenses in connection with the mergers, Spectrum and Russell Hobbs expect to finance substantially all of such amounts through the incurrence of approximately $1.80 billion of new indebtedness (from which $1.532 billion in proceeds is anticipated to be received at the closing), which is expected to be comprised of senior secured notes in one or more series in an aggregate principal amount of up to $750 million and other indebtedness of up to $1.050 billion. In addition, $218 million of Spectrum s existing PIK Notes will remain outstanding after the closing of the mergers.

Russell Hobbs has agreed to use its reasonable best efforts to obtain the financing on the terms described below. Spectrum has agreed to provide, on a reasonable best efforts basis, all cooperation reasonably requested by Russell Hobbs in connection with the financing described below or any alternative debt financing. Notwithstanding the satisfaction or waiver of all of the conditions set forth in the merger agreement, if the proceeds of such financing are not available in full on the date that would otherwise be the closing date, the parties will not be required to effect the consummation of the mergers and, as such, the closing date will be delayed until the date on which the proceeds of the financing are available in full (provided that such date is prior to August 12, 2010).

Under the commitment letter from Credit Suisse AG, Bank of America, N.A., Bank of America Bridge LLC, Deutsche Bank Trust Company Americas and Deutsche Bank AG Cayman Islands Branch, the commitment parties committed to provide loans under:

- a senior secured asset-based revolving facility to the companies of up to $300 million;
- a senior secured term facility to the companies of up to $750 million; and
- if Spectrum is unable to issue the senior secured notes in an aggregate principal amount of $750 million prior to the consummation of the mergers, a senior secured bridge facility of up to $750 million.

These facilities are referred to as the New Facilities. The maximum aggregate exposure for any single lender under the New Facilities is $600 million. The New Facilities, with maturities of certain debt instruments expected to extend to 2016 and beyond, will provide an enhanced long-term capital structure to support the combined company s strategic business objectives.

Conditions Precedent to Availability of Debt Financing

The financing commitments of Credit Suisse AG, Bank of America, N.A., Bank of America Bridge LLC, Deutsche Bank Trust Company Americas and Deutsche Bank AG Cayman Islands Branch under the New Facilities are subject to the satisfaction of certain conditions including, among others:

- the execution of definitive documentation with respect to the New Facilities;
- the absence of a Battery Material Adverse Effect (as defined in the merger agreement) with respect to Spectrum and its subsidiaries, taken as a whole or an RH Material Adverse Effect (as defined in the merger agreement) with respect to Russell Hobbs and its subsidiaries, taken as a whole; and
- other customary closing conditions, each as more fully set forth in the definitive documentation with respect to the New Facilities.

The commitments for the New Facilities will terminate on August 12, 2010, if definitive documentation with respect to the New Facilities has not been executed by all parties prior to that date. The commitments may also terminate prior to August 12, 2010, if the mergers are abandoned.

Interest Rate and Fees

Loans under the New Facilities are expected to bear interest at a rate equal to (1) adjusted LIBOR plus a spread to be determined or (2) at the Borrower s Option, in the case of the New Revolving Facility and the New Term Facility, the alternate base rate plus a spread to be determined.

Russell Hobbs has paid, and will continue to pay until the earliest of the date on which such fees are paid in full, the closing date and the date on which the commitments are terminated, initial commitment fees to the lenders. Upon initial funding of the New Facilities and thereafter, Spectrum will pay to the lenders customary commitment and facility fees.

Prepayments and Commitment Reductions

Under the New Facilities, it is anticipated that Spectrum will be permitted to make voluntary prepayments at any time, without premium or penalty (other than LIBOR breakage costs, if applicable) subject to certain customary limitations.

In addition, it is anticipated that Spectrum will be required to make customary prepayments of the New Facilities with proceeds of non-ordinary course sales of certain assets and proceeds of insurance or condemnation awards paid in respect of certain assets, with the proceeds of certain issuances, offerings or placements of debt obligations of Spectrum s parent or any subsidiaries thereof (subject to certain exceptions), and, in the case of the bridge facility, with the net proceeds from the issuance, offering or placement of equity securities by SB Holdings or any subsidiaries thereof and, in the case of the term facility, with certain excess cash flow and purchase price adjustment proceeds. It is also anticipated that Spectrum will be required to make customary prepayments of the revolving facility with proceeds of non-ordinary course sales of certain assets and proceeds of insurance or condemnation awards with respect to certain assets (subject to certain exceptions) and, when availability is below a threshold to be agreed, with amounts deposited in certain collection accounts.

Other Terms

The New Term Facility and the Bridge Loan Facility are expected to contain financial covenants relating to maximum leverage and minimum interest coverage. The New Revolving Facility is expected to have a minimum fixed charge coverage test that will only be applicable when availability is below a minimum threshold to be agreed. Other covenants contained in the New Facilities are expected to restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments,

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indebtedness and preferred stock, loans and investments, liens and affiliate transactions. Spectrum anticipates that the New Facilities will contain customary events of default.

Regulatory Approvals Required for the Proposed Transaction

Consummation of the mergers is subject to prior receipt of those approvals and consents required to be obtained from applicable governmental and regulatory authorities, including under the HSR Act and by the applicable governmental authorities of Canada, Germany and Spain (except those the failure of which to be made or obtained does not have and would not reasonably be likely to have, individually or in the aggregate, an RH Material Adverse Effect and/or a Battery Material Adverse Effect (as each is defined in the merger agreement)). Spectrum, Russell Hobbs and SB Holdings have agreed to cooperate and use all reasonable best efforts to obtain, or cause their applicable affiliates to obtain, all permits, consents, approvals and authorizations from any governmental or regulatory authority necessary to consummate the mergers as promptly as practicable.

Spectrum has submitted the required notices to the applicable antitrust regulatory authorities in the United States, Canada, Germany and Spain, and the antitrust regulatory authorities of each country other than the United States have issued a ruling in favor of the mergers.

United States. Each of Spectrum, the Harbinger Master Fund and Harbinger Special Situations Fund filed notifications of the mergers under the provisions of the HSR Act with the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission on March 1, 2010. The applicable waiting period under the HSR Act expired at 11:59 p.m. (Eastern Time) on March 31, 2010.

Canada. Under the Canadian Competition Act, where a transaction does not raise substantive issues, the competition authorities may, at the request of the parties, issue an advance ruling certificate under Section 102 of the Canadian Competition Act in respect of the transaction. Where an advance ruling certificate is issued, the parties to the transaction are not required to file a pre-merger notification. On March 5, 2010, Harbinger Master Fund submitted a request for an advance ruling certificate in lieu of providing a notification filing with respect to the mergers. An advance ruling certificate was issued on March 17, 2010.

Germany. The mergers were notified to the applicable competition authorities of Germany on March 12, 2010. The applicable waiting period would have expired on April 12, 2010; however, a clearance decision in connection with the mergers was issued on March 23, 2010.

Spain. The mergers were notified to the applicable competition authorities of Spain on March 23, 2010, and clearance was issued on April 14, 2010.

Except for the competition law approvals described above, Spectrum, Russell Hobbs and SB Holdings are not aware of any other governmental approvals that are required for the mergers to become effective other than filings with the NYSE regarding the listing of SB Holdings shares and filings with the SEC regarding this proxy statement/prospectus. Spectrum, Russell Hobbs and SB Holdings intend to seek any other approvals required to consummate the mergers. There can be no assurance, however, that any such approvals will be obtained.

Accounting Treatment

Spectrum will be considered the accounting acquirer of the proposed merger transactions with SB Holdings and Russell Hobbs under ASC Topic 805 *Business Combinations* (formerly SFAS 141(R) *Business Combinations*) based on the following analysis:

In legal form SB Holdings will be acquiring Spectrum and Russell Hobbs; however, after the mergers the current stockholders of Spectrum will retain approximately 60.33% of the voting common stock of

SB Holdings and the stockholders of Russell Hobbs will retain approximately 39.67% of the voting common stock of SB Holdings.

The current senior management team of Spectrum, including the Chief Executive Officer, will be the management team of SB Holdings. The current Chief Executive Officer of Russell Hobbs will be added to the Spectrum management team to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of small household appliance brands.

Spectrum exceeds Russell Hobbs in both assets and revenues. Spectrum had $2,274 million of net sales during the twelve month period ended January 3, 2010 and had $2,908 million of total assets as of January 3, 2010. Russell Hobbs had $800 million of net sales during the twelve month period ended December 31, 2009 and had $742 million of total assets as of December 31, 2009.

The newly formed board of directors for SB Holdings will have ten directors, of which six are former Spectrum directors. Additionally, the current Chairman of the Spectrum Board will hold the same positions for SB Holdings. See further discussion at Board of Directors, Board Committees and Executive Officers of SB Holdings of this proxy statement/prospectus.

SB Holdings is functioning as a holding company to transact the combination of Spectrum and Russell Hobbs. SB Holdings is not transferring cash or other assets and is not incurring liabilities in the combination and will not execute any significant pre-combination activities.

As a result of the foregoing analysis, for accounting and financial statement purposes, the transaction will be treated as an acquisition of Russell Hobbs by Spectrum pursuant to U.S. generally accepted accounting principles. Accordingly, while SB Holdings is the legal acquirer and the registrant in the mergers, Spectrum is deemed to be the accounting acquirer in this proposed merger transactions based on the facts and circumstances outlined above.

Material Support and Ancillary Agreements in Connection with the Proposed Transaction

The following discussion summarizes material provisions of (i) the Harbinger Support Agreement, as amended by the Letter Agreement, and (ii) the Avenue Support Agreement. In addition, the following discussion summarizes material provisions of a limited guarantee, the Registration Rights Agreement and the three amendments to the merger agreement. A copy of each of the Harbinger Support Agreement, Letter Agreement, Avenue Support Agreement and the three amendment to the merger agreement has been incorporated as an exhibit to SB Holdings Registration Statement on Form S-4 and is incorporated by reference herein. The rights and obligations of the respective parties to the Harbinger Support Agreement and the Avenue Support Agreement are governed by the express terms and conditions of the respective support agreements and not by this summary or any other information contained in this document. Spectrum and Russell Hobbs urge you to read each of the Support Agreements carefully in their entirety, as well as this proxy statement/prospectus, before making any decisions regarding the mergers.

The Harbinger Support Agreement

Pursuant to the Harbinger Support Agreement, the Harbinger Parties have agreed to adopt the merger agreement by written consent in their capacities as stockholders of Russell Hobbs as promptly as practical after the date of the merger agreement.

The Harbinger Parties also have agreed that until the earlier of the termination of the merger agreement in accordance with its terms or the consummation of the mergers, in their capacities as Russell Hobbs stockholders and Spectrum stockholders, as applicable, they will vote their shares of Spectrum common stock acquired prior to the date of the merger agreement and their shares of Russell Hobbs Stock: (i) in favor of the adoption of the merger agreement; (ii) against the approval of any action or proposal that would reasonably be expected to result in a material breach by Spectrum or Russell Hobbs of any covenant, warranty or representation contained in the

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merger agreement; and (iii) except with the written consent of Spectrum, against (x) any Alternative Proposal with respect to Spectrum or Russell Hobbs that would impede the mergers or (y) any other action or proposal involving Spectrum or Russell Hobbs that would reasonably be expected to prevent or materially impede, interfere with or delay the mergers.

In the event that the merger agreement is terminated by the Spectrum Board in connection with a Superior Proposal involving all or substantially all of Spectrum s assets or stock and which may not be consummated without a vote of the Spectrum stockholders before the Spectrum stockholders adopt the merger agreement (see The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal) and for which the consideration for Spectrum common stock under the Superior Proposal is at least $34.65 per share, then for a period of six months following such termination:

- if the Superior Proposal is not in the form of a tender offer or exchange offer for shares of Spectrum common stock, the Harbinger Parties agree to vote a sufficient number of shares of Spectrum common stock (other than shares purchased by the Harbinger Parties after March 1, 2010 pursuant to the Letter Agreement to cause the Superior Proposal to be approved, assuming at least two-thirds of the shares of Spectrum common stock not owned by the Harbinger Parties or their affiliates (except Letter Agreement Shares) are voted in favor of the Superior Proposal; or

- if the Superior Proposal is in the form of a tender offer or exchange offer for shares of Spectrum common stock, the Harbinger Parties will tender a number of their shares of Spectrum common stock (other than the Letter Agreement Shares) that would result in greater than 50% of the outstanding shares of Spectrum common stock being tendered in such offer, assuming at least two-thirds of the shares of Spectrum common stock not owned by the Harbinger Parties or their affiliates (except Letter Agreement Shares) are tendered in the offer.

Under the Letter Agreement, the Harbinger Parties may, but are not obligated to, purchase up to an aggregate of 100,000 shares of Spectrum common stock per week, up to an aggregate maximum of two million shares, from any person or entity from the date of the Letter Agreement until the earlier of the consummation of the mergers or the termination of the merger agreement. As of May 5, 2010, the Harbinger Parties had purchased a total of 387,379 Letter Agreement Shares for an aggregate purchase price of $11.6 million.

In addition, under the Letter Agreement, the Harbinger Parties agree to vote the Letter Agreement Shares with respect to the merger agreement and the mergers as follows:

- Letter Agreement Shares purchased from the Avenue Parties will be voted by the Harbinger Parties in the same manner that the Avenue Parties are required to vote their shares of Spectrum common stock under the Avenue Support Agreement, unless the Spectrum Board has made a change of recommendation to the Spectrum stockholders (see The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal), in which case such Letter Agreement Shares will be voted proportionately with the holders of Spectrum common stock (other than the Harbinger Parties, the Avenue Parties and their respective affiliates); and

- Letter Agreement Shares purchased from stockholders of Spectrum (other than the Avenue Parties) will be voted by the Harbinger Parties proportionately with the votes of the holders of Spectrum common stock (other than the Harbinger Parties, the Avenue Parties and their respective affiliates).

In the event that the merger agreement is terminated by the Spectrum Board in connection with a Superior Proposal before the Spectrum stockholders adopt the merger agreement, regardless of the amount of the consideration for Spectrum common stock under the Superior Proposal, then for a period of six months following such termination the Harbinger Parties agree to vote their Letter Agreement Shares proportionately with the holders of Spectrum common stock (other than the Harbinger Parties) with respect to the Superior Proposal, or if the Superior Proposal is in the form of a tender or exchange offer, the Harbinger Parties will tender a portion of the Letter Agreement Shares in the same proportion as shares of Spectrum common stock owned by Spectrum stockholders (other than the Harbinger Parties) are tendered.

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In addition, under the Harbinger Support Agreement, as amended by the Letter Agreement, the Harbinger Parties agree, among other things and subject to the terms and conditions set forth therein:

- to waive any rights of appraisal or rights to dissent from the mergers that they may have under applicable law;
- not to initiate, knowingly encourage, knowingly facilitate, or solicit any inquiries with respect to or the making of any proposal or action that constitutes or may reasonably be expected to lead to an Alternative Proposal with respect to the Russell Hobbs merger or otherwise participate in negotiations or provide information regarding any such Alternative Proposal;
- to consent to the amendments to the PIK Notes Indenture proposed in the Spectrum Consent Solicitation, and not require Spectrum to acquire their PIK Notes in the event that the mergers are deemed to constitute a change of control under the PIK Notes Indenture;
- not to (i) sell, transfer, assign, pledge, encumber, or otherwise dispose of their shares of Spectrum common stock, their shares of Russell Hobbs Stock or their PIK Notes, unless the transferee agrees to be bound by the Harbinger Support Agreement, or (ii) enter into any voting agreements or grant any proxies with respect to their shares of Spectrum common stock, their shares of Russell Hobbs Stock or their PIK Notes, prior to the termination of the Harbinger Support Agreement; and
- to comply with the terms of the Harbinger Indemnification Agreement (defined below see Material Support and Ancillary Agreements in connection with the Proposed Transaction Harbinger Indemnification Agreement) and not amend, modify, waive or give any consent under the Harbinger Indemnification Agreement (i) prior to the consummation of the mergers, without the prior consent of the Committee and (ii) after the consummation of the mergers, without the approval of the special nominating committee.

The Avenue Support Agreement

Pursuant to the Avenue Support Agreement, the Avenue Parties have agreed that until the termination of the Avenue Support Agreement upon the earlier of (i) the termination of the merger agreement in accordance with its terms, (ii) the consummation of the mergers, (iii) the date that is fifteen business days after the Spectrum Board has effected a change of recommendation with respect to the merger agreement and the mergers (that has not been rescinded), (iv) the date that is fifteen business days after the Committee has recommended that the Spectrum Board effect such a change of recommendation, and (v) the close of business on August 12, 2010, in their capacities as Spectrum stockholders, they will vote their shares of Spectrum common stock at any meeting of the Spectrum stockholders: (x) in favor of the adoption of the merger agreement; (y) against the approval of any action or proposal that would reasonably be expected to result in a material breach by Spectrum of any covenant, warranty or representation contained in the merger agreement; and (z) except with the written consent of Spectrum, against (1) any Alternative Proposal with respect to Spectrum that would impede the mergers or (2) any other action or proposal involving Spectrum that would reasonably be expected to prevent, materially impede, interfere with, or delay the Spectrum merger.

In addition, under the Avenue Support Agreement, the Avenue Parties agree, among other things:

- to waive any rights of appraisal or rights to dissent from the mergers that they may have;
- to consent to the amendments to the PIK Notes Indenture proposed in the Spectrum Consent Solicitation, and not require Spectrum to acquire their PIK Notes in the event that the mergers are deemed to constitute a change of control under the PIK Notes Indenture; and
- not to (i) sell, transfer, assign, pledge, encumber, or otherwise dispose of their shares of Spectrum common stock or their PIK Notes, unless the transferee agrees to be bound by the Avenue Support Agreement, or (ii) enter into any voting agreements or grant any

proxies with respect to their shares of Spectrum common stock or their PIK Notes, prior to the termination of the Avenue Support Agreement.

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The Limited Guarantee

Harbinger Master Fund has entered into a limited guarantee in favor of Spectrum, dated as of February 9, 2010 (the Limited Guarantee), pursuant to which Harbinger Master Fund has agreed to, among other things and subject to the terms and conditions set forth therein, guarantee the payment by Russell Hobbs, if and when due and to the extent Russell Hobbs is in default of making such payment, of (i) the reverse termination fee following termination of the merger agreement and (ii) monetary damages payable by Russell Hobbs following termination of the merger agreement to the extent awarded to Spectrum pursuant to a final, non-appealable order rendered against Russell Hobbs in connection with any willful and material breach (as defined in the merger agreement) of its obligations under the merger agreement. The maximum amount payable by Harbinger Master Fund under the Limited Guarantee is $50 million less any amounts paid by Russell Hobbs or the Harbinger Parties, or their respective affiliates as damages under any documents related to the proposed transaction. The foregoing description of the Limited Guarantee does not purport to be a full description of the terms thereof and is qualified in its entirety by reference to the full text of the Limited Guarantee, a copy of which is filed as an exhibit to SB Holdings Registration Statement on Form S-4 and incorporated into this proxy statement/prospectus by reference.

Registration Rights Agreement

In connection with the merger agreement, the Harbinger Parties, the Avenue Parties and SB Holdings entered into the Registration Rights Agreement, dated as of February 9, 2010, pursuant to which, after the consummation of the mergers, the Harbinger Parties and the Avenue Parties will have certain demand and so-called piggy back registration rights with respect to their shares of SB Holdings common stock.

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

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

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

registered under the shelf registration to be offered in a firm commitment underwritten public offering, so long as the anticipated aggregate offering amount to the public is at least $10 million.

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

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

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

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

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

The rights of a given Harbinger Party or Avenue Party to demand registration for the SB Holdings common stock held by such party shall, with respect to such SB Holdings common stock, terminate (i) upon the sale of the relevant SB Holdings common stock pursuant to an effective registration statement or Rule 144 of the Securities Act, (ii) once the entire amount of SB Holdings common stock held by the relevant holder may, in the opinion of counsel, be sold in a single sale without any limitation as to volume under Rule 144, (iii) once such Harbinger Party or Avenue Party owns less than 1% of the outstanding SB Holdings common stock on a fully-diluted basis,

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(iv) if the SB Holdings common stock is proposed to be sold by a person not entitled to registration rights under the Registration Rights Agreement, or (v) once such SB Holdings common stock is no longer outstanding.

The Registration Rights Agreement contains customary provisions allocating rights and responsibilities among the parties thereto and obligating SB Holdings and the other parties to the Registration Rights Agreement to indemnify each other against certain liabilities arising from any registration of securities thereunder. The obligations of the parties under the Registration Rights Agreement terminate upon termination of the merger agreement.

The foregoing description of the Registration Rights Agreement does not purport to be a full description of the terms thereof and is qualified in its entirety by reference to the full text of the Registration Rights Agreement, a copy of which is filed as an exhibit to SB Holdings Registration Statement on Form S-4 and incorporated into this document by reference.

Harbinger Indemnification Agreement

Russell Hobbs and Harbinger Master Fund have entered into an indemnification agreement, dated as of February 9, 2010 (the Harbinger Indemnification Agreement), by which Harbinger Master Fund has agreed, effective upon the consummation of the mergers, to indemnify Russell Hobbs, its subsidiaries and any entity that owns all of the outstanding voting stock of Russell Hobbs against any out-of-pocket losses, costs, expenses, judgments, penalties, fines and other damages in excess of $3 million incurred with respect to the NACCO litigation described in this proxy statement/prospectus and any future litigation or legal action against the indemnified parties arising out of or relating to the matters which form the basis of such litigation. See Additional Information About the Companies Description of Ongoing Litigation of Russell Hobbs NACCO Litigation.

First Amendment to Merger Agreement

The parties to the merger agreement entered into the first amendment to the merger agreement, dated as of March 1, 2010, which extended the go-shop period under the merger agreement by 15 days to April 9, 2010. The first amendment was entered into in order to provide Spectrum with additional time to solicit Alternative Proposals to the Spectrum merger. The first amendment also provides that any shares acquired by the Harbinger Parties pursuant to the Letter Agreement, all of which must be voted as set forth in the Letter Agreement and not in the Harbinger Parties discretion, will not be deemed to be owned by the Harbinger Parties for purposes of determining whether the merger agreement has been adopted by the affirmative vote of the holders of a majority of the outstanding shares of Spectrum common stock entitled to vote not beneficially owned by the Harbinger Parties (see The Proposed Transaction Material Support and Ancillary Agreements in connection with the Proposed Transaction Harbinger Support Agreement and The Proposed Transaction Spectrum Stockholder Vote Required). The purpose of this change is to ensure that any shares acquired by the Harbinger Parties pursuant to the Letter Agreement are counted for purposes of obtaining the adoption of the merger agreement by a majority of the outstanding shares of Spectrum common stock entitled to vote, other than shares held by the Harbinger Parties as of the date of the merger agreement. The foregoing description of the first amendment does not purport to be a full description of the terms thereof and is qualified in its entirety by reference to the full text of the Amendment, which has been incorporated as an exhibit to SB Holdings Registration Statement on Form S-4 and is incorporated by reference into this proxy statement/prospectus.

Second Amendment to Merger Agreement

The parties to the merger agreement entered into a second amendment to the merger agreement dated as of March 26, 2010. The second amendment was executed to incorporate several technical revisions to the SB Holdings certificate of incorporation and by-laws to be effective at the closing of the mergers. In addition, the second amendment clarified that Spectrum stockholder approval is required only for the adoption of the merger agreement and not any other aspects of the proposed transaction.

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Third Amendment to the Merger Agreement

The parties to the merger agreement entered into a third amendment to the merger agreement dated as of April 30, 2010 (the third amendment). The third amendment was executed to incorporate further clarifying revisions to the SB Holdings certificate of incorporation to be effective at or prior to the closing of the mergers.

New Certificate of Incorporation and New By-laws of SB Holdings; Stockholder Agreement

The following discussion summarizes material provisions of (i) the form of restated certificate of incorporation of SB Holdings to be adopted at or prior to the effective time of the mergers pursuant to the merger agreement, which we refer to as the New Certificate of Incorporation, (ii) the form of amended and restated by-laws to be adopted by SB Holdings at or prior to the effective time of the mergers pursuant to the merger agreement, which we refer to as the New By-laws, and (iii) the Stockholder Agreement. A copy of each of the form of New Certificate of Incorporation, the form of New By-laws, and the Stockholder Agreement has been incorporated as an exhibit to SB Holdings Registration Statement on Form S-4 and is incorporated by reference herein. The rights and obligations of the stockholders of SB Holdings under the New Certificate of Incorporation and New By-laws, if and when they are adopted, and the rights of the respective parties to the Stockholder Agreement are governed by the express terms and conditions of such documents and not by this summary or any other information contained in this document. Each of the form of New Certificate of Incorporation, the form of New By-laws and the Stockholder Agreement should be read carefully in their entirety, as well as this proxy statement/prospectus, before making any decisions regarding the mergers.

New Certificate of Incorporation and New By-laws

Under the New Certificate of Incorporation and New By-laws, at the effective time of the mergers, the board of directors of SB Holdings will, subject to any rights of holders of any series of SB Holdings preferred stock, initially be divided into three classes and consist of ten directors. Initially, six directors will be designated by Russell Hobbs, three will be designated by Spectrum, and one will be the Chief Executive Officer of SB Holdings. Following the effective time of the mergers, at least three of the directors are to be independent directors nominated by a special nominating committee of the SB Holdings board of directors (the Special Nominating Committee), and the remaining seven directors are to be nominated by a nominating and governance committee of the SB Holdings board of directors (the Nominating and Governance Committee). The Special Nominating Committee is to consist of three independent directors, and the initial members of the Special Nominating Committee will be Marc S. Kirschner, Norman S. Matthews and Hugh R. Rovit. Pursuant to the New Certificate of Incorporation, any vacancy on the Special Nominating Committee is to be filled by an independent director selected by the remaining members (or member) of the Special Nominating Committee. The Nominating and Governance Committee is to consist of (i) a majority of directors designated for nomination by the Harbinger Parties and (ii) at least one independent director.

The New Certificate of Incorporation will also contain the following provisions when adopted at or prior to the effective time of the mergers:

- preemptive rights with respect to newly issued SB Holdings securities for stockholders owning 5% or more of SB Holdings outstanding voting securities;

- the prohibition of going-private transactions initiated or engaged in by any holder of 40% or more of SB Holdings outstanding voting securities (or by such holders affiliates) (such holder, together with its affiliates, a Significant Stockholder), unless (i) in the case of a transaction that is not a tender or exchange offer by a Significant Stockholder, such transaction is approved by (x) the SB Holdings board of directors and a majority of the disinterested board members and (y) a majority of the outstanding voting securities of SB Holdings not beneficially owned by such Significant Stockholder, or (ii) in the case of a transaction that is a tender or exchange offer by a Significant Stockholder, (x) such offer is contingent upon such stockholder acquiring a majority of the outstanding securities not

beneficially owned by it and its affiliates pursuant to the offer and agreeing to acquire the remaining shares not tendered in a second-step merger at the same consideration per share paid in the offer, and (y) the disinterested members of the SB Holdings board of directors are authorized to disclose a position with respect to the offer as contemplated under Rules 14d-9 and 14e-2(a) of the Exchange Act, as amended, and such disinterested board members do not recommend that the stockholders refrain from tendering their shares; and

subject to certain exceptions set forth in the New Certificate of Incorporation, the prohibition of transactions involving aggregate consideration in excess of $1 million between SB Holdings or any of its subsidiaries (including Spectrum and Russell Hobbs) and a Significant Stockholder (or for the benefit of such a Significant Stockholder), unless such transaction receives the prior approval of the SB Holdings board of directors and a majority of the Special Nominating Committee.

The New By-laws will also provide for tag along rights for the benefit of SB Holdings minority stockholders when adopted at the effective time of the mergers. These tag along rights allow each SB Holdings stockholder to sell all of its SB Holdings voting securities in any transaction where an SB Holdings stockholder, together with its affiliates, intends to sell 50% or more of the then-outstanding voting securities of SB Holdings. These tag along rights terminate upon the earlier to occur of (i) the second anniversary of the effective date of the mergers and (ii) the date on which the holders of 5% or more of the outstanding voting securities of SB Holdings no longer own, in the aggregate, 65% or more of the outstanding voting securities of SB Holdings.

Stockholder Agreement

Pursuant to the Stockholder Agreement, the Harbinger Parties and SB Holdings have agreed that among other things and subject to the terms and conditions set forth therein:

as of the effective time of the mergers and for so long as the Harbinger Parties own 40% or more of the outstanding voting securities of SB Holdings, the Harbinger Parties will vote their shares of SB Holdings common stock to effect the structure of the SB Holdings board of directors summarized above and to ensure that the Chief Executive Officer of SB Holdings is elected to the SB Holdings board of directors;

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

the Harbinger Parties will be granted certain access and informational rights with respect to SB Holdings and its subsidiaries, as further set forth in the Stockholder Agreement.

Certain provisions of the Stockholder Agreement terminate on the date on which the Harbinger Parties no longer constitute a Significant Stockholder. The Stockholder Agreement terminates when any person (including the Harbinger Parties) acquires 90% or more of the outstanding voting securities of SB Holdings.

Federal Securities Laws Consequences

This proxy statement/prospectus does not cover any resale of the SB Holdings common stock to be received by Spectrum s and Russell Hobbs stockholders upon consummation of the mergers, and no person is authorized to make any use of this document in connection with any resale.

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All common stock of SB Holdings that Spectrum and Russell Hobbs stockholders receive pursuant to the mergers will be freely transferable, with the exception of the SB Holdings common stock received by persons who are deemed to be affiliates of Spectrum or Russell Hobbs under the Securities Act, and the related SEC rules and regulations, at the time of the special meeting. These affiliates may resell their SB Holdings common stock only in transactions permitted by Rule 145 under the Securities Act or as otherwise allowed under the Securities Act. Persons who may be deemed to be affiliates of Spectrum or Russell Hobbs for these purposes generally include individuals or entities that control, are controlled by, or are under common control with Spectrum or Russell Hobbs, such as the Harbinger Parties, and may include some officers, directors and principal stockholders of Spectrum or Russell Hobbs.

In connection with the merger agreement, the Harbinger Parties, the Avenue Parties and SB Holdings entered into the Registration Rights Agreement, dated as of February 9, 2010, pursuant to which, after the consummation of the mergers, the Harbinger Parties and the Avenue Parties will have certain demand and so-called piggy back registration rights with respect their shares of SB Holdings common stock.

Under the Registration Rights Agreement, after the consummation of the mergers, any of the Harbinger Parties and the Avenue Parties may demand that SB Holdings register all or a portion of such Harbinger Party s or Avenue Party s SB Holdings common stock for sale under the Securities Act, so long as the anticipated aggregate offering amount of the securities to be offered to the public (based on the average of the daily closing price of the securities for the 30 immediately preceding trading days) is (i) at least $30 million if registration is to be effected pursuant to a registration statement on Form S-1 or a similar long-form registration or (ii) at least $5 million if registration is to be effected pursuant to a registration statement on Form S-3 or a similar short-form registration. See The Proposed Transaction Material Support and Ancillary Agreements in Connection with the Proposed Transaction Registration Rights Agreement.

THE MERGER AGREEMENT (PROPOSAL NO. 1)

The following discussion summarizes material provisions of the merger agreement, as amended by three amendments to the merger agreement, copies of which are attached as Annex A-1, Annex A-2, Annex A-3, and Annex A-4, respectively, to this proxy statement/prospectus and are incorporated by reference into this document. The rights and obligations of the parties to the merger agreement are governed by the express terms and conditions of the merger agreement and the three amendments to the merger agreement and not by this summary or any other information contained in this proxy statement/prospectus. We urge you to read the merger agreement and the three amendments to the merger agreement carefully in their entirety, as well as this proxy statement/prospectus, before making any decision regarding Proposal No. 1.

The Mergers

Structure of the Mergers

Subject to the terms and conditions of the merger agreement and in accordance with the DGCL, (i) Battery Sub will merge with and into Spectrum, with Spectrum as the surviving corporation, and (ii) Grill Sub will merge with and into Russell Hobbs, with Russell Hobbs as the surviving corporation. Battery Sub and Grill Sub are both direct wholly-owned subsidiaries of SB Holdings. As a result of the mergers, Spectrum and Russell Hobbs will become subsidiaries of SB Holdings.

Following the consummation of the mergers, SB Holdings will contribute 100% of the equity interests in Russell Hobbs to Spectrum, such that after such contribution, Russell Hobbs will be a direct wholly-owned subsidiary of Spectrum. SB Holdings will then contribute 100% of the equity interests of Spectrum to a newly-formed Delaware limited liability company which will be a direct wholly-owned subsidiary of SB Holdings.

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Set forth below is an organizational chart indicating the proposed corporate structure of the combined entities under SB Holdings.

Closing; Effective Time of the Mergers

The consummation of the mergers will occur on a date to be specified by the parties to the merger agreement not later than the second business day after the satisfaction or waiver of the conditions set forth in the merger agreement, other than those conditions to be satisfied at the consummation of the mergers, which must be satisfied (or waived) at such time.

The mergers will become effective upon filing of the requisite certificates of merger with the Secretary of State of the State of Delaware or at such later time as may be agreed to by Spectrum and Russell Hobbs and set forth in the certificates of merger.

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Merger Consideration

Consideration with Respect to Spectrum Common Stock

At the effective time of the Spectrum merger, each outstanding share of Spectrum common stock will be automatically converted into and will represent only the right to receive one fully paid and non-assessable share of SB Holdings common stock. However, Spectrum common stock held by Spectrum as treasury stock, and any shares of Spectrum common stock held by a subsidiary of Spectrum or by SB Holdings, Russell Hobbs, Battery Sub, Grill Sub or any subsidiary of any of the foregoing will be cancelled and cease to exist without conversion upon the closing of the Spectrum merger and no consideration will be paid with respect to such securities.

The exchange ratio for the conversion of Spectrum common stock into SB Holdings common stock will be adjusted to reflect the effect of any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification or other similar change with respect to Spectrum common stock or SB Holdings common stock.

Consideration with Respect to Russell Hobbs Stock

At the effective time of the Russell Hobbs merger, each outstanding share of Russell Hobbs voting common stock and non-voting common stock issued and outstanding immediately prior to the effective time will be automatically converted into the right to receive a number of shares of SB Holdings common stock equal to the RH Common Exchange Ratio, calculated as follows: a number of shares of SB Holdings common stock equal to:

the quotient obtained by dividing (i) (1) an enterprise value of Russell Hobbs of $675 million, (2) plus the amount of cash held by Russell Hobbs immediately prior to the closing in excess of $17 million (subject to certain adjustments set forth in the merger agreement), or to the extent that such cash is less than $17 million, minus the difference, (3) less Russell Hobbs indebtedness for borrowed money as of immediately prior to the closing (other than the amount outstanding under the term loan held by Harbinger Master Fund and Harbinger Special Situations Fund (such loan, the RH Term Loan)) and (4) less the indebtedness under the RH Term Loan; by (ii) $31.50;

less the number of shares of SB Holdings common stock to be issued with respect to the Russell Hobbs preferred stock in the Russell Hobbs merger pursuant to the exchange ratios described below;

then divided by the sum of (1) the number of shares of Russell Hobbs common stock outstanding immediately prior to the closing and (2) the number of shares of Russell Hobbs common stock issuable upon conversion of all Russell Hobbs restricted stock units outstanding immediately prior to the closing.

At the effective time of the Russell Hobbs merger, each share of Russell Hobbs Series D preferred stock and Series E preferred stock issued and outstanding immediately prior to the effective time will be automatically converted into and will represent only the right to receive a number of shares of SB Holdings common stock equal to the liquidation preference of $1,000 for such share of preferred stock plus any unpaid, accrued or accumulated dividends or other amounts due with respect to such share of preferred stock, divided by $31.50.

Pursuant to the terms of the merger agreement, SB Holdings will acquire the RH Term Loan by issuing shares to Harbinger Master Fund and Harbinger Special Situations Fund a number of shares of SB Holdings common stock equal to the quotient obtained by dividing the outstanding amount of the RH Term Loan (including accrued but unpaid interest and prepayment penalties) by $31.50.

However, any shares of Russell Hobbs Stock owned by Russell Hobbs as treasury stock, and any shares of Russell Hobbs Stock owned by a subsidiary of Russell Hobbs or by SB Holdings, Spectrum, Grill Sub or any subsidiary of any of the foregoing will be cancelled and cease to exist without conversion upon the closing of the Russell Hobbs merger and no consideration will be paid with respect to such securities.

The applicable number of shares of SB Holdings common stock to be issued upon the conversion of Russell Hobbs Stock and in consideration for the RH Term Loan will be adjusted to reflect the effect of any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification or other similar change with respect to SB Holdings common stock, Spectrum common stock, or Russell Hobbs Stock.

No fractional shares of SB Holdings common stock will be issued in the mergers. Holders of shares of Spectrum common stock or Russell Hobbs Stock will be paid cash, without interest, for any fractional shares which they might otherwise have received pursuant to the mergers in an amount equal to the product of the fractional share interest multiplied by $31.50.

Treatment of Options and Other Awards

Treatment of Spectrum Restricted Stock

Prior to and contingent upon the mergers closing, the Spectrum Board (or the appropriate committee thereof) will take any actions necessary to cause each share of restricted stock with respect to Spectrum common stock to be converted into a share of restricted stock with respect to SB Holdings common stock at the exchange ratio for the conversion of Spectrum common stock, as may be adjusted, without change in the vesting schedule and other terms and conditions of the restricted stock. At the effective time of the mergers, the Spectrum 2009 Incentive Plan will be assumed by SB Holdings. See The Proposed Transaction Interests of Certain Persons in the Spectrum Merger Spectrum Officers and Directors Equity Awards .

Treatment of Russell Hobbs Equity-Based Awards and Options

Prior to the closing date and contingent upon consummation of the mergers, the Russell Hobbs board of directors will take such actions necessary to cause each RSU entitling the holder to an equity-based payment measured by reference to the value of Russell Hobbs Stock to be converted into a RSU entitling the holder to an equity-based payment measured by reference to the value of SB Holdings common stock at the applicable exchange ratio for the conversion of such Russell Hobbs Stock, as may be adjusted, without change in the vesting schedule and other terms and conditions of RSU. Any outstanding non-qualified stock option entitling the holder to acquire Russell Hobbs Stock will be converted into a non-qualified stock option entitling the holder to acquire shares of SB Holdings, without change in the vesting schedule and other terms and conditions of the non-qualified stock option, and the exercise price will equal the exercise price immediately prior to the effective time divided by the RH Common Exchange Ratio specified in the merger agreement. At the effective time of the mergers, the Equity Plan will be assumed by SB Holdings. See The Proposed Transaction Interests of Certain Persons in the Spectrum Merger Russell Hobbs Equity Awards .

Exchange of Shares

Exchange of Shares of Spectrum Common Stock and Russell Hobbs Stock

At the effective time of the mergers, each holder of shares of Spectrum common stock or Russell Hobbs Stock will cease to have any rights with respect to such Spectrum common stock or Russell Hobbs Stock, as applicable, except for the right to receive, without interest, (i) the applicable merger consideration, (ii) cash in lieu of any fractional shares of SB Holdings common stock otherwise issuable for the stockholder s shares of Spectrum or Russell Hobbs common stock, and (iii) any previously unpaid dividends or distributions on the SB Holdings common stock exchangeable for such holder s shares of Spectrum common stock or Russell Hobbs Stock and with a record date after the effective time of the mergers. After the effective time of the mergers, no further registration of transfers on the stock transfer books of Spectrum or Russell Hobbs will occur, and if uncertificated shares of Spectrum common stock are presented for transfer to the exchange agent, or if certificates representing shares of Russell Hobbs Stock are surrendered or such uncertificated shares are presented for transfer to the exchange agent, after the effective time, they will be cancelled and exchanged for the applicable merger consideration, any cash in lieu of fractional shares of SB Holdings common stock, and any previously unpaid dividends or distributions on the SB Holdings common stock with a record date after the effective time of the mergers, less the amount of any withholding taxes, all in accordance with the merger agreement.

Exchange Agent; Letter of Transmittal

At or prior to the effective time of the mergers, SB Holdings will engage a nationally-recognized institution reasonably acceptable to Spectrum to administer the exchange of shares of Spectrum common stock for shares of SB Holdings common stock and the payment of cash in lieu of fractional shares of SB Holdings common stock to holders of shares of Spectrum common stock.

Promptly after the effective time of the mergers, the exchange agent will send to each record holder of Spectrum common stock at the effective time of the mergers a transmittal letter and instructions for the surrender of shares of Spectrum common stock for the applicable merger consideration, cash in lieu of fractional shares of SB Holdings common stock, and any previously unpaid dividends or distributions on the SB Holdings common stock exchangeable for the surrendered shares of Spectrum common stock with a record date after the effective time of the mergers. Delivery will be effected, and risk of loss and title to shares of Spectrum common stock will pass, only upon transfer of uncertificated shares of Spectrum common stock to the exchange agent in the manner set forth in the transmittal letter and instructions. Holders of shares of Spectrum common stock should not transfer their shares of Spectrum common stock to the exchange agent until they receive the letter of transmittal and instructions from the exchange agent. Documents evidencing ownership of shares of Spectrum common stock should not be sent with the enclosed proxy nor should they be sent to SB Holdings if the holder of Spectrum common stock also owns shares of Russell Hobbs Stock and receives a letter of transmittal and instructions from SB Holdings with respect to such holder s shares of Russell Hobbs Stock.

Promptly after the effective time of the mergers, SB Holdings will send to each record holder of Russell Hobbs Stock at the effective time of the mergers a transmittal letter and instructions for surrendering the shares of Russell Hobbs Stock in exchange for the applicable merger consideration, cash in lieu of fractional shares of SB Holdings common stock, and any previously unpaid dividends or distributions on the SB Holdings common stock exchangeable for the surrendered shares of Russell Hobbs Stock with a record date after the effective time of the mergers. Holders of shares of Russell Hobbs Stock should not submit their Russell Hobbs Stock certificates for exchange until they receive the letter of transmittal and instructions from SB Holdings. Russell Hobbs Stock certificates should not be sent with the enclosed proxy, nor should they be sent to the exchange agent if the holder of shares of Russell Hobbs Stock also owns shares of Spectrum common stock and receives a letter of transmittal and instructions from the exchange agent with respect to its shares of Spectrum common stock.

Book-Entry Form Unless Certificate Requested; Lost, Stolen or Destroyed Certificates

Shares of SB Holdings common stock will be issued in uncertificated book-entry form unless a physical certificate is requested.

If a certificate for shares of Spectrum common stock or for Russell Hobbs Stock has been lost, stolen or destroyed, the holder of such certificate will (1) make an affidavit of that fact, (2) if required by SB Holdings, execute an agreement of indemnification in a form reasonably satisfactory to SB Holdings, and (3) if reasonably required by SB Holdings, post a bond in such reasonable amount determined by SB Holdings as indemnity against any claim made against it in respect of such lost, stolen or destroyed certificate, prior to receiving the applicable merger consideration, cash in lieu of fractional shares, and any previously unpaid dividends or distributions payable with respect to the shares of SB Holdings common stock exchangeable for such certificate with a record date after the effective time.

Withholding

SB Holdings or the exchange agent, as applicable, will be entitled to deduct and withhold from any amounts payable to any holder of shares of Spectrum common stock or Russell Hobbs Stock in connection with payment of the merger consideration, such amounts as are required to be deducted or withheld with respect to such payment under applicable tax laws and these amounts will be treated as having been paid to such holders from whom they were withheld.

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Representations and Warranties

The merger agreement contains customary representations and warranties made by Spectrum to Russell Hobbs and SB Holdings and made by Russell Hobbs to Spectrum and SB Holdings. The representations and warranties of Spectrum are qualified by, among other things, the information included in Spectrum s reports, registration statements, certifications and definitive proxy statement filed by Spectrum with the SEC since August 30, 2009 and prior to February 9, 2010. The assertions embodied in the representations and warranties were made solely for purposes of the merger agreement and may be subject to important qualifications and limitations agreed to by the parties to the merger agreement in connection with negotiating its the terms. In addition, certain representations and warranties were made as of a specified date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders, or may have been used for the purpose of allocating risk between Spectrum, Russell Hobbs and the other parties to the merger agreement rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties as statements of factual information. The representations and warranties in the merger agreement do not survive the consummation of the mergers or the termination of the merger agreement.

Pursuant to the merger agreement, each of Spectrum and Russell Hobbs made representations and warranties relating to, among other things:

- corporate organization, including incorporation, qualification, subsidiaries, and charter documents;
- capitalization;
- power and authority to execute, deliver, and perform its obligations under the merger agreement, and the required approvals, filings, and consents relating to the merger agreement;
- stockholder vote requirements to adopt the merger agreement;
- financial statements, indebtedness, and internal controls;
- absence of certain changes since December 31, 2009;
- compliance with applicable law;
- tax matters;
- material contracts;
- reports and regulatory matters;
- third party and governmental consents;

intellectual property matters;

owned and leased property;

absence of certain litigation, orders, or investigations;

absence of undisclosed liabilities;

inapplicability of takeover statutes and absence of applicable anti-takeover provisions in organizational documents with respect to the mergers;

employment and labor matters, including with respect to employee benefit plans;

environmental matters;

insurance coverage;

affiliate transactions; and

brokers and advisors fees payable in connection with the mergers.

Spectrum has also made certain representations and warranties to Russell Hobbs and SB Holdings regarding:

- documents filed with the SEC and the accuracy of information contained in those documents;
- the absence of any event that would have a material adverse effect since September 30, 2009;
- certain matters related to its 2009 bankruptcy; and
- receipt of an opinion from the Committee s financial advisor.

Russell Hobbs has also made certain representations and warranties to Spectrum and SB Holdings regarding:

- the absence of any event that would have a material adverse effect since June 30, 2009; and
- the debt financing commitments.

Conduct of Business Pending the Mergers

Under the merger agreement, each of Spectrum and Russell Hobbs has agreed, from the date of the merger agreement until the earlier of the consummation of the proposed transaction or termination of the merger agreement and subject to certain exceptions set forth in the merger agreement, to use its reasonable best efforts to conduct its business in the ordinary course consistent with past practices in all material respects and to preserve intact in all material respects, consistent with past practices, its business organizations, services of its current officers and key employees, and its relations with customers, suppliers, licensors, licensees, distributors, governmental authorities and others having business dealings with Spectrum or Russell Hobbs, as applicable, or its respective subsidiaries.

In addition, each of Spectrum and Russell Hobbs has agreed, from the date of the merger agreement until the earlier of the consummation of the proposed transaction or termination of the merger agreement and subject to applicable law and certain exceptions set forth in the merger agreement, that it will not (and will not permit its respective subsidiaries to), without the prior written consent of the other party (any such request for consent to be considered in good faith), among other things, directly or indirectly:

- amend or fail to comply with its organizational documents;
- make or authorize any change in its authorized or issued capital stock or other equity interests, or acquire, redeem, issue, deliver, encumber, pledge, sell or otherwise dispose of any of its capital stock, other equity interests, or securities convertible into or exchangeable for any of its capital stock or other equity interests, other than, in the case of Russell Hobbs, shares of Russell Hobbs common stock issued pursuant to the exercise of options to purchase Russell Hobbs common stock in the ordinary course of business;
- split, combine, or reclassify any of its capital stock or other equity interests or issue any other security in respect of its capital stock or other equity interests;

declare, set aside, make, or pay any dividend or other distributions with respect to its capital stock, except for dividends and distributions by a direct or indirect wholly-owned subsidiary of the party to it or to another of its wholly-owned subsidiaries;

renew, extend, modify, amend or terminate any of its material contracts or waive, release, or assign any material rights or material claims under any of its material contracts, except (1) where renewals are required by law or by the material contract, or (2) in the ordinary course of business;

enter into a material contract except in the ordinary course of business;

enter into any agreement with respect to the voting of its capital stock;

issue any indebtedness in excess of $250,000 individually or $5,000,000 in the aggregate, other than (1) the incurrence of indebtedness under certain of its current credit facilities specified in the merger agreement, (2) for extensions, renewals or refinancings of existing indebtedness (in amounts not greater than the existing indebtedness being replaced) or (3) inter-company indebtedness;

acquire or merge or consolidate with any entity or business or form any joint venture;

adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization, bankruptcy, merger or other reorganization involving it or any of its subsidiaries, or enter into a letter of intent or agreement in principle with respect thereto;

enter into any new line of business or open or close any existing facility, plant or office, except in the ordinary course of business;

sell, lease, license or otherwise dispose of or encumber any of its properties or assets which are material to its and its subsidiaries business, except in the ordinary course of business consistent with past practice;

enter into any hedging arrangements, except in the ordinary course of business;

make or commit to any capital expenditures in excess of $250,000 individually or (1) in the case of Spectrum, $1,000,000 in the aggregate, or (2) in the case of Russell Hobbs, $500,000 in the aggregate, except in the ordinary course of business consistent with past practice or in accordance with its current capital expenditure budget;

make any loans, advances or capital contributions to, or investments in, any person or entity (other than its wholly-owned subsidiaries), except in the ordinary course of business consistent with past practice;

cancel, release, compromise or settle any material legal actions, or waive or release any of its material rights, except in the ordinary course of business consistent with past practice;

except as required by law, (1) enter into, adopt, amend in any material respect, or otherwise modify in any material respect any of its employee benefit plans, (2) accelerate the payment or vesting of benefits or amounts payable or to become payable under any of its employee benefit plans as currently in effect on the date of the merger agreement, (3) fail to make any required contribution to any of its employee benefit plans, (4) merge or transfer any of its employee benefit plans or the assets or liabilities thereunder, (5) change the sponsor of any of its employee benefit plans, or (6) terminate or establish any employee benefit plan, in each case other than in the ordinary course of business and consistent with past practice;

grant any increase in the compensation or benefits of its or its subsidiaries directors or officers;

enter into, renew or amend any collective bargaining agreement, except in the ordinary course of business and consistent with past practice;

make any material change in its financial accounting principles, except as required by applicable law or a change in GAAP or similar principles in foreign jurisdictions;

make or change any material tax election unless such election is required by law or consistent with elections historically made by it;

change an annual accounting period, file any material amended tax return, enter into any material closing agreement, settle any material tax claim or assessment, surrender any material right to claim a refund of taxes, or consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment, or take or omit to take any other similar action relating to the filing of any material tax return or the payment of any material tax;

revalue any assets unless required by GAAP; or

authorize, agree or otherwise commit to take any of the foregoing actions.

Russell Hobbs has also agreed from the date of the merger agreement until the earlier of consummation of the proposed transaction or termination of the merger agreement, without the prior written consent of Spectrum (any such request for consent to be considered in good faith), not to (1) accelerate the timing of collection of any accounts receivable, (2) delay the timing of payment of any accounts payable, or (3) otherwise modify its collection or payment policies, procedures or practices, in each case, in any material respect.

Efforts to Consummate the Mergers and Other Covenants

Antitrust and Other Consents

Each of Spectrum and Russell Hobbs has agreed to use its reasonable best efforts to:

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

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

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

However, neither Spectrum nor Russell Hobbs is required to (i) commence litigation or oppose an action for temporary, preliminary or permanent injunction against the mergers, (ii) enter into a consent decree or other commitment requiring such party to hold separate or divest its or any of its subsidiaries plants, assets or businesses or to limit its conduct or actions, or (iii) take any action with respect to compliance with competition laws or obtaining of any consent, clearance or expiration of any applicable waiting period under competition laws which would bind such party or its subsidiaries even if the consummation of the mergers was not to occur.

Stockholder Adoption of the Merger Agreement

Spectrum has agreed to take all actions reasonably necessary to hold a meeting of its stockholders as promptly as practicable after the preparation and delivery of this proxy statement/prospectus to consider and vote upon the adoption of the merger agreement and to obtain the affirmative votes of the holders of (i) a majority of the outstanding shares of Spectrum common stock entitled to vote (including the shares of the Harbinger Parties) and (ii) a majority of the outstanding shares of Spectrum common stock entitled to vote (excluding the shares of the Harbinger Parties (except Letter Agreement Shares)). The Spectrum Board, pursuant to the unanimous recommendation of the Committee to the Spectrum Board, has adopted the merger agreement and adopted resolutions directing that the merger agreement be submitted to the Spectrum stockholders for their consideration. See The Proposed Transaction Spectrum Stockholder Vote Required.

Russell Hobbs has agreed to take all actions reasonably necessary to obtain adoption of the merger agreement from its stockholders.

Listing of Stock; Restructured Transaction

Each of Spectrum, Russell Hobbs, and SB Holdings have agreed to use reasonable best efforts to cause SB Holdings common stock to be listed on the NYSE, or if such listing cannot be obtained, then on The NASDAQ Stock Market or the NYSE Amex.

Pursuant to the merger agreement, Spectrum agreed to use reasonable best efforts to cause the outstanding shares of its common stock to be listed on the NYSE, or if such listing is not obtainable, on The NASDAQ Stock Market or the NYSE Amex as promptly as practicable after the date of the merger agreement. Spectrum common stock has been listed on the NYSE under the symbol SPB since March 18, 2010. The NYSE has approved the listing of SB Holdings common stock under the symbol SPB , subject to official notice of issuance.

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Financing

Consummation of the mergers is conditioned in part on the parties obtaining the debt financing (see The Proposed Transaction Financing the Mergers). Pursuant to the merger agreement, Russell Hobbs has agreed to use its reasonable best efforts to take all actions and do all things necessary, proper and advisable to arrange and obtain the debt financing on the terms and conditions contained in the debt commitment letters, and Spectrum has agreed to provide cooperation on a reasonable best efforts basis to enter into, and cause its subsidiaries to enter into, definitive agreements with respect to the debt financing on the terms and conditions contained in the debt commitment letters. If the debt financing originally contemplated by the parties becomes unavailable, the parties have agreed to use their reasonable best efforts to obtain alternative financing on terms no less favorable to Russell Hobbs, Spectrum and their respective subsidiaries than those set forth in the existing debt commitment letters in an amount adequate to make the payments required under the merger agreement. In addition, Russell Hobbs has agreed not to amend or alter the debt commitment letters without Spectrum s prior written consent in any manner that would be reasonably expected to delay the mergers beyond August 12, 2010 and to indemnify Spectrum and its subsidiaries from and against losses, damages, costs and expenses incurred in connection with the arrangement of the debt financing (except to the extent relating to arising from information provided by Spectrum or its subsidiaries or Spectrum s or its subsidiaries or their respective representatives willful misconduct or gross negligence).

Spin-Off of Russell Hobbs Water Products Segment

Prior to the effective time of the mergers, Russell Hobbs has agreed to use its reasonable best efforts to distribute 100% of the equity interests of two of its subsidiaries, Stamekon Holding Ltd. and Applica Water Products LLC, to the current stockholders of Russell Hobbs as a dividend. These Russell Hobbs subsidiaries comprise the water products segment of Russell Hobbs.

Spectrum Investment in Battery Sub; Consent Solicitation

Pursuant to the merger agreement, Russell Hobbs and SB Holdings have agreed to cause Battery Sub to issue and sell to Spectrum newly issued shares of Battery Sub s common stock representing a 51% interest in Battery Sub for $51.00 on the business day immediately preceding the contemplated closing date of the mergers. Concurrently with this purchase, Spectrum will cause Battery Sub to assume and be bound under (as a subsidiary guarantor) the PIK Notes Indenture.

The merger agreement required Spectrum to commence a consent solicitation (the Spectrum Consent Solicitation) to seek the consent of the holders of the PIK Notes to modify certain provisions of the PIK Notes Indenture such that the mergers will not constitute a change of control under the PIK Notes Indenture and to provide more accommodative debt incurrence covenants under the combined business of Spectrum and Russell Hobbs. This consent was not required to consummate the mergers. The Spectrum Consent Solicitation was initiated on March 1, 2010 and expired on March 9, 2010. Spectrum obtained the requisite consents of holders representing a majority in aggregate principal amount of the PIK Notes outstanding (excluding PIK Notes owned by affiliates of Spectrum) necessary to amend the PIK Notes Indenture and the amendment has been executed and delivered by the parties thereto.

Conditions to the Mergers

Conditions to the Obligations of Spectrum and Russell Hobbs to Consummate the Mergers

The obligations of Spectrum and Russell Hobbs to consummate the mergers are subject to the satisfaction, or where permissible, waiver of the following conditions:

the adoption of the merger agreement by (i) the Spectrum stockholders as required by the merger agreement and the DGCL (see The Proposed Transaction Spectrum Stockholder Vote Required),

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and (ii) holders of a majority of the outstanding shares of Russell Hobbs voting common stock, Series D Preferred Stock and Series E Preferred Stock;

all filings, consents, approvals and authorizations of any governmental authority required to consummate the mergers, including the expiration or termination of all waiting periods applicable to the mergers under the HSR Act and other applicable competition laws, have been made or obtained, except those whose failure would not be reasonably likely, individually or in the aggregate, to have a material adverse effect on the parties after giving effect to the proposed transaction;

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

the registration statement, of which this document forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated or threatened by the SEC; and

all conditions to the debt financing in the debt commitment letters or with respect to alternative financing related to the mergers have been satisfied.

Conditions to the Obligations of Russell Hobbs to Consummate the Russell Hobbs Merger

The obligation of Russell Hobbs to consummate the Russell Hobbs merger is subject to the satisfaction or, where permissible, waiver of the following conditions:

the representations and warranties of Spectrum relating to organization and existence, no violation of its and its subsidiaries organizational documents, capitalization, authority, corporate approval, voting requirements, and takeover statutes, without regard to any material adverse effect, materiality or similar qualifiers in such representations and warranties, being true and correct in all material respects on the date of the merger agreement and as of the closing date;

the representation and warranty of Spectrum relating to there not having been since September 30, 2009 any event, occurrence, effect, change or circumstance, that has had or would reasonably be likely to have, individually or in the aggregate, a material adverse effect on Spectrum and its subsidiaries, taken as a whole, having been true and correct on the date of the merger agreement;

all other representations and warranties of Spectrum being true and correct on the date of the merger agreement and as of the closing date (except to the extent any such representation and warranty expressly speaks as of an earlier date, in which case such representation will be required to be true and correct as of such earlier date), without regard to any material adverse effect, materiality, or similar qualifiers; provided, that this condition will be deemed satisfied even if any representations and warranties of Spectrum are not so true and correct unless failure of such representations and warranties to be so true and correct, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect with respect to Spectrum and its subsidiaries, taken as a whole;

Spectrum having performed in all material respects those obligations required to be performed by it under the merger agreement at or prior to the closing date;

since the date of the merger agreement, there not having occurred any condition, change, or event that, individually or in the aggregate, has had or would be reasonably expected to have, a material adverse effect on Spectrum and its subsidiaries, taken as a whole;

Russell Hobbs having received a certificate signed on behalf of Spectrum by its Chief Executive Officer and its Chief Financial Officer stating that the above conditions relating to representations, covenants and no material adverse effect have been satisfied;

Spectrum having delivered to SB Holdings a certificate of non-U.S. real property interest status in accordance with Treasury Regulation 1.1445-2(c)(3); and

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Russell Hobbs having received the written opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, its legal counsel, that the Russell Hobbs merger qualifies as a reorganization as described in Section 368(a) of the Internal Revenue Code and/or that the mergers taken together qualify as exchanges to which Section 351 of the Internal Revenue code applies.

Conditions to the Obligations of Spectrum to Consummate the Spectrum Merger

The obligation of Spectrum to consummate the Spectrum merger is subject to the satisfaction or, where permissible, waiver of the following conditions:

the representations and warranties of Russell Hobbs relating to organization and existence, no violation of its and its subsidiaries organizational documents, capitalization, authority, corporate approval, voting requirements, and takeover statutes, without regard to any material adverse effect, materiality or similar qualifiers in such representations and warranties, being true and correct in all material respects on the date of the merger agreement and as of the closing date;

the representation and warranty of Russell Hobbs relating to there not having been since June 30, 2009 any event, occurrence, effect, change or circumstance, that has had or would reasonably be likely to have, individually or in the aggregate, a material adverse effect on Russell Hobbs and its subsidiaries, taken as a whole, having been true and correct on the date of the merger agreement;

all other representations and warranties of Russell Hobbs being true and correct on the date of the merger agreement and as of the closing date (except to the extent any such representation and warranty expressly speaks as of an earlier date, in which case such representation will be required to be true and correct as of such earlier date), without regard to any material adverse effect, materiality, or similar qualifiers; provided, that this condition will be deemed satisfied even if any representations and warranties of Russell Hobbs are not so true and correct unless failure of such representations and warranties to be so true and correct, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect with respect to Russell Hobbs and its subsidiaries, taken as a whole;

Russell Hobbs having performed in all material respects those obligations required to be performed by it under the merger agreement at or prior to the closing date;

since the date of the merger agreement, there not having occurred any condition, change, or event that, individually or in the aggregate, has had or would be reasonably expected to have, a material adverse effect on Russell Hobbs and its subsidiaries, taken as a whole;

Spectrum having received a certificate signed on behalf of Russell Hobbs by its Chief Executive Officer and its Chief Financial Officer to the effect that the above conditions relating to representations, covenants and no material adverse effect have been satisfied;

Russell Hobbs having delivered to SB Holdings a certificate of non-U.S. real property interest status in accordance with Treasury Regulation 1.1445-2(c)(3);

Spectrum having received the opinion of Sutherland Asbill & Brennan LLP, its legal counsel, that the Spectrum merger qualifies as a reorganization as described in Section 368(a) of the Internal Revenue Code and/or that the mergers taken together qualify as exchanges to which Section 351 of the Internal Revenue Code applies; and

- Neither Russell Hobbs nor the Harbinger Parties having taken any action to cause the Harbinger Indemnification Agreement, the Limited Guarantee or the Stockholder Agreement to fail to be in full force and effect.

The merger agreement provides that material adverse effect with respect to a party means any effect that, individually or in the aggregate (1) is materially adverse to the business, results of operations or financial condition of the party and its subsidiaries, taken as a whole, except that no adverse effect resulting from certain matters specified in the merger agreement, alone or in combination, will be deemed to constitute, or be taken into

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account in determining whether there has been, such a material adverse effect, or (2) has, or would be reasonably expected to have, a material adverse effect on the ability of the party to perform its obligations under the merger agreement or to consummate the mergers.

Restrictions on Solicitations of Other Offers

Spectrum Solicitation

The merger agreement provides that during the go-shop period, which began on February 9, 2010 and ended at 11:59 p.m. Eastern Standard Time on April 9, 2010, Spectrum was permitted to:

- initiate, encourage, facilitate, solicit and seek Alternative Proposals (or inquiries, proposals or other offers that may lead to an Alternative Proposal), including by way of providing access to non-public information (subject to entering into a confidentiality agreement with each recipient), subject to the requirement that Spectrum promptly (and in any event within 48 hours) provide to Russell Hobbs any of Spectrum s non-public information that it provided or made available to another party to the extent that such access was not previously provided or made available to Russell Hobbs; and

- enter into and maintain discussions or negotiations with respect to Alternative Proposals or any other proposals that would reasonably be expected to lead to an Alternative Proposal and to otherwise cooperate with or assist or participate in, or facilitate, any such requests, proposals, discussions or negotiations.

From the end of the go-shop period until the earlier of the consummation of the mergers or the termination of the merger agreement, Spectrum has agreed that Spectrum and its subsidiaries and representatives will not, subject to certain exceptions described below, directly or indirectly:

- initiate, knowingly encourage, knowingly facilitate, solicit or seek (including in each case by way of furnishing non-public information or assistance to any person) any inquiries with respect to, or the making, submission, announcement or implementation of, any proposal or other action that constitutes, or may reasonably be expected to lead to, any Alternative Proposal;

- initiate, knowingly encourage, participate in or solicit any discussions or negotiations with any person (whether such discussions or negotiations are initiated by Spectrum, any of its representatives or a third party), other than Russell Hobbs or any of its representatives, regarding or in furtherance of such inquiries or relating to an Alternative Proposal;

- provide any non-public information, documentation or data to any person, other than Russell Hobbs or any of its representatives, relating to an Alternative Proposal;

- otherwise cooperate with or knowingly facilitate any effort or attempt to make, implement or accept any Alternative Proposal;

- amend or grant any waiver or release under any standstill agreement, confidentiality agreement or agreement restricting a party from engaging in negotiations or discussions with Spectrum;

- adopt or approve any Alternative Proposal, or propose the approval or adoption of any Alternative Proposal, or resolve or agree to take any such action; or

enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other agreement constituting or related to, or which is intended to or is reasonably likely to lead to, any Alternative Proposal (other than a confidentiality agreement permitted as described below).

Notwithstanding the foregoing, Spectrum is permitted to take any of the actions described in the first five bullet points above with respect to any party who made a bona fide written Alternative Proposal that Spectrum received prior to the end of the go-shop period as long as:

The Spectrum Board (acting through, or consistent with the recommendation of, the Committee) believes in good faith that the written proposal is bona fide; and

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The Spectrum Board (acting through, or consistent with the recommendation of, the Committee) determines in good faith, after consultation with financial advisors and outside legal counsel, that such Alternative Proposal constitutes or would reasonably be expected to result in a Superior Proposal. A Superior Proposal may consist of multiple Alternative Proposals that are contemplated to be completed substantially concurrently and that, taken together, satisfy all of the requirements set forth in the definition of Superior Proposal below.

Because Spectrum did not receive any Alternative Proposals prior to the end of the go-shop period that the Committee determined would reasonably be expected to result in a Superior Proposal (see Background of the Proposed Transaction Go-Shop Process), after the end of the go-shop period and in accordance with the merger agreement, Spectrum immediately ceased, and caused its subsidiaries and representatives to terminate, any solicitation, encouragement, discussion or negotiation or cooperation with or assistance or participation in, or facilitation of any such inquiries, proposals, discussions or negotiations with, any persons conducted prior to such time by Spectrum, its subsidiaries or any of its representatives with respect to any Alternative Proposal. Spectrum requested and instructed each person that submitted an Alternative Proposal during the go-shop period to return to Spectrum or destroy all non-public information provided by or on Spectrum s behalf to such person.

In addition, if at any time following the end of the go-shop period and prior to the adoption of the merger agreement by Spectrum s stockholders, Spectrum receives a written Alternative Proposal from a third party that:

The Spectrum Board (acting through, or consistent with the recommendation of, the Committee) believes in good faith to be bona fide;

did not result from a breach of any of Spectrum s obligations described under Spectrum Solicitation ; and

The Spectrum Board (acting through, or consistent with the recommendation of, the Committee) determines in good faith, after consultation with financial advisors and outside legal counsel, that such Alternative Proposal constitutes or would reasonably be expected to result in a Superior Proposal;

then Spectrum may furnish its and its subsidiaries information to the party making such Alternative Proposal and participate in discussions or negotiations with the party making such Alternative Proposal regarding such Alternative Proposal. In such case, Spectrum will not, and will not permit its subsidiaries or representatives to, disclose any non-public information to such person without having entered into a confidentiality agreement with such person and will promptly (and in any event within 48 hours) provide to Russell Hobbs any non-public information concerning Spectrum or its subsidiaries provided or made available to such other person which was not previously made available to Russell Hobbs.

From and after the end of the go-shop period, Spectrum will notify Russell Hobbs in the event that Spectrum or its subsidiaries or representatives receive any Alternative Proposal or any request for non-public information or any inquiry relating in any way to any Alternative Proposal. Following the end of the go-shop period, Spectrum will provide Russell Hobbs with written notice of the material terms and conditions of any Alternative Proposal, request or inquiry, and the identity of the person or group of persons making any Alternative Proposal, request or inquiry, and will promptly advise Russell Hobbs of any material development relating thereto.

Prior to terminating the merger agreement or entering into an agreement with respect to any such Alternative Proposal, Spectrum is required to comply with certain terms of the merger agreement as described under Recommendation Withdrawal/Termination in Connection with a Superior Proposal.

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Russell Hobbs Solicitation

From the date of the merger agreement until the earlier of the consummation of the proposed transaction or the termination of the merger agreement, Russell Hobbs has agreed not to, and to not permit any of its subsidiaries or any of its or its subsidiaries representatives to, directly or indirectly:

- discuss, negotiate, undertake, authorize, recommend, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any Alternative Proposal relating to Russell Hobbs;
- knowingly facilitate, knowingly encourage, solicit or initiate discussions, negotiations or submissions of proposals or offers in respect of an Alternative Proposal relating to Russell Hobbs;
- furnish or cause to be furnished, to any person, any information concerning the business, operations, properties or assets of Russell Hobbs or its subsidiaries in connection with an Alternative Proposal relating to Russell Hobbs;
- otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing; or
- enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, option agreement, joint venture agreement, partnership agreement or other agreement constituting or related to any Alternative Proposal relating to Russell Hobbs.

In addition, Russell Hobbs has agreed to immediately cease, and to cause its representatives to immediately cease, all discussions and negotiations regarding any proposal that constitutes, or could reasonably be expected to lead to, an Alternative Proposal relating to Russell Hobbs and will demand the prompt return or destruction of all confidential information previously furnished in connection therewith.

Definitions of Alternative Proposal and Superior Proposal

An Alternative Proposal, as defined in the merger agreement, means, with respect to either Spectrum or Russell Hobbs, any inquiry, proposal or offer from any third party relating to, or the public announcement or other public disclosure of the intention to undertake or engage in:

- any transaction involving the merger, amalgamation, consolidation, arrangement, business combination, share exchange, take-over bid, going private transaction, tender offer, exchange offer, spin-off, split-off, sale, liquidation, dissolution or winding up of such party;
- the acquisition (by lease, license, long-term supply agreement or other arrangement having the same economic effect as an acquisition), exchange or transfer directly or indirectly of assets or businesses that constitute or generate 25% or more of the total revenue, net income or assets of such party or any of its subsidiaries, taken as a whole, immediately prior to such acquisition, exchange or transfer;
- the acquisition of 25% or more of the issued and outstanding capital stock or other securities (including options, rights or warrants to purchase, or securities convertible into such securities) or voting interests in such party; or

similar transactions, or series of transactions, involving such party or any of its subsidiaries.

The term Alternative Proposal does not include either of the mergers, as applicable, or the proposed transaction.

A Superior Proposal, as defined in the merger agreement, means, with respect to Spectrum, any bona fide written Alternative Proposal made by a third party to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, share exchange, consolidation or other business combination, (1) assets that constitute more than 50% of the total consolidated assets of Spectrum and its subsidiaries, taken as a whole, or (2) more

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than 50% of Spectrum common stock, in each case on terms that the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) determines in good faith, after consultation with outside legal counsel and an independent financial advisor, taking into account all terms and conditions of such Alternative Proposal determined by Spectrum Board (acting through, or consistent with the recommendation of, the Committee) to be relevant and the merger agreement (as it may be proposed to be amended):

- to be more favorable, from a financial point of view, to Spectrum s stockholders than the terms of the merger agreement (as it may be proposed to be amended); and

- is reasonably capable of being consummated on the terms proposed, taking into account all other legal, financial, regulatory and other aspects of such Alternative Proposal determined by the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) to be relevant and the person making such Alternative Proposal.

A Superior Proposal may consist of multiple Alternative Proposals that are contemplated to be completed substantially concurrently and that, taken together, satisfy all of the requirements set forth in this definition.

Recommendation Withdrawal/Termination in Connection with a Superior Proposal

General

The merger agreement requires Spectrum to take all action reasonably necessary to convene a meeting of its stockholders for the purpose of obtaining the adoption of the merger agreement as promptly as practicable after Spectrum s proxy statement is prepared and it has mailed (or otherwise made electronically available) its proxy statement to its stockholders.

Spectrum also agreed to use reasonable best efforts to obtain the adoption of the merger agreement by Spectrum s stockholders and has agreed to include in its proxy statement the recommendation of the Spectrum Board that Spectrum s stockholders adopt the merger agreement.

Notwithstanding the foregoing, (1) if a material development or material change in circumstances occurs, in each case, that relates to Spectrum, Russell Hobbs or the transaction (but does not relate to any Alternative Proposal) and first becomes known to the Spectrum Board after the date of the merger agreement and prior to the adoption of the merger agreement by Spectrum s stockholders or (2) if Spectrum receives an Alternative Proposal which the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) concludes in good faith, after consultation with outside legal counsel and a financial advisor, constitutes a Superior Proposal and, if it determines in good faith, after consultation with outside legal counsel, that not taking the applicable action would be inconsistent with the fiduciary duties of the Spectrum Board to its stockholders under applicable law, then, in each case, the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) may at any time prior to the adoption of the merger agreement by its stockholders:

- withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the merger agreement;

- in the case of a Superior Proposal only, approve or recommend such Superior Proposal; or

- in the case of a Superior Proposal only, terminate the merger agreement and concurrently enter into a definitive agreement with respect to such Superior Proposal; provided, that Spectrum pays the termination fee as described under Termination Fees Termination Fee Payable by Spectrum concurrently with such termination.

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Procedural Requirements

Spectrum may not terminate the merger agreement or withdraw or modify such recommendation unless:

- in the case of a termination or recommendation as a result of a Superior Proposal only, such Superior Proposal did not result from a breach by Spectrum of the obligations set forth above under Restrictions on Solicitations of Other Offers ;
- Spectrum gives Russell Hobbs at least three business days written notice of its intention to take such action and describes such material development or material change in circumstances or Superior Proposal, as applicable, in reasonable detail, and, in the case of a Superior Proposal, the written notice is accompanied by the most current version of all relevant written agreements or proposals relating to the transaction that constitutes such Superior Proposal together with, in the case of a Superior Proposal that includes non-cash consideration, the value or range of values attributed by the Spectrum Board in good faith to such non-cash consideration after consultation with a financial advisor;
- Russell Hobbs does not make, within such three business day period, a proposal that would, in the good faith judgment of the Spectrum Board (acting through, or consistent with the recommendation of, the Committee), after consultation with its outside legal counsel and an independent financial advisor, cause the Alternative Proposal previously constituting a Superior Proposal to no longer constitute a Superior Proposal or the material development or material change in circumstances to no longer constitute a material development or material change in circumstances, as applicable, in each case, taking into consideration any risk of non-consummation and all legal, financial, regulatory and other aspects of such proposal; and

In connection with a termination of the merger agreement to pursue a Superior Proposal at or concurrently with the termination of the merger agreement, Spectrum will pay in full the termination fee and the reimbursement expenses described under Termination Fees Termination Fee Payable by Spectrum .

Spectrum also has agreed that, during the three-business day period described above, if Russell Hobbs desires, Spectrum and its representatives will negotiate in good faith with Russell Hobbs and its representatives regarding any revisions to the terms of the merger agreement such that the Alternative Proposal in question no longer constitutes a Superior Proposal. If the Alternative Proposal is materially revised, Spectrum has agreed to deliver a new notice to Russell Hobbs, and Russell Hobbs will have three business days to negotiate further adjustments to the merger agreement.

Nothing will prohibit Spectrum or the Spectrum Board from (i) taking and disclosing to its stockholders a position contemplated by Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act or issuing a stop, look and listen disclosure or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act with respect to an Alternative Proposal or (ii) making any disclosure to its stockholders if the Spectrum Board determines in good faith, after consultation with its legal counsel, that such disclosure is required by its fiduciary duties under applicable law.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the effective time of the mergers, whether before or after Spectrum s stockholders have adopted the merger agreement:

- by the mutual written consent (with the prior approval of the board of directors of each) of Russell Hobbs and Spectrum;
- by written notice of either Russell Hobbs or Spectrum if:

the effective time of the mergers does not occur on or before August 12, 2010, unless a breach of the merger agreement by the party seeking to exercise such termination right caused, or resulted in, the failure of the proposed transaction to be consummated on or before such date;

a governmental authority of competent jurisdiction issues an order or takes any other action (including by failing to take an action), in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the transaction, which order or other action is final and nonappealable, except that no party who has breached its obligations under the merger agreement with respect to antitrust filings and efforts to consummate the mergers (see The Merger Agreement (Proposal No. 1) Efforts to Consummate the Mergers and Other Covenants Antitrust and Other Consents) may terminate the merger agreement under this provision;

the Spectrum stockholders, at the special meeting or at any adjournment or postponement thereof at which the merger agreement was voted on, fail to adopt the merger agreement by the requisite vote, including the affirmative vote of the holders of a majority of the outstanding shares of Spectrum common stock (excluding any shares of the Harbinger Parties (except Letter Agreement Shares)), except that Spectrum may not terminate the merger agreement under this provision if the failure of the Spectrum stockholders to adopt the merger agreement was caused by Spectrum s action or failure to act and such action or failure to act constitutes a material breach of the merger agreement; or

the non-terminating party breaches or violates any of its representations, warranties, covenants or agreements set forth in the merger agreement such that the non-terminating party s closing conditions cannot be satisfied and such breach is incapable of being cured by the effective time, or such breach or violation is not cured within 30 days following receipt of written notice by the non-terminating party of such breach or violation (or such longer period during which the non-terminating party uses its reasonable best efforts to cure).

by Spectrum, if prior to the adoption of the merger agreement by its stockholders, Spectrum has received an Alternative Proposal which the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) concludes in good faith, after consultation with outside legal counsel and a financial advisor, constitutes a Superior Proposal and also determines that in good faith, after consultation with outside legal counsel, that not terminating the merger agreement would be inconsistent with the fiduciary duties of the Spectrum Board to its stockholders under applicable law; provided, that Spectrum is not in breach of any of its obligations under the merger agreement relating to such Superior Proposal and Spectrum pays the termination fee as described under Termination Fees Termination Fee Payable by Spectrum concurrently with such termination. Spectrum may not terminate the merger agreement pursuant to this provision unless Spectrum complies with its obligations set forth above under Recommendation Withdrawal/Termination in Connection with a Superior Proposal Procedural Requirements with respect to such Superior Proposal.

by Russell Hobbs if:

the Spectrum Board withdraws, modifies or qualifies, or proposes to publicly withdraw, modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the mergers, or Spectrum gives Russell Hobbs written notice of the Spectrum Board s intention to withdraw, modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the mergers in response to a material development or material change in circumstances or a Superior Proposal; or

for any reason, at any time on or prior to the effective time, the United States Bankruptcy Court for the Western District of Texas, or such other court as may have jurisdiction over the jointly administered cases of Spectrum and its subsidiaries and affiliates, revokes or vacates the order entered on July 15, 2009 by the Bankruptcy Court confirming Spectrum s plan of reorganization under Chapter 11 of the United States Bankruptcy Code, dated February 3, 2009.

If the merger agreement is terminated, there will generally be no liability on the part of either Spectrum or Russell Hobbs, except that neither party is relieved from any liability for any willful and material breach of any representation, warranty, or covenant of such party contained in the merger agreement prior to termination and as described under Termination Fees.

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In the event of termination of the merger agreement, the aggregate liability of Russell Hobbs for any willful and material breach of any representation, warranty or covenant contained in the merger agreement will in no event exceed $50 million, inclusive of any applicable termination fees payable as described under Termination Fees Termination Fee Payable by Russell Hobbs. Similarly, Spectrum s aggregate liability for any such willful and material breach will in no event exceed $50 million, inclusive of any applicable termination fees payable as described under Termination Fees Termination Fee Payable by Spectrum.

Termination Fees

Termination Fee Payable by Spectrum

Spectrum will pay to Russell Hobbs a fee of $1 million and reimburse Russell Hobbs and its affiliates for their reimbursable expenses, up to an aggregate cap of $10 million, if:

- the merger agreement is terminated by Spectrum following the receipt of an Alternative Proposal which the Spectrum Board (acting through, or consistent with the recommendation of, the Committee) concludes in good faith constitutes a Superior Proposal as described above under Termination of the Merger Agreement ;

- the merger agreement is terminated by Russell Hobbs following the withdrawal, modification or qualification of the Spectrum Board s recommendation in favor of the mergers, or the receipt by Russell Hobbs of written notice of the Spectrum Board s intention to withdraw, modify or qualify its recommendation, in each case as described above under Termination of the Merger Agreement ; or

- either Spectrum or Russell Hobbs (i) terminates the merger agreement because Spectrum s stockholders, at the special meeting or at any adjournment or postponement thereof at which the merger agreement was voted on, fail to adopt the merger agreement as described above under Termination of the Merger Agreement, (ii) at the time of such termination an Alternative Proposal had been proposed to the Spectrum Board or Committee or publicly announced, and (iii) within nine months following the date of such termination, Spectrum enters into a definitive agreement with respect to an Alternative Proposal or an Alternative Proposal has been consummated (provided that the references to 25% in the definition of Alternative Proposal will be deemed to be references to 50% for purposes of this clause (iii)).

Notwithstanding the foregoing, if either Spectrum or Russell Hobbs terminates the merger agreement in the circumstances described in the first or second bullet point above in connection with a Superior Proposal, and the Superior Proposal in respect of which such termination occurred either is to be consummated without obtaining a vote of Spectrum s stockholders in connection with any aspect thereof or relates to a transaction involving less than all or substantially all of Spectrum s assets or common stock, then the reimbursable expenses of Russell Hobbs will not be subject to a cap and will be reimbursed by Spectrum in full.

In addition, in lieu of the termination fee and expense reimbursement described above, Spectrum will pay to Russell Hobbs a fee of $10 million and reimburse Russell Hobbs and its affiliates for their reimbursable expenses, up to an aggregate cap of $10 million, if:

- the Spectrum Board withdraws, modifies or qualifies, or proposes to publicly withdraw, modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the merger agreement prior to the adoption of the merger agreement by Spectrum s stockholders;

- a material reason for the Spectrum Board s decision to modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the merger agreement is a change in the expected cost or terms of the debt financing under the debt commitment letters by reason of the flex or any of the other terms thereof;

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the debt commitment letters are in effect at the time the Spectrum Board s decision to modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the merger agreement is made;

the merger agreement is terminated by Russell Hobbs because of the Spectrum Board s decision to modify or qualify, in a manner adverse to Russell Hobbs, its recommendation in favor of the merger agreement, as described above under Termination of the Merger Agreement ; and

at the time of such termination, Spectrum s stockholders have not adopted the merger agreement.

Termination Fee Payable by Russell Hobbs

Russell Hobbs will pay to Spectrum a fee in the amount of $1 million and reimburse Spectrum for its reimbursable expenses, up to an aggregate cap of $10 million, if:

all of the conditions to Russell Hobbs obligation to close the transaction were satisfied at the time of termination of the merger agreement, except for the closing condition related to the receipt of the debt financing; and

either Spectrum or Russell Hobbs terminate the merger agreement because the transaction was not consummated by the close of business on August 12, 2010 as described above under Termination of the Merger Agreement.

Notwithstanding the foregoing, in no event will Russell Hobbs be required to pay the termination fee described above if the failure of the closing condition related to the debt financing and debt commitment letters was caused (in whole or in part) by the failure of the condition set forth in the debt commitment letter relating to the minimum amount of availability as described in The Proposed Transaction Financing the Mergers and, at such time, the aggregate amount outstanding under Spectrum s revolving credit facility is in excess of $116 million.

Impact of Payment of Fees

To the extent that a termination fee that is required to be paid is not promptly paid by the applicable party, interest will accrue on the outstanding amount at a rate of 6% per annum until the date of payment, and the defaulting party will be required to pay the reasonable costs and expenses of the non-defaulting party in connection with legal enforcement action taken against the defaulting party for such payment.

Indemnification and Insurance

Under the terms of the merger agreement, SB Holdings, Spectrum and Russell Hobbs have agreed that all rights of indemnification to Spectrum s and Russell Hobbs current and former directors and officers provided by Spectrum or Russell Hobbs, as applicable, in their respective organizational documents or indemnification contracts will survive the mergers and continue in full force and effect and will be assumed and performed by SB Holdings, Spectrum and Russell Hobbs after consummation of the mergers. In addition, SB Holdings has agreed that, upon its, Spectrum s or Russell Hobbs future merger or sale after the consummation of the mergers, it will make proper provision so that the successors and assigns of SB Holdings, Spectrum or Russell Hobbs, as applicable, assumes such indemnification obligations.

In addition, the merger agreement requires SB Holdings to either maintain Spectrum s and Russell Hobbs current directors and officers liability insurance policies for a period of six years from the effective time of the mergers or obtain substitute policies or purchase a tail policy with a claims period of at least six years from the effective time of the mergers, in each case that provides coverage for events occurring on or before the effective time of mergers. The terms of the insurance policies will be no less favorable than Spectrum s and Russell Hobbs respective existing policies, unless the annual premiums of the policies would exceed 300% of the

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current policies premiums as of the date of the merger agreement, in which case the coverage will be the greatest amount of coverage available for a premium amount not exceeding 300% of such current premiums.

Expenses and Fees

Merger-Related Expenses

Each party will be responsible for all of the fees and expenses it incurs in connection with the merger agreement and the mergers, subject to expense reimbursement obligations upon termination of the merger agreement described under Termination Fees. Spectrum and Russell Hobbs estimate that merger-related fees and expenses, consisting primarily of SEC filing fees, legal, accounting and financial advisory fees and expenses, and financial printing and other related charges, will be approximately $25 million. See Note 7 of Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Integration-Related Expenses

Spectrum and Russell Hobbs may incur charges for severance and other integration-related expenses, including the elimination of duplicate facilities and excess capacity, operational realignment and related workforce reductions of both pre-merger Spectrum and Russell Hobbs operations, however, Spectrum and Russell Hobbs have not yet completed their initial assessments of the number of employees, facilities and other restructuring costs that may be incurred. Therefore, no restructuring charges are reflected in the unaudited pro forma condensed combined financial statements.

Amendment, Extension and Waiver

Subject to applicable law, the provisions of the merger agreement, any inaccuracies in the representations and warranties of any of the parties or compliance with any of the agreements or conditions may be waived or the time for performance of any obligations may be extended only if in writing and signed by the party against whom the waiver is to be effective, except that the parties cannot waive the stockholder approval requirements in the merger agreement, and any waiver granted by Spectrum must have the prior authorization of the Committee. The parties may amend any provision of the merger agreement by mutual written agreement of Spectrum and Russell Hobbs, except (i) the requirements for stockholder approval and waivers or extensions in the merger agreement may not be amended, (ii) Spectrum may not agree to an amendment without the prior authorization of the Committee, and (iii) after the adoption of the merger agreement by the Spectrum stockholders has been obtained, no amendment to the merger agreement for which applicable law would require further stockholder approval may be made without first obtaining such stockholder approval.

Recommendation of Spectrum s Board of Directors

The Spectrum Board recommends that Spectrum s stockholders vote **FOR** Proposal No. 1 to adopt the merger agreement.

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ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL NO. 2)

If Spectrum fails to receive a sufficient number of votes to adopt the merger agreement (Proposal No. 1), Spectrum may propose to adjourn the special meeting, for a period of not more than 30 days for the purpose of soliciting additional proxies to adopt the merger agreement (Proposal No. 1). Spectrum currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve the merger agreement and the proposed transaction (Proposal No. 1). If a quorum is present, the affirmative vote of holders of a majority of the votes represented at the special meeting and entitled to vote on the matter is required to approve Proposal No. 2.

The Spectrum Board recommends that Spectrum s stockholders vote **FOR** Proposal No. 2 to adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the merger agreement and the proposed transaction (Proposal No. 1).

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

General

The following discussion describes the material U.S. federal income tax consequences of the mergers that are generally applicable to U.S. holders of Spectrum common stock. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), applicable Treasury regulations, judicial authority and administrative rulings and practices of the Internal Revenue Service (IRS) as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. This discussion assumes that the mergers will be completed in accordance with the terms of the merger agreement. No ruling has been or will be sought from the IRS as to the U.S. federal income tax consequences of the mergers, and the following summary is not binding on the IRS or the courts. As a result, the IRS could adopt a contrary position, and such a contrary position could be sustained by a court.

For purposes of this discussion, a U.S. holder means a beneficial owner of Spectrum common stock that holds such stock as a capital asset, within the meaning of the Code, and is for U.S. federal income tax purposes (i) a citizen or individual resident of the United States, as such residency is determined for U.S. federal income tax purposes; (ii) a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust (x) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust, or (y) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of Spectrum common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership holding Spectrum common stock (or a partner or other owner in such partnership) should consult its tax advisor regarding the tax consequences of the mergers.

This discussion is not a complete description of all of the U.S. federal income tax consequences of the mergers that may be relevant to U.S. holders in light of their particular circumstances. In addition, this discussion does not address the tax treatment of holders subject to special treatment under the U.S. federal income tax laws, such as banks, insurance companies, tax-exempt entities, financial institutions, dealers or traders in securities, persons holding Spectrum common stock as part of a straddle, hedge or conversion transaction, U.S. expatriates and non-U.S. holders. This discussion may not be applicable to U.S. holders who acquired Spectrum common stock pursuant to the exercise of options or warrants or otherwise as compensation. Furthermore, this discussion does not consider the effect of any U.S. federal estate, gift or other non-income tax consequences, or any state, local or foreign tax consequences. **Holders of Spectrum common stock are urged to consult their tax advisors as to the particular tax consequences to them of the mergers.**

Material Tax Consequences of the Spectrum Merger

The obligation of Spectrum to consummate the Spectrum merger is conditioned on the receipt by Spectrum of an opinion of Sutherland Asbill & Brennan LLP, counsel to Spectrum, dated the date of the effective time of the Spectrum merger, to the effect that for U.S. federal income purposes the Spectrum merger will constitute a reorganization within the meaning of Section 368(a) of the Code and/or the mergers, taken together, will constitute exchanges described in Section 351 of the Code. This opinion of counsel will be based in part upon customary representations, made as of the effective time of the mergers, by Spectrum, SB Holdings and Russell Hobbs, which counsel will assume to be true, correct and complete. If such representations are inaccurate, the opinion of counsel could be adversely affected. An opinion of counsel represents counsel s best legal judgment and is not binding on the IRS or any court, and there can be no assurance that the IRS or a court will agree with the conclusions of counsel.

In connection with the filing of the Registration Statement of which this proxy statement/prospectus is a part, Spectrum has received a legal opinion to the same effect as the opinion described above, and the following summary assumes that the Spectrum merger will constitute a reorganization under Section 368(a) of the Code and/or the mergers, taken together, will constitute exchanges described in Section 351 of the Code.

A U.S. holder of Spectrum common stock who, pursuant to the Spectrum merger, exchanges Spectrum common stock for SB Holdings common stock will not recognize gain or loss upon such exchange, except with respect to any cash received in lieu of fractional shares of SB Holdings common stock. The aggregate tax basis of the SB Holdings common stock received by a U.S. holder (including any fractional shares deemed to be received and exchanged for cash) will be equal to the aggregate tax basis of the Spectrum common stock surrendered by such holder, and the holding period of the SB Holdings common stock received by a U.S. holder will include the holding period of the Spectrum common stock surrendered by such U.S. holder.

None of Spectrum, SB Holdings, or Russell Hobbs will recognize gain or loss as result of the mergers.

Information Reporting

If a Spectrum stockholder (i) owns at least 5% (by vote or value) of the total outstanding Spectrum common stock immediately before the effective time of the Spectrum merger or (ii) holds its Spectrum common stock with a basis of at least $1 million immediately before the effective time of the Spectrum merger, such stockholder will be required to attach to its federal income tax return for the year in which the closing of the Spectrum merger occurs a statement or statements setting forth certain information relating to the mergers as prescribed by applicable Treasury regulations.

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RUSSELL HOBBS MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Merger of Salton and Applica. In December 2007, two longstanding companies in the small household appliance business, Salton, Inc. and Applica Incorporated, combined their businesses through a merger of SFP Merger Sub, Inc., a Delaware corporation and a wholly owned direct subsidiary of Salton, Inc., with and into APN Holding Company, Inc., the parent of Applica Incorporated. As a result of the merger, Applica became a wholly-owned subsidiary of Salton. In December 2009, the combined company (formerly known as Salton, Inc.) changed its name to Russell Hobbs, Inc.

SFAS No. 141 *Business Combinations* requires the use of the purchase method of accounting for business combinations. In applying the purchase method, it is necessary to identify both the accounting acquiree and the accounting acquiror. In a business combination effected through an exchange of equity interests, such as the merger of Salton and Applica, the entity that issues the interests (Salton in this case) is normally the acquiring entity. However, in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including the following:

- The relative voting interests in the combined entity after the combination: in this case, stockholders of Applica received approximately 92% of the equity ownership and associated voting rights in the combined entity upon completion of the merger and related transactions; and

- The composition of the governing body of the combined entity: in this case, the merger agreement provided that the composition of the board of directors of the surviving company would be determined by Applica.

While Salton was the legal acquiror and surviving registrant in the merger, Applica was deemed to be the accounting acquiror based on the facts and circumstances outlined above. Accordingly, for accounting and financial statement purposes, the merger was treated as a reverse acquisition of Salton by Applica under the purchase method of accounting.

Harbinger Master Fund s and Harbinger Special Situations Fund s Acquisition of Applica. In January 2007 (prior to the merger of Salton and Applica), Applica was acquired by Harbinger Master Fund and Harbinger Special Situations Fund. For purposes of financial reporting, the acquisition was deemed to have occurred on January 1, 2007. References to Successor Company in the financial statements contained herein refer to reporting dates on or after January 1, 2007 and references to Predecessor Company in the financial statements refer to reporting dates through December 31, 2006. This is to indicate two different bases of accounting presented: (1) the period prior to the acquisition (January 1, 2006 through December 31, 2006, labeled Predecessor Company) and (2) the period after the acquisition, including, the acquisition date (January 1, 2007 June 30, 2008, labeled Successor Company).

Sale of US-Based Professional Personal Care Division. In May 2007, Applica sold its US-based professional personal care division to an unrelated third party for $36.5 million.

Close of Asian Sourcing Operations. In December 2008, Russell Hobbs made a decision to close its Asian sourcing subsidiary. Operations were shutdown effective March 31, 2009. The Asian operations generated no revenue except for inter-company charges for services provided (cost plus 5% markup). Operating expenses consisted primarily of salaries, office supplies, product testing and other fixed and variable general operating charges.

With the closure of its sourcing operations in Asia, Russell Hobbs respective geographies now have direct communication with their Asian suppliers using existing resources. Russell Hobbs has not incurred any significant incremental costs to absorb those services previously provided by its Asian operations, except for certain transition costs relating to quality control from April 2009 to December 2009.

Discontinuation of Regional Operations. In December 2008, Russell Hobbs discontinued its operations in Spain and certain countries in Latin America, including Peru and Venezuela.

Discontinuation of Water Filtration Business. In 2007, Russell Hobbs launched its new water products initiatives under its water products segment (Water Products Segment), beginning with a water pitcher filtration system sold under the *Clear$_2$O* brand. In May 2009, Russell Hobbs introduced its *Clear$_2$Go* branded sports filtration bottle. The sales of *Clear$_2$O* and *Clear$_2$Go* branded products are made to mass merchandisers and specialty retailers primarily in North America.

In December 2009, Russell Hobbs determined to divest the operations of its water filtration business sold under the *Clear$_2$O* and *Clear$_2$Go* brand and put the assets and business up for sale. Russell Hobbs decided to sell this division primarily because it does not strategically complement its appliance business and it has incurred significant operating losses since its launch in 2007 and has not been successful in gaining any significant market share.

Change in Fiscal Year End. Effective with the merger with Applica, Salton changed its fiscal year end to June 30 and changed the end of its interim quarterly periods to the last day of the respective quarter. Salton s fiscal year end previously ended on the Saturday closest to June 30 and the interim quarterly period ended on the Saturday closest to the last day of the respective quarter.

Name Change. In December 2009, after the combination of Salton and Applica, the combined company, formerly known as Salton, Inc., changed its name to Russell Hobbs, Inc.

Merger with Spectrum Brands. See The Proposed Transaction.

Overview of Financial Performance.

The following is an overview of Russell Hobbs financial performance for the three months ended December 31, 2009:

- Consolidated net sales for the three months ended December 31, 2009 increased by $3.7 million to $248.7 million;
- Gross profit margins significantly improved to 31.3% for the three months ended December 31, 2009; and
- Interest expense decreased $5.7 million to $7.3 million for the three months ended December 31, 2009.

As of March 15, 2010, Russell Hobbs had $11.1 million of borrowings outstanding and $70.4 million available for future cash borrowings under its North American credit facility.

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Results of Operations

Note: *Russell Hobbs results of operations for the periods presented below have been adjusted for the discontinuation of its Asian sourcing operation, water filtration operations and certain regional operations. As a result, the discussion below reflects operations without the discontinued operations for such periods.*

In addition, the information presented below for the three months ended December 31, 2009, the six months ended December 31, 2009 and the fiscal year ended June 30, 2009 represents the combined operations of Applica and Salton. Pursuant to the requirements of SFAS No. 141, the information for the fiscal year ended June 30, 2008 represents a full year of the operations of Applica and the operations of Salton from the consummation of the merger, which was December 28, 2007. The information for the six months ended June 30, 2007 and 2006, as well as the full year ended December 31, 2006, represents only the operations of Applica.

Three Months Ended December 31, 2009 Compared To Three Months Ended December 31, 2008

Net Sales. Consolidated net sales for the three months ended December 31, 2009 increased by $3.7 million to $248.7 million, an increase of 1.5% as compared to the three months ended December 31, 2008. The following table sets forth the approximate amounts and percentages of Russell Hobbs consolidated net sales by its three geographical regions during the three months ending December 31:

	2009 Net Sales	%	2008 Net Sales	%
	(Dollars in thousands)			
North, South and Central America	$ 179,625	72.3%	$ 188,925	77.1%
Europe	57,258	23.0	47,525	19.4
Australia and New Zealand	11,769	4.7	8,514	3.5
Household Products Net Sales	248,652	100	244,964	100
Water Products	37	0.0		
Consolidated Net Sales	$ 248,689	100%	$ 244,964	100%

The increase in sales was the result of expanded distribution channels in Europe and Australia, partially offset by a decrease in sales in the United States driven primarily by Russell Hobbs continued rationalization of its product portfolio in an effort to improve product velocity (i.e., the number of inventory turns for a particular product) and product quality.

Gross Profit. Gross profit margins significantly improved to 31.3% for the three months ended December 31, 2009, as compared to 24.9% for the three months ended December 31, 2008. The improvement was primarily due to (1) improved mix, driven by product rationalization initiatives, and (2) lower product costs in the three months ended December 31, 2009 as compared to the prior year period. The gross profit margins in the 2008 period were negatively impacted by higher cost inventory sold in the quarter ended December 31, 2008 with an estimated negative impact of approximately $8.0 million. The higher cost inventory resulted from significant increases in the cost of products from Russell Hobbs suppliers driven by increases in costs of commodities and fuel over the summer of 2008. Russell Hobbs began to experience such cost increases for product purchases in the quarter ended September 30, 2008. Russell Hobbs sold the affected inventory from the quarter ended December 31, 2008 to the quarter ended June 30, 2009.

Operating Expenses. Operating expenses decreased by approximately $5.9 million to $46.3 million for the three months ended December 31, 2009, compared to three months ended December 31, 2008. The decrease was primarily attributable to (1) the full run rate of synergies realized as a result of the merger of Applica and Salton, (2) a decrease in national advertising and (3) other cost saving and cost control actions taken that reduced Russell Hobbs operating expenses. As a percentage of sales, operating expenses decreased to 18.6% for the three months ended December 31, 2009, compared to 21.3% for the three months ended December 31, 2008.

In connection with the merger of Applica and Salton, Russell Hobbs incurred approximately $0.3 million of expenses related to certain legacy Salton litigation matters in the three months ended December 31, 2009. For the three months ended December 31, 2008, Russell Hobbs incurred $0.2 million of transition-related expenses, which were primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed by June 2008.

Included in the three months ended December 31, 2009 were legal expenses of approximately $0.4 million related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box, compared to $0.3 million in the three months ended December 31, 2008.

Russell Hobbs incurred approximately $0.4 million in severance related expenses in December 2009 in connection with a reduction in force in France. Expenses for employee termination benefits for the three months ended December 2008 were $0.9 million, primarily related to a reduction in force in December 2008 in Russell Hobbs North American and European operations.

Russell Hobbs did not incur any acquisition-related expenses for the three months ended December 31, 2009 as compared to $1.3 million in the three months ended December 31, 2008. The acquisition-related expenses in the three months ended December 31, 2008 consisted primarily of $1.0 million recorded in the household products segment (Household Products Segment) relating to the cancellation of stock options. The stock options were cancelled in connection with the purchase by the Harbinger Parties of the remaining public shares of Russell Hobbs in December 2008. Additionally, Russell Hobbs incurred approximately $0.6 million in acquisition-related expenses related to the potential acquisition of businesses in the Water Products Segment, none of which were consummated. Finally, Russell Hobbs had reversals of approximately $0.3 million of acquisition-related accruals relating to a potential acquisition within the Household Products Segment.

Interest expense decreased $5.7 million to $7.3 million for the three months ended December 31, 2009, as compared to $13.1 million for the three months ended December 31, 2008. Interest expense on third party debt decreased approximately $1.4 million, primarily due to lower borrowings under Russell Hobbs credit facilities and lower interest rates in three months ended December 31, 2009. Related party interest on the Harbinger Parties term loan, the Series D Preferred Stock and the Series E Preferred Stock decreased $4.4 million to $6.5 million in the three months ended December 31, 2009, compared to $10.8 million in the three months ended December 31, 2008. The decrease was primarily attributable to the reclassification, effective November 1, 2009, of the Series D Preferred Stock and Series E Preferred Stock from a component of long-term liabilities to equity. The outstanding amounts of Series D Preferred Stock and Series E Preferred Stock are now classified as separate line items apart from permanent equity on the balance sheet, as redemption thereof is outside of Russell Hobbs control. As a result of such reclassification, Russell Hobbs no longer records interest expense related to the preferred stock in its consolidated statement of operations as these dividends now accrue in arrears.

The financial position and results of operations of Russell Hobbs foreign subsidiaries are measured using the foreign subsidiary s local currency as the functional currency. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Foreign currency transaction loss included in other expense (income) totaled $2.5 million in the three months ended December 31, 2009, as compared to $4.0 million in three months ended December 31, 2008. Included in the foreign currency transaction loss of $2.5 million in the three months ended December 31, 2009 were realized (i.e., cash settled) gains of $0.6 million and unrealized (non cash) losses of $3.1 million. Included in the foreign currency transaction loss of $4.0 million in the three months ended December 31, 2008 were realized losses of $5.1 million and unrealized gains of $1.1 million. Foreign currency gains (losses) fluctuate with the strengthening or weakening of international currencies in geographies where Russell Hobbs does business (including British Pound, Euro, Canadian Dollar, Australian Dollar, Brazilian Real and Mexican Peso) versus the United States dollar.

Interest income and other expense (income), net. Included in interest income and other expense (income), net were approximately $1.6 million of expenses incurred in the quarter ended December 31, 2009 related to

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Russell Hobbs process to refinance its Harbinger Parties term loan. Russell Hobbs ultimately decided not to pursue the refinancing, primarily due to developments around certain strategic alternatives it was exploring and the likelihood that it would enter into a contemplated merger agreement in early 2010. In the quarter ended December 31, 2008, Russell Hobbs had interest income of approximately $0.2 million.

Taxes. Russell Hobbs tax provision is based upon an estimated annual calculation of taxes on earnings of each of its foreign and domestic operations. For the three months ended December 31, 2009, Russell Hobbs effective tax rate was approximately 23.3%, as compared to (9.6%) for the same period in 2008. Russell Hobbs effective tax rate was different from the U.S. statutory rate primarily as a result of:

- valuation allowances against unrealizable tax assets;
- unrecognized tax benefits; and
- rate differentials associated with foreign earnings taxed at different rates than in the U.S.

Six Months Ended December 31, 2009 Compared To Six Months Ended December 31, 2008

Net Sales. Consolidated net sales for the six months ended December 31, 2009 decreased by $17.0 million to $459.8 million, a decrease of 3.6% as compared to the six months ended December 31, 2008. The following table sets forth the approximate amounts and percentages of Russell Hobbs consolidated net sales by the three geographical regions of its Household Products Segment and the consolidated net sales of its Water Products Segment during the six months ending December 31:

	2009		2008	
	Net Sales	%	Net Sales	%
	(Dollars in thousands)			
North, South and Central America	$ 347,295	75.5%	$ 369,047	77.4%
Europe	91,442	19.9	90,563	19.0
Australia and New Zealand	20,784	4.5	17,164	3.6
Household Products Net Sales	459,521	99.9	476,774	100
Water Products	255	0.1		
Consolidated Net Sales	$ 459,776	100%	$ 476,774	100%

The decrease in sales was primarily in the United States driven by (1) Russell Hobbs continued rationalization of its product portfolio in an effort to improve product velocity and product quality and (2) lower consumer demand driven by current economic conditions. The decrease in the United States was partially offset by expanded distribution channels in Europe and Australia, primarily in the quarter ended December 31, 2009 as compared to the same period in 2008.

Gross Profit. Gross profit margins significantly improved to 30.9% for the six months ended December 31, 2009, as compared to 27.5% for the six months ended December 31, 2008. The improvement was primarily due to (1) improved mix, driven by the product rationalization initiatives, and (2) lower product costs in the six months ended December 31, 2009 as compared to the prior year period. The gross profit margins in the 2008 period were negatively impacted by higher cost inventory sold in the quarter ended December 31, 2008 with an estimated negative impact of approximately $8.0 million. The higher cost inventory resulted from significant increases in the cost of products from Russell Hobbs suppliers driven by increases in costs of commodities and fuel over the summer of 2008. Russell Hobbs began to experience such cost increases for product purchases in the quarter ended September 30, 2008. Russell Hobbs sold the affected inventory from the quarter ended December 31, 2008 to the quarter ended June 30, 2009.

Operating Expenses. Operating expenses decreased by $15.1 million to $89.9 million for the six months ended December 31, 2009. The decrease was primarily attributable to (1) the full run rate of synergies realized as a result of the merger of Applica and Salton, (2) a decrease in national advertising, (3) lower sales volume and (4) other cost saving and cost control actions taken that reduced Russell Hobbs operating expenses. As a percentage of sales, operating expenses decreased to 19.5% for the six months ended December 31, 2009, compared to 22.1% for the six months ended December 31, 2008.

In connection with the merger of Applica and Salton, Russell Hobbs incurred approximately $0.3 million in expenses related to certain legacy Salton litigation matters in the six months ended December 31, 2009. For the six months ended December 31, 2008, Russell Hobbs incurred $1.0 million of transition related expenses, primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed by June 2008.

Included in the six months ended December 31, 2009 were legal expenses of approximately $1.1 million related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box, compared to $4.7 million in the six months ended December 31, 2008.

Russell Hobbs incurred approximately $0.4 million in severance related expenses for the six months ended December 31, 2009 related to a reduction in force in France. Expenses for employee termination benefits for the six months ended December 2008 were $0.9 million and were primarily related to reductions in force in December 2008 in the North American and European operations.

Russell Hobbs did not incur any acquisition-related expenses for the six months ended December 31, 2009 as compared to $1.6 million in the six months ended December 31, 2008. The acquisition-related expenses in the six months ended December 31, 2008 consisted primarily of $1.0 million recorded in Russell Hobbs Household Products Segment relating to the cancellation of stock options. Such stock options were cancelled as part of Russell Hobbs going-private transaction and the resulting purchase by the Harbinger Parties of the remaining public shares of Russell Hobbs in December 2008. In connection with this transaction, Russell Hobbs recorded approximately $1.0 million as compensation expense in December 2008. Additionally, Russell Hobbs incurred approximately $0.6 million in acquisition-related expenses for potential acquisitions of businesses in the Water Products Segment, none of which were consummated. Finally, Russell Hobbs had reversals of approximately $0.3 million of acquisition-related accruals relating to potential acquisition within the Household Products Segment.

Interest expense decreased $5.6 million to $19.9 million for the six months ended December 31, 2009, as compared to $25.5 million for the six months ended December 31, 2008. Interest expense on third party debt decreased $3.4 million primarily due to lower borrowings under Russell Hobbs credit facilities and lower interest rates in the six months ended December 31, 2009. Related party interest on the Harbinger Parties term loan and the Series D and E Preferred Stock decreased to $18.1 million in the six months ended December 31, 2009, compared to $20.2 million in the six months ended December 31, 2008. The decrease was primarily attributable to the reclassification, effective November 1, 2009, of the Series D Preferred Stock and Series E Preferred Stock from a component of long-term liabilities to equity. The outstanding amounts of Series D Preferred Stock and Series E Preferred Stock are now classified as separate line items apart from permanent equity on the balance sheet, as redemption thereof is outside of Russell Hobbs control. As a result of such reclassification, Russell Hobbs no longer records interest expense related to the preferred stock in its consolidated statement of operations as these dividends now accrue in arrears.

The financial position and results of operations of Russell Hobbs foreign subsidiaries are measured using the foreign subsidiary s local currency as the functional currency. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Foreign currency transaction loss included in other expense (income) totaled $1.8 million in the six months ended December 31, 2009, compared to $4.6 million in the six

months ended December 31, 2008. Included in the foreign currency transaction loss of $1.8 million in the six months ended December 31, 2009 were realized (i.e., cash settled) gains of $1.5 million and unrealized (non cash) losses of $3.3 million. Included in the foreign currency transaction loss of $4.6 million in the six months ended December 31, 2008 were realized losses of $6.1 million and unrealized gains of $1.5 million. Foreign currency gains (losses) fluctuate with the strengthening or weakening of international currencies in geographies in which Russell Hobbs does business (including British Pound, Euro, Canadian Dollar, Australian Dollar, Brazilian Real and Mexican Peso) versus the United States dollar.

Interest income and other expense (income), net. Included in interest income and other expense (income), net were approximately $1.6 million of expenses incurred in the quarter ended December 31, 2009 related to Russell Hobbs process to refinance the Harbinger Parties term loan. Russell Hobbs ultimately decided not to pursue the refinancing primarily due to developments around certain strategic alternatives it was exploring and the high likelihood of it entering into a contemplated merger agreement in early 2010. In the six months ended December 31, 2008, Russell Hobbs had interest income of approximately $0.7 million.

Taxes. Russell Hobbs tax provision is based upon an estimated annual calculation of taxes on earnings of each of its foreign and domestic operations. For the six months ended December 31, 2009, Russell Hobbs effective tax rate was approximately 32.7%, as compared to (42.5%) for the same period in 2008. Russell Hobbs effective tax rate was different from the U.S. statutory rate primarily as a result of:

- valuation allowances against unrealizable tax assets;
- unrecognized tax benefits; and
- rate differentials associated with foreign earnings taxed at different rates than in the U.S.

Fiscal Year Ended June 30, 2009 Compared To Fiscal Year Ended June 30, 2008

Net Sales. Consolidated net sales for the year ended June 30, 2009 increased by $135.8 million to $796.7 million, an increase of 20.5% as compared to the year ended June 30, 2008. The increase was attributable to the merger of Applica and Salton.

For the year ended June 30, 2009, sales in Russell Hobbs three geographical regions were as follows:

- sales in North, South and Central America were $606.9 million;
- sales in Europe were $159.5 million; and
- sales in the remainder of the world were $30.3 million.

For the year ended June 30, 2008, sales in Russell Hobbs three geographical regions were as follows:

- sales in North, South and Central America were $560.9 million;
- sales in Europe were $85.1 million; and
- sales in the remainder of the world were $14.9 million.

Gross Profit. Gross profit margins decreased to 27.5% for the year ended June 30, 2009, as compared to 31.3% for the year ended June 30, 2008. Gross profit for the year ended June 30, 2009 was negatively impacted by the following:

approximately $21.7 million of higher cost inventory that Russell Hobbs cycled through primarily in the nine-month period ended June 30, 2009. The higher cost inventory resulted from significant cost increases from Russell Hobbs suppliers driven by increases in costs of commodities and fuel beginning with purchases in the quarter ended September 30, 2008. Russell Hobbs sold this inventory starting in the quarter ended December 31, 2008 and through the six months ended June 30, 2009; and

approximately $6.2 million in negative margin impact attributable to the sale of discontinued products at prices significantly below cost in accordance with management s plan to liquidate the inventory by June 30, 2009.

The negative impacts above were partially offset by adjustments of $5.1 million related to the reversal of certain purchase accounting items accrued as a result of the merger of Salton and Applica. The net impact of the above items totaled $22.8 million.

Operating Expenses. Operating expenses increased by approximately $3.9 million to $177.6 million for the year ended June 30, 2009, compared to the year ended June 30, 2008. The increase was primarily attributable to the merger of Salton and Applica, offset by synergies realized as a result of the combination and other cost saving actions taken that has reduced Russell Hobbs fixed overhead. As a percentage of sales, operating expenses decreased to 22.3% for the year ended June 30, 2009, compared to 26.3% for the year ended June 30, 2008. The 400 basis points improvement was primarily attributable to synergies realized as a result of the merger of Salton and Applica.

Included in the year ended June 30, 2009 were legal expenses of approximately $6.6 million related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box, compared to $5.1 million in year June 30, 2008.

In connection with the merger of Salton and Applica, Russell Hobbs incurred approximately $1.0 million in integration and transition-related costs that were expensed in the year ended June 30, 2009 compared to $17.9 million that was expensed in year ended June 30, 2008. These costs were primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed by June 2008.

Russell Hobbs incurred $1.1 million in severance expenses in the year ended June 30, 2009 primarily related to a reduction in force in December 2008 in its North American and European operations and the transfer of Russell Hobbs operations at its distribution facilities in North America to a third-party provider in June 2009.

Russell Hobbs incurred $3.1 million in acquisition-related expenses for the year ended June 30, 2009 compared to $4.1 million in the period ended June 30, 2008. This was primarily driven by the approximately $2.1 million in acquisition-related expenses for the proposed acquisition of all the outstanding shares of Island Sky Australia Limited and other potential acquisition targets in the Water Products Segment, none of which were consummated. Additionally, Russell Hobbs had approximately $1.0 million in acquisition-related expenses in its Household Products Segment related to the cancellation of stock options as part of the purchase by the Harbinger Parties of the remaining public shares of Salton in December 2008.

In the year ended June 30, 2008, in connection with a proposed acquisition of a global pet supply business that ultimately was not consummated, Russell Hobbs incurred approximately $7.1 million in acquisition-related expenses. In accordance with the purchase agreement, Russell Hobbs was reimbursed $3.0 million for such expenses in July 2008, which were accrued as of June 30, 2008.

Interest expense increased $25.7 million to $50.2 million for the year ended June 30, 2009, as compared to $24.5 million for the year ended June 30, 2008. The increase was primarily the result of the new financial arrangements executed in connection with the merger of Salton and Applica (for which interest was accrued for the full fiscal year, as opposed to approximately six months for the 2008 fiscal year) and the issuance of the Series E Preferred Stock in the 2009 fiscal year. Related party (non-cash) interest for Russell Hobbs term debt and the Series D and Series E Preferred Stock increased $28.2 million to $42.7 million in year ended June 30, 2009.

Russell Hobbs incurred $7.0 million in foreign currency losses in the year ended June 30, 2009 compared to a foreign currency gain of $1.7 million in the year ended June 30, 2008. The loss in the year ended June 30, 2009 was attributable to the devaluation of major international currencies (British Pound, Euro, Canadian Dollar, Australian Dollar, Brazilian Real and Mexican Peso) versus the United States dollar.

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Interest and Other Income. Interest and other (income) loss for the year ended June 30, 2009 included the gain on sale of approximately $2.5 million of additional sale proceeds from a favorable zoning ruling received related to a the sale of a parcel of land in the United Kingdom.

Interest and other (income) loss for the year ended June 30, 2008 included the following:

- a gain of $1.9 million from the settlement in December 2007 of an escrow claim related to the sale of an investment by a joint venture (the funds were received in January 2008);
- a gain of $1.4 million in initial proceeds related to the sale of land in the United Kingdom; and
- a gain of $0.5 million related to the sale in October 2007 of a Mexican manufacturing facility; and
- due diligence fees and expenses of $0.7 million that were expensed in the period, which were associated with alternative financing for a merger that was ultimately not consummated.

Taxes. Russell Hobbs tax provision is based upon an annual calculation of taxes on earnings in its foreign and domestic operations. For the year-end June 30, 2009, Russell Hobbs effective tax rate from continuing operations was approximately (57%), as compared to approximately (95%) for the year ended June 30, 2008. The change in the effective tax rate from June 30, 2008 to June 30, 2009 was primarily due to an increase in the valuation allowance and the adoption of FIN 48. Russell Hobbs effective tax rate was different from the U.S. statutory rate primarily as the result of:

- valuation allowances against unrealizable tax assets; and
- foreign earnings distributed to, or taxable in, the U.S.

Six Months Ended June 30, 2007 Compared To Six Months Ended June 30, 2006

Net Sales. Consolidated net sales for the six months ended June 30, 2007 increased by $18.7 million to $207.0 million, an increase of 9.9% as compared to the 2006 period.

Gross Profit. Russell Hobbs gross profit margin improved to 30.2% for the six months ended June 30, 2007 as compared to 26.0% for the same period in 2006. Gross profit for the six month period in 2007 was positively impacted by improved product mix and improvements in product warranty returns and related expenses compared to the 2006 period. Additionally, gross profit for the 2006 period was negatively impacted by the following:

- $3.7 million related to a product recall; and
- the sale of inventory that included $2.7 million of unabsorbed overhead and inefficiencies related to the closure of a Mexican manufacturing facility.

Operating Expenses. Operating expenses increased by $2.5 million, or 4.1%, to $63.0 million for the six months ended June 30, 2007 compared to the same period in 2006. As a percentage of sales, operating expenses decreased to 30.4% in the six month period in 2007 compared to 32.1% in the 2006 period. The following expenses decreased in the six months ended June 30, 2007:

- employee compensation decreased by $1.5 million due to lower average headcount; and

- professional services decreased by $1.1 million.

The above decreases were offset by increases in the following expenses for the six months ended June 30, 2007:

- promotion and advertising expenses increased $1.4 million, primarily attributable to new product launches;

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- warehousing-related expenses increased $1.1 million, primarily attributable to higher inventory levels; and

- amortization and depreciation expenses increased $1.9 million, primarily attributable to (a) the amortization of intangibles valued as a result of the acquisition of Applica by the Harbinger Parties in January 2007 and (b) the depreciation related to the reclassification of a Mexican manufacturing facility from assets held for sale (as discussed below).

In July 2005, Russell Hobbs made the decision to close its manufacturing facility in Mexico. The manufacturing operations ceased production in October 2005. At December 31, 2006 and 2005, the land and building were classified as assets held for sale and included in prepaid expenses and other in Russell Hobbs consolidated balance sheet at a net realizable value of approximately $5.3 million. In March 2007, Russell Hobbs reclassified the land and building as an asset held and used as the sale of the land and building was not consummated. As a result of the reclassification, Russell Hobbs recorded approximately $0.5 million in depreciation expense in the three month period ended March 31, 2007. In October 2007, Russell Hobbs sold the property for $5.2 million, which is net of broker commissions. The sale resulted in a gain of $0.6 million, which was recorded in the quarter ended December 31, 2007. The land and building was classified as assets held for sale at June 30, 2007 in the accompanying consolidated balance sheet at its book value of $4.7 million.

Interest expense decreased by $3.2 million, or 71.2%, to $1.3 million for the six months ended June 30, 2007, as compared to $4.4 million for the same period in 2006. The decrease was a result of the repayment of a $20 million term loan in January 2007 and the redemption of the remaining $55.75 million of Applica s 10% notes in February 2007 as a result of the acquisition of Applica by the Harbinger Parties.

Taxes. Russell Hobbs tax provision is based on an estimated annual aggregation of the taxes on earnings of each of its foreign and domestic operations. For the six months ended June 30, 2007, Russell Hobbs had an effective tax rate of (508%), as compared to (10%) for the same period in 2006. The increase in the effective tax rates was primarily attributable to a taxable gain on the sale of Russell Hobbs Professional Personal Care segment in May 2007.

Discontinued Operations. In May 2007, Russell Hobbs sold its professional care segment to an unrelated third party for $36.5 million. For the six months ended June 30, 2007, income from discontinued operations was $0.4 million as compared to a loss of $2.3 million for the six months ended June 30, 2006. The increase in income for discontinued operations was attributable to (a) certain reversals of accrued expenses and sales incentives would be paid by the purchaser and (b) increased sales and improved product mix compared to the same period in 2006.

Fiscal Year Ended June 30, 2008 Compared To Calendar Year Ended December 31, 2006

Net Sales. Consolidated net sales for the year ended June 30, 2008 increased by $194.0 million to $660.9 million, an increase of 41.6% as compared to year ended December 31, 2006. The increase was attributable to the merger of Applica and Salton.

For the year ended June 30, 2008, sales in Russell Hobbs three geographical regions were as follows:

- sales in North, South and Central America were $560.9 million;

- sales in Europe were $85.1 million; and

- sales in the remainder of the world were $14.9 million.

Gross Profit. Gross profit margins increased to 31.1% for the year ended June 30, 2008, as compared to 27.7% for the year ended December 31, 2006. The increase was partially attributable to a favorable product mix. Additionally, gross profit for the year ended December 31, 2006 was negatively impacted by:

- $3.1 million net impact related to a product recall reported in the first quarter of 2006;

$2.4 million primarily attributable to price adjustments and write down of inventory related to a discontinued product; and

- the sale of inventory that included capitalized losses of $2.9 million related to the closure of a manufacturing facility in Mexico.

Operating Expenses. Operating expenses increased by approximately $48.3 million to $173.8 million for the year ended June 30, 2008, compared to the year ended December 31, 2006. The increase was primarily attributable to the merger of Applica and Salton. As a percentage of sales, operating expenses decreased to 26.3% for the year ended June 30, 2008 compared to 26.9% for the year ended December 31, 2006.

Included in the year ended June 30, 2008 were legal expenses of approximately $5.1 million related to Russell Hobbs pursuit of patent infringement matters on certain patents related to the *LitterMaid* automatic cat litter box. There were no such expenses in the year ended December 31, 2006.

In connection with the merger of Applica and Salton, Russell Hobbs incurred approximately $17.9 million in integration and transition-related costs that were expensed in the year ended June 30, 2008. These costs were primarily related to the integration and transition of the North American operations of Salton and Applica. The integration of the North American operations was substantially completed in June 2008.

In connection with a proposed acquisition of a global pet supply business, which ultimately was not consummated, Russell Hobbs incurred approximately $7.1 million in acquisition-related expenses. In accordance with the purchase agreement, Russell Hobbs was reimbursed $3.0 million for such expenses in July 2008, which were accrued as of June 30, 2008.

Interest expense increased $13.5 million to $24.5 million for the year ended June 30, 2008, as compared to $11.1 million for the year ended December 31, 2006. The increase was primarily the result of the new financial arrangements executed in connection with the merger of Applica and Salton.

Russell Hobbs had a foreign currency gain of $1.7 million in the year ended June 30, 2008, compared to a foreign currency loss of $0.6 million in year ended December 31, 2006. The gain in the year ended June 30, 2008 was attributable to the appreciation of major international currencies (British Pound, Euro, Canadian Dollar, Australian Dollar, Brazilian Real and Mexican Peso) versus the United States dollar.

Interest and Other Income. Interest and other income for the year ended June 30, 2008 included the following:

- a gain of $1.9 million from the settlement in December 2007 of an escrow claim related to the sale of an investment by a joint venture (the funds were received in January 2008);
- a gain of $1.4 million related to the sale of land in the United Kingdom;
- a gain of $0.5 million related to the sale in October 2007 of the land and building housing a Mexican manufacturing facility; and
- due diligence fees and expenses of $0.7 million that were expensed in the period, which were associated with alternative financing for a merger that was ultimately not consummated.

Taxes. Russell Hobbs tax provision is based upon an annual calculation of taxes on earnings in Russell Hobbs foreign and domestic operations. For the year-end June 30, 2008, Russell Hobbs effective tax rate was approximately (95%), as compared to approximately (18%) for the year ended December 31, 2006. The change in the effective tax rate from December 31, 2006 to June 30, 2008 was primarily due to an increase in the valuation allowance and the adoption of FIN 48. Russell Hobbs effective tax rate was different from the U.S. statutory rate primarily as the result of:

- valuation allowances against unrealizable tax assets;
- unrecognized tax benefits; and
- rate differentials associated with foreign earnings taxed at different rates than in the U.S.

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Financial Condition

Cash Requirements

Russell Hobbs material short-term cash requirements are the funds necessary to maintain its current operations and achieve its business strategy, including purchasing inventory, financing accounts receivable and paying operating expenses, including royalty payments related to licensing arrangements, lease payments and interest costs. In addition, Russell Hobbs requires funds for capital expenditures for tooling for new products, information technology improvements and other improvements. Interest costs will fluctuate based upon interest rates, as well as Russell Hobbs ability to generate cash flow to pay down debt.

Russell Hobbs finances its short-term cash requirements primarily through cash flows from operations and borrowings under its credit facilities.

Russell Hobbs material long-term cash requirements consist mainly of the $158.3 million Harbinger Parties term loan due in December 2012. In addition, its ongoing future cash requirements include future operating expenses, $20 million in annual amortization payments under the Harbinger Parties term loan, royalty payments under the *Black and Decker* trademark license agreement and other license agreements, capital expenditures, interest expense, lease payments and payments under its credit facilities.

At December 31, 2009, Russell Hobbs contractual obligations and commercial commitments were as follows:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Debt Obligations	$ 196,807	$ 20,000	$ 20,000	$ 156,807	$
Capital Lease Obligations					
Operating Lease Obligations	51,574	10,748	8,802	13,576	18,448
Purchase Obligations					
Royalties	45,250	15,250	15,000	15,000	
Consulting Arrangements	2,256	1,504	752		
Other Long-Term Liabilities Reflected on the Balance Sheet	17,870				17,870
	$ 313,757	$ 47,502	$ 44,554	$ 185,383	$ 36,318

Russell Hobbs expects to have sufficient liquidity from its existing cash balances, cash flow from operations and borrowings under its credit facilities to finance its cash requirements over the next 12 months.

Operating Activities. For the six months ended December 31, 2009, Russell Hobbs operations generated cash of $52.5 million, compared with a use of cash of $73.4 million in six months ended December 31, 2008. The improvement in operating cash flow was primarily attributable to the Household Products Segment and resulted from:

- improved product mix driven by Russell Hobbs continued product rationalization;
- lower product costs in the six months ended December 31, 2009 as compared to the prior year period;
- synergies realized as a result of the merger between Applica and Salton and cost cutting and cost containment initiatives; and

significant improvement in working capital requirements as a result of management initiatives regarding the improvement of the product order processes with suppliers, particularly relating to product lead times.

As the result of the merger of Applica and Salton, over the last two years, Russell Hobbs has reduced its working capital requirements from over $300 million (at December 31, 2007) to under $170 million (at December 31, 2009).

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Investing Activities. For the six months ended December 31, 2009, investing activities for capital expenditures used cash of $0.9 million compared to a use of cash of $4.2 million in the six months ended December 31, 2008. The decrease in capital expenditures was driven by a shift, from Russell Hobbs to the product supplier, of upfront tooling costs. This resulted in a decrease in upfront capital expenditures and a related increase in per unit product cost, which will more closely tie cash costs with product sales. Additionally, in the six months ended December 31, 2009, Russell Hobbs purchased an additional 2,887,968 common shares of Island Sky Australia Limited from the Harbinger Parties for approximately $0.3 million.

Financing Activities. For the six months ended December 31, 2009, financing activities used cash of $42.7 million, compared to $75.2 million of cash generated in the six months ended December 31, 2008. In the six months ended December 31, 2009, Russell Hobbs had net payments of $30.5 million on its credit facilities, made two quarterly amortization payments totaling $10.0 million on the Harbinger Parties term loan and used $2.2 million to pay off its term loan in Brazil. The cash generated in the six months ended December 31, 2008, was primarily attributable to the issuance of the Series E Preferred Stock to the Harbinger Parties in August 2008 for $50.0 million, $22.9 million in net borrowings under its credit facilities and $2.3 million in proceeds from the Brazil term loan.

Debt Instruments, Guarantees and Related Covenants

North American Credit Facility. Russell Hobbs has a $125 million asset-based senior secured revolving credit facility maturing in December 2012. The facility includes an accordion feature which permits Russell Hobbs to request an increase in the aggregate revolver amount by up to $75 million.

At Russell Hobbs option, interest accrues on the loans made under the North American credit facility at either:

- LIBOR (adjusted for any reserves), plus a specified margin (determined by Russell Hobbs average quarterly availability and set at 2.25% on December 31, 2009), which was 2.48% on December 31, 2009; or

- the Base Rate plus a specified margin (based on Russell Hobbs average quarterly availability and set at 1.25% on December 31, 2009), which was 4.50% on December 31, 2009.

The Base Rate is the greater of (a) Bank of America s prime rate; (b) the Federal Funds Rate for such day, plus 0.50%; or (c) the LIBOR Rate for a 30-day interest period as determined on such day, plus 1.0%.

Advances under the facility are governed by Russell Hobbs collateral value, which is based upon percentages of eligible accounts receivable and inventories of its North American operations. Under the credit facility, if availability is less than $30,000,000, Russell Hobbs must maintain a minimum fixed charge coverage ratio of 1.0 to 1.0.

The credit facility contains a number of significant covenants that, among other things, restrict the ability of Russell Hobbs to dispose of assets, incur additional indebtedness, prepay other indebtedness, pay dividends, repurchase or redeem capital stock, enter into certain investments or create new subsidiaries, enter into sale and lease-back transactions, make certain acquisitions, engage in mergers or consolidations, create liens, or engage in certain transactions with affiliates, and that otherwise restrict corporate and business activities. At December 31, 2009, Russell Hobbs was in compliance with all covenants under the credit facility.

The credit facility is collateralized by substantially all of the real and personal property, tangible and intangible, of Russell Hobbs, Inc. and its domestic subsidiaries, as well as:

- a pledge of all of the stock of Russell Hobbs domestic subsidiaries;

- a pledge of not more than 65% of the voting stock of each direct foreign subsidiary of Russell Hobbs, Inc. and each direct foreign subsidiary of each domestic subsidiary of Russell Hobbs, Inc.; and

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a pledge of all of the capital stock of any subsidiary of a subsidiary of Russell Hobbs that is a borrower under the credit facility, including Russell Hobbs Canadian subsidiary.

As of December 31, 2009 and 2008, Russell Hobbs had $25.7 million and $124.5 million, respectively, of borrowings outstanding. As of December 31, 2009, Russell Hobbs had $86.0 million available for future cash borrowings and had letters of credit of $6.1 million outstanding under its credit facility.

As of March 15, 2010, Russell Hobbs had $11.1 million of borrowings outstanding and $70.4 million available for future cash borrowings under its North American credit facility.

European Credit Facility. Russell Hobbs Holdings Limited, Russell Hobbs Limited and certain other of Russell Hobbs European subsidiaries have a £40.0 million (approximately $64.0 million as of December 31, 2009) credit facility with Burdale Financial Limited. The facility consists of a revolving credit facility with an aggregate notional maximum availability of £30.0 million (approximately $48.0 million as of December 31, 2009) and two term loan facilities (one related to real property and the other to intellectual property of the European subsidiary group) of £2.9 million and £5.1 million (approximately $4.6 million and $8.2 million, respectively, as of December 31, 2009).

The credit agreement matures on December 31, 2012 and bears a variable interest rate of Bank of Ireland Base Rate (the Base Rate) plus 1.75% on the property term loan, the Base Rate plus 3% on the intellectual property term loan and the Base Rate plus 1.875% on the revolving credit loan (the revolver loan), in each case plus certain mandatory costs, payable on the last business day of each month. On December 31, 2009, these rates for borrowings were approximately 2.25%, 3.5% and 2.375% for the property term loan, the intellectual property term loan and the revolver loan, respectively.

The facility agreement contains a number of significant covenants that, among other things, restrict the ability of certain of Russell Hobbs European subsidiaries to dispose of assets, incur additional indebtedness, prepay other indebtedness, pay dividends, repurchase or redeem capital stock, enter into certain investments, make certain acquisitions, engage in mergers and consolidations, create liens, or engage in certain transactions with affiliates and otherwise restrict corporate and business activities. In addition, the European subsidiaries are required to comply with a fixed charge coverage ratio. Such subsidiaries were in compliance with all covenants as of December 31, 2009.

The facility agreement is secured by all of the tangible and intangible assets of certain foreign entities, a pledge of the capital stock of certain subsidiaries and is unconditionally guaranteed by certain of Russell Hobbs foreign subsidiaries.

As of December 31, 2009, under the European revolver loan, there were no outstanding borrowings and £13.1 million (approximately $21.0 million) available for future cash borrowings. As of December 31, 2008, under the revolver loan, Russell Hobbs Limited had outstanding borrowings of £12.1 million (approximately $17.3 million) and £6.3 million (approximately $9.2 million) available for future cash borrowings.

As of December 31, 2009, under the term loans, Russell Hobbs Limited had a total of £8.0 million (approximately $12.8 million) of borrowings outstanding. As of December 31, 2008, under the term loans, Russell Hobbs had a total of £9.3 million (approximately $13.6 million) of borrowings outstanding. No principal amounts are due on the term loans until December 31, 2012.

As of March 15, 2010, under the revolver loan, Russell Hobbs Limited had no outstanding borrowings and £11.2 million (approximately $17.0 million) available for future cash borrowings.

Australian Credit Facility. In August 2009, Russell Hobbs Australian and New Zealand subsidiaries entered into a $15 million AUD (approximately $13.4 million at December 31, 2009) revolving credit facility with GE Commercial Corporation (Australia) Pty Ltd. maturing in August 2012. Interest accrues on the loans made under the Australian credit facility at the Index Rate, which is based on the 90-day Bank Bill Swap Rate, plus 3.95% (8.035% at December 31, 2009).

Advances under the credit facility are governed by a collateral value that is based upon percentages of eligible accounts receivable and inventories of Russell Hobbs Australian operations. Under the credit facility, Russell Hobbs Australian and New Zealand subsidiaries must comply with a minimum fixed charge coverage ratio and minimum tangible net worth covenants. Russell Hobbs was in compliance with all covenants as of December 31, 2009.

As of December 31, 2009, Russell Hobbs had no outstanding borrowings and $6.4 million AUD (approximately $5.7 million) available for future cash borrowings under its Australian credit facility.

As of March 15, 2010, under the revolver loan, Russell Hobbs had no outstanding borrowings and $3.5 million AUD (approximately USD$3.2 million) available for future cash borrowings.

Brazil Term Loan. In May 2008, Russell Hobbs Brazilian subsidiary entered into a two-year term loan facility with a local Brazilian institution. The facility s maturity date was May 2010. The facility contained no prepayment penalty clause, was secured by certain local accounts receivables and bore interest at an annual rate of 17%. In August 2009, Russell Hobbs Brazilian subsidiary paid off the term loan in full.

The Harbinger Parties Term Loan. In December 2007, Russell Hobbs entered into a $110 million term loan due December 2012 with the Harbinger Parties. The term loan is secured by a lien on Russell Hobbs North American assets, which is subordinate to the North American credit facility. In April 2008, Russell Hobbs entered into an amendment to the term loan, which, among other things:

- provided for the payment of interest by automatically having the outstanding principal amount increase by an amount equal to the interest due (the PIK Option) from January 31, 2008 through March 31, 2009;

- provided Russell Hobbs the option, after March 31, 2009, to pay the interest due on such loan either (i) in cash or (ii) by the PIK Option;

- increased the applicable borrowing margins by 150 basis points (the Margin Increase) as consideration for the right to have the PIK Option;

- increased the outstanding loan amount by $15 million from $110 million to $125 million to fund general corporate purposes; and

- provided Russell Hobbs a delayed draw option to draw down up to an additional $15 million in the next 24 months in installments of at least $5 million to fund general corporate expenses (which was subsequently drawn in full in the fourth fiscal quarter of 2008).

At Russell Hobbs option, interest accrues on the term loan at either (i) LIBOR plus 800 basis points, which was 8.24% at December 31, 2009, or (ii) Base Rate plus 700 basis points, which was 10.25% at December 31, 2009. The Base Rate is Bank of America s prime rate.

The term loan amortizes in thirteen equal installments of $5.0 million each, on the last day of each September, December, March and June (beginning in September 2009), with all unpaid amounts due at maturity. In connection with the term loan amortization payments on September 30, 2009 and December 31, 2009, Russell Hobbs paid approximately $0.7 million in withholding taxes on behalf of the Harbinger Parties. As of December 31, 2009, the outstanding principal balance and accrued interest of the term loan was approximately $158.3 million.

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In the event that Russell Hobbs prepays the term loan at any time, in whole or in part, for any reason, prior to the stated termination date, it must pay an early termination fee equal to the following:

(i) 3.9% of the amount of term loan prepaid on or after December 29, 2009 but on or prior to December 28, 2010;

(ii) 2.6% of the amount of term loan prepaid on or after December 29, 2010 but on or prior to December 28, 2011; and

(iii) 1.3% of the amount of term loan prepaid on or after December 29, 2011 but on or prior to the stated termination date.

Senior Subordinated Notes. In connection with the merger between Salton and Applica, Russell Hobbs called for redemption of all of the outstanding 12 1/4% Senior Subordinated notes due April 15, 2008 at a price of 101% plus accrued and unpaid interest to the redemption date (other than those notes held by the Harbinger Parties, which were converted to Series D Preferred Stock). In January 2008, a total of $43.2 million of the notes were redeemed. The total premium paid was $0.4 million. This redemption was financed by additional borrowings under the North American credit facility.

At December 31, 2009, debt, as a percent of total capitalization was 63.1%, as compared to 81.3% at June 30, 2009.

Russell Hobbs is also involved in certain ongoing litigation. See Note 3, Commitments and Contingencies, to the Russell Hobbs unaudited consolidated financial statements for the three and six months ended December 31, 2009 and 2008 included elsewhere in this proxy statement/prospectus for further information.

Off-Balance Sheet Arrangements

Russell Hobbs does not have off-balance sheet financing or unconsolidated special purpose entities, except for the standby letters of credit secured under its senior credit facility and other letters of credit, which totaled $6.1 million as of December 31, 2009.

Effect of Inflation

The results of operations of Russell Hobbs for the periods discussed have been significantly affected by inflation pressures on the price of raw materials, increases in oil prices, and foreign currency fluctuation. Russell Hobbs generally negotiates its purchase orders with its foreign manufacturers in United States dollars. Thus, its cost under any purchase order is generally not subject to change after the time the order is placed due to exchange rate fluctuations. However, the weakening of the United States dollar against local currencies could result in certain manufacturers increasing the United States dollar prices for future product purchases. From time to time, Russell Hobbs uses foreign exchange contracts, which usually mature within one year, to hedge anticipated foreign currency transactions, primarily U.S. dollar inventory purchases by its foreign commercial subsidiaries in Canada, Latin America and Australia. As of December 31, 2009, there were no foreign exchange contracts outstanding.

Currency Matters

While Russell Hobbs transacts business predominantly in U.S. dollars and most of its revenues are collected in U.S. dollars, a portion of its costs, such as payroll, rent and indirect operational costs, are denominated in other currencies, such as Australian dollars, British pounds, Canadian dollars and Mexican pesos. In addition, while a portion of the revenues are collected in foreign currencies, a significant portion of the related cost of goods sold is denominated in U.S. dollars. Changes in the relation of these and other currencies to the U.S. dollar will affect Russell Hobbs cost of goods sold and operating margins and could result in exchange losses. The impact of future exchange rate fluctuations on its results of operations cannot be accurately predicted. The exchange rates may not be stable in the future and fluctuations in financial markets may have a material adverse effect on the business, financial condition and results of operations of Russell Hobbs.

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In 1994, China pegged the renminbi (also called the yuan) at an exchange rate of 8.28 to the U.S. dollar. However, U.S. groups argued that the peg made China s exports to the U.S. cheaper, and U.S. exports to China more expensive, thus greatly contributing to China s trade surplus with the U.S. In July 2005, China ended its peg to the dollar and let the renminbi fluctuate versus a basket of currencies. Immediately, the new renminbi rate revalued the currency by 2.1% to 8.11 to the dollar. At March 15, 2010, the renminbi exchange rate was 6.815 to the dollar. Because a substantial number of Russell Hobbs products are imported from China, the floating currency could result in significant fluctuations in its product costs and could have a material effect on its business.

From time to time, Russell Hobbs uses forward exchange and option contracts to reduce fluctuations in foreign currency cash flows related to finished goods and other operating purchases. The purpose of the foreign currency management activity is to reduce the risk that anticipated cash flows and earnings from foreign currency denominated transactions may be affected by changes in exchange rates.

Use of Estimates and Critical Accounting Policies

In preparing financial statements in conformity with GAAP, management of Russell Hobbs is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include income taxes, the allowance for doubtful accounts, inventory valuation reserves, product liability, litigation, warranty, environmental liability, depreciation and amortization, valuation of goodwill and intangible assets, and useful lives assigned to intangible assets.

Management of Russell Hobbs believes that the following may involve a higher degree of judgment or complexity:

Income Taxes. Russell Hobbs is subject to income tax laws in many countries. Judgment is required in assessing the future tax consequences of events that have been recognized in Russell Hobbs financial statements and tax returns. Russell Hobbs provides for deferred taxes under the asset and liability method. Under such method, deferred taxes are adjusted for tax rate changes as they occur. Significant management judgment is required in developing Russell Hobbs provision for income taxes, including the determination of foreign tax liabilities, deferred tax assets and liabilities and any valuation allowances that might be required to be applied against the deferred tax assets. Russell Hobbs evaluates its ability to realize its deferred tax assets at the end of each reporting period and adjusts the amount of its valuation allowance, if necessary.

Russell Hobbs operates within multiple taxing jurisdictions and is subject to audit in those jurisdictions. Because of the complex issues involved, any claims can require an extended period to resolve. In management s opinion, adequate provisions for income taxes have been made.

Russell Hobbs records a valuation allowance to reduce its deferred tax assets to the amount that it believes will more likely than not be realized. While Russell Hobbs considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event it was to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to tax expense in the period such determination is made. Likewise, should Russell Hobbs determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase net income in the period such determination was made.

Russell Hobbs recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions

meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Collectability of Accounts Receivable. Russell Hobbs records allowances for estimated losses resulting from the inability of its customers to make required payments on their balances. Russell Hobbs assesses the credit worthiness of its customers based on multiple sources of information and analyzes many factors including:

- Russell Hobbs historical bad debt experiences;
- publicly available information regarding its customers and the inherent credit risk related to them;
- information from subscription-based credit reporting companies;
- trade association data and reports;
- current economic trends; and
- changes in customer payment terms or payment patterns.

This assessment requires significant judgment. If the financial condition of Russell Hobbs customers were to deteriorate, additional write-offs may be required. Such write-offs may not be included in the allowance for doubtful accounts at December 31, 2009 and, therefore, a charge to income could result in the period in which a particular customer s financial condition deteriorates. Conversely, if the financial condition of Russell Hobbs customers were to improve or its judgment regarding their financial condition was to change positively, a reduction in the allowances may be required resulting in an increase in income in the period such determination is made.

Inventory. Russell Hobbs values inventory at the lower of cost or market, using the first-in, first-out (FIFO) method, and regularly reviews the book value of discontinued product lines and stock keeping units (SKUs) to determine if these items are properly valued. If the market value of the product is less than cost, Russell Hobbs will write down the related inventory to the estimated net realizable value. Russell Hobbs regularly evaluates the composition of its inventory to identify slow-moving and obsolete inventories to determine if additional write-downs are required. This valuation requires significant judgment from management as to the salability of its inventory based on forecasted sales. It is particularly difficult to judge the potential sales of new products. Should the forecasted sales not materialize, it would have a significant impact on Russell Hobbs results of operations and the valuation of its inventory, resulting in a charge to income in the period such determination was made.

Product Liability Claims and Litigation. Russell Hobbs is subject to lawsuits and other claims related to product liability and other matters that are being defended and handled in the ordinary course of business. Russell Hobbs maintains accruals for the costs that may be incurred, which are determined on a case-by-case basis, taking into consideration the likelihood of adverse judgments or outcomes, as well as the potential range of probable loss. The accruals are monitored on an ongoing basis and are updated for new developments or new information as appropriate. With respect to product liability claims, Russell Hobbs estimates the amount of ultimate liability in excess of applicable insurance coverage based on historical claims experience and current claim estimates, as well as other available facts and circumstances.

Management believes that the amount of ultimate liability of Russell Hobbs current claims and litigation matters, if any, in excess of applicable insurance coverage is not likely to have a material effect on its business, financial condition, results of operations or liquidity. However, as the outcome of litigation is difficult to predict, unfavorable significant changes in the estimated exposures could occur resulting in a charge to income in the period such determination is made. Conversely, if favorable changes in the estimated exposures occur, a reduction in the accruals may be required resulting in an increase in income in the period such determination is made.

Long-Lived Assets. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of such asset and eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Intangible Assets. Identifiable intangibles with indefinite lives are not amortized. Russell Hobbs evaluates the recoverability of finite-lived identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset s carrying amount may not be recoverable. Such circumstances could include, but are not limited to:

- a significant decrease in the market value of an asset;
- a significant adverse change in the extent or manner in which an asset is used; or
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset.

Russell Hobbs measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires that Russell Hobbs make assumptions about future cash flows over the life of the asset being evaluated.

Goodwill and Other Indefinite Lived Intangible Assets. Russell Hobbs evaluates the carrying value of goodwill and other indefinite lived intangible assets annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to:

- a significant adverse change in legal factors or in business climate;
- unanticipated competition; or
- an adverse action or assessment by a regulator.

When evaluating whether goodwill is impaired, Russell Hobbs compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the income, or discounted cash flows, approach and the market approach, which uses comparable companies data. If the carrying amount of a reporting unit exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of reporting unit goodwill to its carrying amount. In calculating the implied fair value of reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The excess of the fair value of a reporting unit over the amount assigned to its other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. Russell Hobbs annual evaluation of goodwill and other indefinite lived intangible assets is as of December 31 of each year.

As of December 31, 2009, Russell Hobbs performed its annual fair value assessment of its goodwill and indefinite lived intangible assets, with the assistance of an independent third party valuation group, and determined that there was no impairment.

Other Estimates. During previous years, Russell Hobbs has made significant estimates in connection with specific events affecting its expectations. These have included accruals relating to the consolidation of its

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operations, reduction in employees and product recalls. Additionally, Russell Hobbs makes a number of other estimates in the ordinary course of business relating to sales returns and allowances, warranty accruals, and accruals for promotional incentives. Circumstances could change which may alter future expectations regarding such estimates.

Recent Accounting Pronouncements Not Yet Adopted

Employers Disclosures About Postretirement Benefit Plan Assets. In December 2008, the FASB issued new accounting guidance on employers disclosures about assets of a defined benefit pension or other postretirement plan. It requires employers to disclose information about fair value measurements of plan assets. The objectives of the disclosures are to provide an understanding of: (a) how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies, (b) the major categories of plan assets, (c) the inputs and valuation techniques used to measure the fair value of plan assets, (d) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (e) significant concentrations of risk within plan assets. The disclosures required are effective for the Russell Hobbs financial statements for the fiscal year beginning July 1, 2010. The adoption of this guidance is not expected to have a material effect on Russell Hobbs financial position, results of operations or cash flows.

Accounting for Transfers of Financial Assets. In June 2009, the FASB issued new accounting guidance to improve the information provided in financial statements concerning transfers of financial assets, including the effects of transfers on financial position, financial performance and cash flows, and any continuing involvement of the transferor with the transferred financial assets. The provisions are effective for Russell Hobbs financial statements for the fiscal year beginning July 1, 2010. Russell Hobbs is in the process of evaluating the impact that the guidance may have on its financial statements and related disclosures.

Variable Interest Entities. In June 2009, the FASB issued new accounting guidance requiring an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also required enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise s involvement in a variable interest entity. The provisions are effective for the Russell Hobbs financial statements for the fiscal year beginning July 1, 2010. Russell Hobbs does not anticipate that the adoption of this standard will have a material impact on its financial position, results of operations or cash flows.

Quantitative and Qualitative Disclosures About Market Risk

Russell Hobbs is exposed to the impact of interest rate changes and foreign currency fluctuations. In the normal course of business, Russell Hobbs employs established policies and procedures to manage its exposure to changes in interest rates and foreign currencies.

Interest Rate Sensitivity. Russell Hobbs primary market risk exposure with respect to interest rates is changes in short- and long-term interest rates in the United States, Ireland and Australia. Certain of Russell Hobbs debt arrangements represent floating rate debt and accordingly, Russell Hobbs is subject to interest rate risk. From time-to-time according to its policy, Russell Hobbs uses interest rate risk management contracts to manage its fixed-to-floating ratio, which may reduce the impact of changes in interest rates on its floating rate debt. Russell Hobbs objectives in managing exposure to interest rate changes are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, from time to time, Russell Hobbs evaluates interest rate swaps to manage net exposure to interest rate changes related to its portfolio of borrowings. Russell Hobbs maintains fixed rate debt as a percentage of its net debt between a minimum and maximum percentage, which is set by policy.

The tables below provide information regarding Russell Hobbs derivatives and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt

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obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments expected to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date.

	At December 31, 2009 Expected Maturity Date (Dollars in thousands)							
	2010	2011	2012	2013	2014	There-after	Total	Fair Value (1)
Liabilities:								
Debt:								
Variable Rate:			$ 196,807(2)				$ 196,807	$ 183,870
Average Interest Rate			(3)					
Interest Rate Contracts:								
Interest Rate Swaps:								
Pay Floating:								
Average Pay Rate								
Average Receive Rate								

(1) The estimated fair values of each of Russell Hobbs debt instruments were based on estimated future discounted cash flows. Fair value estimates related to Russell Hobbs debt instruments are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore can not be determined with precision. Changes in the assumptions could significantly affect the estimates.

(2) Includes Russell Hobbs North American credit facility, European credit facility, Australian credit facility and the Harbinger Parties term loan.

(3) See Note 4 to the unaudited consolidated financial statements of Russell Hobbs for the three and six months ended December 31, 2009 and 2008 included elsewhere in this proxy statement/prospectus for applicable interest rates on Russell Hobbs credit facilities and related party term loan.

	At June 30, 2009 Expected Maturity Date (Dollars in thousands)							
	2010	2011	2012	2013	2014	There-after	Total	Fair Value (1)
Liabilities:								
Debt:								
Variable Rate:			$ 234,040(2)				$ 234,040	$ 218,723
Average Interest Rate			(3)					
Interest Rate Contracts:								
Interest Rate Swaps:								
Pay Floating:								
Average Pay Rate								
Average Receive Rate								

(1) The estimated fair values of each of Russell Hobbs debt instruments were based on estimated future discounted cash flows. Fair value estimates related to Russell Hobbs debt instruments are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore can not be determined with precision. Changes in the assumptions could significantly affect the estimates.

(2) Includes Russell Hobbs North American credit facility, European credit facility, Australian credit facility and the Harbinger Parties term loan.

(3) See Note 4 to the unaudited consolidated financial statements of Russell Hobbs for the three and six months ended December 31, 2009 and 2008 included elsewhere in this proxy statement/prospectus for applicable interest rates on Russell Hobbs credit facilities and related party term loan.

Exchange Rate Sensitivity. Russell Hobbs primary market risk exposure with respect to exchange rates is to changes in U.S. dollar/British pound, U.S. dollar/Euro, U.S. dollar/Canadian dollar, U.S. dollar/Mexican peso, U.S. dollar/Australian dollar and U.S. dollar/ Brazilian Real exchange rates. In addition, Russell Hobbs also has exposure to the Argentinean peso, Colombian peso, and Chilean peso. Certain forecasted transactions could expose Russell Hobbs to foreign currency risk. From time-to-time, Russell Hobbs purchases currency forwards and options as cash flow hedges of foreign currency forecasted transactions.

Russell Hobbs objective in managing exposure to foreign currency fluctuations is to reduce earnings and cash flow volatility in order to allow management to focus on core business issues and challenges. Accordingly, from time-to-time, Russell Hobbs will enter into various contracts that change in value as foreign exchange rates change to protect the value of its existing foreign currency assets, liabilities, commitments and forecasted foreign currency revenues and expenses. By policy, Russell Hobbs maintains hedge coverage between minimum and maximum percentages of its forecasted foreign exchange exposures for periods not to exceed eighteen months. The gains and losses on these contracts offset changes in the value of the related exposures.

As of December 31, 2009, Russell Hobbs had no forward currency contracts outstanding and no purchased options outstanding. It is Russell Hobbs policy to enter into foreign currency and interest rate transactions and other financial instruments only to the extent considered necessary to meet its objectives as stated above. Russell Hobbs does not enter into these transactions for speculative purposes. See Note 10, Fair Value of Financial Instruments and Disclosures, of Russell Hobbs unaudited consolidated financial statements for the three and six months ended December 31, 2009 and 2008 included elsewhere in this proxy statement/prospectus for more information regarding Russell Hobbs financial instruments.

Additionally, because a substantial number of Russell Hobbs products are imported from China, significant fluctuations in the renminbi could result in a significant fluctuation in its product costs and could have a material effect on its business.

Financial Statements and Supplementary Data

The financial statements, including the notes to all such statements and other supplementary data, of Russell Hobbs are included elsewhere in this proxy statement/prospectus.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Russell Hobbs has not had any changes in or disagreements with its accountants on accounting and financial disclosure.

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BOARD OF DIRECTORS, BOARD COMMITTEES AND EXECUTIVE

OFFICERS OF SB HOLDINGS

Board of Directors of SB Holdings

Immediately following the mergers, the board of directors of SB Holdings will be divided into three classes and will be comprised of ten individuals, one of whom will be designated by Russell Hobbs at a later time. Initially, six directors will be designated by Russell Hobbs, three will be designated by Spectrum, and one will be the Chief Executive Officer of SB Holdings. The Chief Executive Officer of Spectrum will be the initial Chief Executive Officer of SB Holdings. In addition to the Chief Executive Officer, Spectrum s current management team will be the initial management team of SB Holdings. The Chief Executive Officer of Russell Hobbs will be added to Spectrum s management team to lead a fourth reporting segment made up of the existing Russell Hobbs portfolio of small household appliance brands.

Specifically, under the New Certificate of Incorporation and New By-laws to be adopted at or prior to the effective time of the mergers, the board of directors of SB Holdings will consist of ten directors, at least three of which are to be independent directors nominated by the Special Nominating Committee. The Special Nominating Committee is to consist of three independent directors, and the initial members of the Special Nominating Committee will be Marc S. Kirschner, Norman S. Matthews and Hugh R. Rovit. Each of Messrs. Kirschner, Matthews and Rovit is considered an independent director based on the definition of that term in the listing standards of the NYSE. Any vacancy on the Special Nominating Committee is to be filled with an independent director selected by the remaining members (or member) of the Special Nominating Committee. The remaining seven directors are to be nominated by the Nominating and Governance Committee. The Nominating and Governance Committee is to consist of (i) a majority of directors designated for nomination by the Harbinger Parties and (ii) at least one independent director.

SB Holdings board of directors (other than those directors elected by the holders of any series of preferred stock) will be divided into three classes, designated as Class I, Class II and Class III, with the first class consisting of four directors, and the other two classes each consisting of three directors. The term of office of each class will be three years and will expire in successive years at the time of the annual meeting of stockholders. The directors first appointed to Class I will initially hold office for a term expiring at the first annual meeting of stockholders following the effective time of the mergers; the directors first appointed to Class II will initially hold office for a term expiring at the second annual meeting of stockholders following the effective time of the mergers; and the directors first appointed to Class III will initially hold office for a term expiring at the third annual meeting of stockholders following the effective time of the mergers. At each annual meeting of stockholders, the successors to the class of directors whose term will then expire will be elected to hold office for a term expiring at the third succeeding annual meeting and until their successors are elected and qualified or until their earlier resignation, retirement, removal or death. Any director elected to fill a vacancy will have the same remaining term as that of his predecessor.

The Class I directors will consist of the Chief Executive Officer of SB Holdings and three individuals designated by Russell Hobbs, the Class II directors will consist of two individuals designated by Russell Hobbs and one individual designated by Spectrum, and the Class III directors will consist of two individuals designated by Spectrum and one individual designated by Russell Hobbs. The directors comprising each class and the Chairman of the board of directors of SB Holdings will be determined immediately following the completion of the mergers.

The following table sets forth the name, age and position with SB Holdings of nine of its directors after consummation of the mergers:

Name	Age	Position
David R. Lumley	55	Chief Executive Officer, President, Global Batteries and Personal Care and Home and Garden and Director
Terry L. Polistina	46	Co-Chief Operating Officer and President, Russell Hobbs and Director
Kenneth C. Ambrecht	64	Director
Marc S. Kirschner	67	Director
Norman S. Matthews	77	Director
Hugh R. Rovit	49	Director
David M. Maura	37	Director
Robin Roger	53	Director
Virginia A. Kamsky	56	Director

Mr. Lumley will serve as Chief Executive Officer, President, Global Batteries and Personal Care and Home and Garden and a director of SB Holdings. Mr. Lumley was appointed Spectrum s Chief Executive Officer in April 2010, and previously served as Co-Chief Operating Officer from January 2007 to April 2010. Mr. Lumley was appointed Spectrum s President, Global Batteries and Personal Care in January 2007, and in October 2008 his area of responsibility was expanded to include the Home and Garden Business. Prior to that time, he had served as Spectrum s President, North America from the time he joined the Company in January 2006. Mr. Lumley joined the Company from his position as President, Rubbermaid Home Products North America, which he had held since January 2004. Prior to his position at Rubbermaid, Mr. Lumley had been president and Chief Executive Officer of EAS, a leading sports nutrition company, since 2001. His background includes more than 25 years experience in the consumer products industry, including having served as President of Brunswick Bicycles, President of OMC International, Senior Vice President, Sales and Marketing at Outboard Marine Corporation, and in a variety of leadership positions with Wilson Sporting Goods and other companies. Mr. Lumley holds an undergraduate degree from Western Illinois University, and Masters of Journalism and Masters of Business Administration degrees from Northwestern University.

Mr. Polistina will serve as Co-Chief Operating Officer of SB Holdings, President of the Russell Hobbs business unit and a director of SB Holdings. Mr. Polistina was appointed to the Spectrum Board in August 2009. Mr. Polistina is currently the CEO and President of Russell Hobbs. Prior to joining Russell Hobbs, Mr. Polistina served as Chief Operating Officer at Applica Incorporated in 2006 to 2007 and Chief Financial Officer from 2001 to 2007. Mr. Polistina also served as a Senior Vice President of Applica since June 1998. Mr. Polistina is a member of Spectrum s Audit Committee and of Spectrum s Nominating and Corporate Governance Committee. Mr. Polistina received an undergraduate degree in finance from the University of Florida and holds a Masters of Business Administration from the University of Miami.

Mr. Ambrecht will serve as a director of SB Holdings. Mr. Ambrecht was appointed to the Spectrum Board in August 2009. Since December 2005, Mr. Ambrecht has served as a principal of KCA Associates LLC, through which he provides advice on financial transactions. From July 2004 to December 2005, Mr. Ambrecht served as a Managing Director with the investment banking firm First Albany Capital, Inc. Prior to that, Mr. Ambrecht was a Managing Director with Royal Bank Canada Capital Markets. Prior to that post, Mr. Ambrecht worked with the investment bank Lehman Brothers as Managing Director with its capital market division. Mr. Ambrecht is also a member of the Boards of Directors of American Financial Group, Inc., Fortescue Metals Group Limited, and Dominion Petroleum Ltd. Mr. Ambrecht serves as the Chairman of Spectrum s Compensation Committee and is a member of Spectrum s Nominating and Corporate Governance Committee.

Mr. Kirschner will serve as a director of SB Holdings. Mr. Kirschner was appointed to the Spectrum Board in August 2009. Mr. Kirschner provides consulting services in the corporate restructuring and reorganization fields. He is a Fellow of the American College of Bankruptcy and has over 30 years of significant experience as a lawyer in private practice specializing in bankruptcy, restructuring, complex financing and capital markets transactions. From 1987 through January 2001, Mr. Kirschner was the head of the bankruptcy and reorganization practice in the New York office of the global law firm, Jones Day. During 2006, he was the

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Chapter 11 Trustee of Refco Capital Markets, Ltd., a global financial services firm. Since its emergence from Chapter 11 of the Bankruptcy Code in December 2006, Mr. Kirschner has been the Plan Administrator for Refco Capital Markets and the Trustee for 2 Refco Trusts created as part of its bankruptcy process. Mr. Kirschner is also currently the Liquidation Trustee for Le Nature s, Inc. and its affiliates (formerly a manufacturer and distributor of beverage products) and of the Yellowstone Mountain Club and its affiliates (formerly resort property owners and developers). From February 2001 through January 2006, Mr. Kirschner was a Managing Director of Resurgence Asset Management Company. Mr. Kirschner also served as General Counsel and Chief Operating Officer at Resurgence during his time there. Mr. Kirschner currently serves on the board of directors of First Equity Card Corporation. Mr. Kirschner is a member of Spectrum s Audit Committee and Spectrum s Nominating and Corporate Governance Committee.

Mr. Matthews will serve as a director of SB Holdings. Mr. Matthews was appointed to the Spectrum Board in August 2009. Mr. Matthews has over three decades of experience as a business leader in marketing and merchandising, and is currently an independent business consultant. As former President of Federated Department Stores, he led the operations of one of the nation s leading department store retailers with over 850 department stores, including those under the names of Bloomingdales, Burdines, Foley s, Lazarus and Rich s, as well as various specialty store chains, discount chains and Ralph s Grocery. In addition to his senior management roles at Federated Department Stores, Mr. Matthews also served as Senior Vice President and General Merchandise Manager at E.J. Korvette and Senior Vice President of Marketing and Corporate Development at Broyhill Furniture Industries. Mr. Matthews is a Princeton University graduate, and earned his Master s degree in Business Administration from Harvard Business School. He also currently serves on the Boards of Directors at The Progressive Corporation, Oneida Ltd., Henry Schein, Inc., The Children s Place Retail Stores, Inc., is a director emeritus of Sunoco, Toys R Us, and Federated Department Stores, and is a trustee emeritus at the American Museum of Natural History. Mr. Matthews is the Chairman of Spectrum s Nominating and Corporate Governance Committee and is a member of Spectrum s Compensation Committee.

Mr. Rovit will serve as a director of SB Holdings. Mr. Rovit was appointed to the Spectrum Board in August 2009. Mr. Rovit is presently Chief Executive Officer of Sure-Fit, Inc., a marketer and distributor of home furnishing products, and was a Principal at a turnaround management firm Masson & Company from 2001 through 2005. Previously, Mr. Rovit held the positions of Chief Financial Officer of Best Manufacturing, Inc., a manufacturer and distributor of institutional service apparel and textiles, from 1998 through 2001 and Chief Financial Officer of Royce Hosiery Mills, Inc., a manufacturer and distributor of men s and women s hosiery, from 1991 through 1998. Mr. Rovit served as Chairman of the Board of Atkins Nutritionals Inc. after its emergence from bankruptcy in January 2006 and currently serves on the Boards of Directors for Nellson Nutraceutical Inc., Cosmetics Essence, Inc. and Oneida, Ltd. Mr. Rovit received his Bachelor of Arts degree with distinction in government from Dartmouth College and has a Masters of Business Administration from the Harvard Business School. Mr. Rovit is a member of Spectrum s Audit Committee and of Spectrum s Compensation Committee.

Mr. Maura will serve as a director of SB Holdings. Mr. Maura is a Vice President and Director of Investments of Harbinger Capital Partners. Mr. Maura is responsible for investments in consumer products, agriculture and retail sectors. Prior to joining Harbinger Capital Partners in 2006, Mr. Maura was a Managing Director and Senior Research Analyst at First Albany Capital, where he focused on distressed debt and special situations, primarily in the consumer products and retail sectors. Prior to First Albany, Mr. Maura was a Director and Senior High Yield Research Analyst in Global High Yield Research at Merrill Lynch & Co. Mr. Maura was a Vice President and Senior Analyst in the High Yield Group at Wachovia Securities, where he covered various consumer product, service and retail companies. Mr. Maura began his career at ZPR Investment Management as a Financial Analyst. Mr. Maura received a B.S. in Business Administration from Stetson University and is a CFA charterholder.

Ms. Roger will serve as a director of SB Holdings. Ms. Roger is a Managing Director and General Counsel of Harbinger Capital Partners. Prior to joining Harbinger in 2009, Ms. Roger was General Counsel at Duff

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Capital Advisors, a multi-strategy investment advisor. She previously served as General Counsel to Jane Street Capital, a proprietary trading firm, and Moore Capital Management. Ms. Roger worked at Morgan Stanley from 1989 to 2006. While there, she headed the equity sales and trading legal practice group and served as General Counsel of the Institutional Securities Division (which encompassed the investment banking as well as sales and trading activities of the firm), and performed other roles at the corporate level. She received a B.A. from Yale College and a J.D. from Harvard Law School.

Ms. Kamsky will serve as a director of SB Holdings. Ms. Kamsky is the Founder, Chairman and Chief Executive Officer of Kamsky Associates, Inc. (KAI), a strategic advisory firm that provides advisory services in China and throughout the Pacific Rim, with specific focus on South Korea, Japan, Malaysia, Singapore and Vietnam. KAI was established in 1980 and has been responsible for advising on deals in excess of $10 billion for preeminent companies worldwide. Ms. Kamsky was a credit and lending officer at Chase Manhattan Bank based in New York, Tokyo and Beijing prior to starting her own firm. In October 2009, Ms. Kamsky received a White House appointment for a two-year term as a member of the US Secretary of the Navy Advisory Panel (SNAP), an advisory body which provides the Secretary of the Navy with independent advice and recommendations on critical issues facing the Department of the Navy and the Navy Secretariat. In 2003, Ms. Kamsky was elected Chairman of the Board of Trustees of China Institute in America. She is a member of the Council on Foreign Relations (CFR) and a director of The National Committee on US-China Relations. Ms. Kamsky graduated *cum laude* from Princeton University in 1974 with a B.A. in East Asian Studies and also served on the Board of Trustees of Princeton.

Committees of the Board of Directors of SB Holdings

General

SB Holdings board of directors may designate one or more committees, each committee to consist of one or more of the directors of SB Holdings with such power and authority as the board of directors determines, after obtaining the approval or recommendation of a majority of the Special Nominating Committee, or, if the Special Nominating Committee ceases to exist, by a majority of the members of the board of directors who are disinterested with respect to the applicable transaction or matter. The approval of a majority of the Special Nominating Committee is not necessary to designate an audit or compensation committee with customary powers and authorities for such committees.

SB Holdings board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. If a member of a committee will be absent from any meeting, or disqualified from voting thereat, the remaining member or members present at the meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of SB Holdings board of directors to act at the meeting in the place of any such absent or disqualified member. Any committee, to the extent permitted by applicable law, will have and may exercise all the powers and authority of SB Holdings board of directors in the management of the business and affairs of SB Holdings.

Unless SB Holdings board of directors provides otherwise, at all meetings of a committee, a majority of the then authorized members of the committee will constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum will be the act of the committee. Each committee will keep regular minutes of its meetings. Unless SB Holdings board of directors provides otherwise, each committee designated by SB Holdings board of directors may make, alter and repeal rules and procedures for the conduct of its business.

Special Nominating Committee

The Special Nominating Committee will consist of three directors, each of whom will be an independent director. The initial members of the Special Nominating Committee will be Marc S. Kirschner, Norman S.

Matthews and Hugh R. Rovit. Each of Messrs. Kirschner, Matthews and Rovit is considered an independent director based on the definition of that term in the listing standards of the NYSE. Any vacancy on the Special Nominating Committee that results from one of such individuals (or his or her successor s) resignation or removal from SB Holdings board of directors or death will be filled exclusively by a majority of the Special Nominating Committee then in office or by the sole remaining member of the Special Nominating Committee.

The Special Nominating Committee will have the exclusive power and authority to (i) nominate one individual for election as a Class II director and two persons for election as Class III directors to SB Holdings board of directors, (ii) take all actions and make all determinations pursuant to the New Certificate of Incorporation, the New Bylaws and the Stockholder Agreement with the Harbinger Parties, and (iii) enforce on behalf of SB Holdings the Stockholder Agreement including, if necessary, bringing claims and litigation for breach of the Stockholder Agreement, and to take all actions deemed by the Special Nominating Committee to be necessary or appropriate in connection therewith.

The Special Nominating Committee will immediately dissolve if at any time there is no person who, together with such person s affiliates or members of a group to which such person belongs, beneficially owns more than 40% of SB Holdings outstanding voting securities. However, the Special Nominating Committee will be re-constituted and re-established if at any time prior to three years following the date on which the Committee was dissolved, the person who previously beneficially owned more than 40% of SB Holdings outstanding voting securities reacquires beneficial ownership of 40% or more of the outstanding SB Holdings common stock.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee will initially consist of a majority of directors designated for nomination by any person who, together with such person s affiliates or members of a group to which such person belongs, beneficially owns more than 40% of SB Holdings outstanding common stock and at least one (1) independent director who also serves on the Special Nominating Committee. Any vacancy on the Nominating and Corporate Governance Committee that results from one of such individuals (or his successor s) resignation or removal from SB Holdings board of directors or death will be filled by the successor on the Board to such individual, or, if there is no successor or the vacancy results from another reason, by a majority of the Nominating and Corporate Governance Committee then in office or by the sole remaining member of the Nominating and Corporate Governance Committee. If no stockholder owns more than 50% of the outstanding voting securities of SB Holdings, NYSE rules require that the Nominating and Corporate Governance Committee be composed entirely of independent directors.

The Nominating and Corporate Governance Committee will have the power and authority to nominate persons for election to SB Holdings board of directors as described in the New Bylaws. All out of pocket costs and expenses (including attorneys fees) incurred by the Nominating and Corporate Governance Committee will be paid or reimbursed by SB Holdings.

Audit Committee and Audit Committee Financial Expert

Audit Committee. SB Holdings will have a separately-designated standing Audit Committee that will be established in accordance with Section 3(a)(58)(A) of the Exchange Act for the overall purpose of overseeing SB Holdings accounting and financial reporting processes and audits of its financial statements. The members of SB Holdings Audit Committee will be determined at the first meeting of the board of directors of SB Holdings after the consummation of the mergers.

Audit Committee Financial Expert. SB Holdings board of directors will determine whether any member of the Audit Committee is an Audit Committee Financial Expert, as defined under Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated by the SEC in furtherance of Section 407. SB Holdings board of directors must determine that the Audit Committee Financial Expert is independent, evaluating such independence based on the definition of that term in the listing standards of the NYSE.

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Compensation of the Directors of SB Holdings

Directors, unless employed by and receiving a salary from SB Holdings, will receive such compensation as may be fixed by the board of directors, for serving on the board of directors and for attending meetings of the board of directors and any committee thereof. Directors will be reimbursed their reasonable expenses incurred while engaged in the business of SB Holdings.

Executive Officers of SB Holdings

It is expected that the executive management team of Spectrum will continue as the executive management team of SB Holdings.

The following table sets forth the name, age and position with SB Holdings of each of its executive officers after consummation of the mergers:

Name	Age	Position
David R. Lumley*	55	Chief Executive Officer, Director and President, Global Batteries and Personal Care and Home and Garden
Anthony L. Genito	53	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
John A. Heil	58	Co-Chief Operating Officer and President, Global Pet Supplies
Terry L. Polistina*	46	Co-Chief Operating Officer and President, Russell Hobbs and Director
John T. Wilson	35	Senior Vice President, Secretary and General Counsel

* See Board of Directors of SB Holdings for information about Mr. Lumley s and Mr. Polistina s background and experience.

Mr. Genito will serve as Executive Vice President, Chief Financial Officer and Chief Accounting Officer of SB Holdings. Mr. Genito was appointed Spectrum s Executive Vice President, Chief Financial Officer and Chief Accounting Officer in October 2007. He previously had served as Senior Vice President, Chief Financial Officer and Chief Accounting Officer since June 2007. From October 2005 until June 2007, Mr. Genito served as Senior Vice President and Chief Accounting Officer and from June 2004, when he joined Spectrum, until October 2005 he served as Vice President, Finance and Chief Accounting Officer. Before joining Spectrum, Mr. Genito was employed for twelve years at Schering-Plough Corporation in various financial management positions, including serving as Vice President Global Supply Chain from July 2002 to June 2004. He began his career at Deloitte & Touche. Mr. Genito holds a Masters of Business Administration from Pace University and a Bachelors in Business Administration from Mercy College.

Mr. Heil will serve as Co-Chief Operating Officer, President Global Pet of SB Holdings. Mr. Heil was appointed Spectrum s President, Global Pet Supplies in January 2007. He served as Spectrum s Co-Chief Operating Officer from January 2007 to April 2010 and Spectrum s President, Global Pet, from October 2005 until January 2007. Prior to that time he had served as Spectrum s President, United Pet Group division of United Industrial Corporation (United), since April 2005, shortly after Spectrum s acquisition of United in February 2005. Mr. Heil served as President and Chief Executive Officer of United Pet Group division of United since United acquired United Pet Group in June 2004. Mr. Heil joined United Pet Group as Chairman and CEO in June 2000. Prior to that time, he spent twenty-five years with the H.J. Heinz Company in various executive management positions including President and Managing Director of Heinz Pet Products, President of Heinz Specialty Pet and Executive Vice President of StarKist Seafood. Mr. Heil also serves as a director and member of the audit committee of VCA Antech, Inc. and a director and member of the Compensation Committee of Tempur-Pedic International, Inc. Mr. Heil holds a Bachelor of Arts in Economics degree from Lycoming College.

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Mr. Wilson will serve as Senior Vice President, Secretary and General Counsel of SB Holdings. Mr. Wilson was appointed Spectrum s Senior Vice President, Secretary and General Counsel in September 2009. He previously had served as Vice President, Secretary and General Counsel since May 2007. From May 2005, when he joined Spectrum, until January 2007 he served as Corporate Counsel and from January 2007 to May 2007 he served as a Division Vice President. Prior to joining Spectrum, Mr. Wilson was an attorney with the firm of Sutherland Asbill & Brennan LLP from August 1999 to May 2005. He received his J.D., with high honors, from the University of North Carolina at Chapel Hill School of Law and also holds a B.A. in Political Science and Economics from the University of North Carolina at Chapel Hill.

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ADDITIONAL INFORMATION ABOUT THE COMPANIES

Description of Ongoing Litigation of Russell Hobbs

NACCO Litigation. A subsidiary of Russell Hobbs is a defendant in NACCO Industries, Inc. et al. v. Applica Incorporated et al., Case No. C.A. 2541-VCL, which was filed in the Court of Chancery of the State of Delaware in November 2006.

The original complaint in this action alleged a claim for, among other things, breach of contract against Applica, a subsidiary of Russell Hobbs, and a number of tort claims against certain entities affiliated with the Harbinger Parties. The claims against Applica related to the alleged breach of the merger agreement between Applica and NACCO Industries, Inc. and one of its affiliates, which agreement was terminated following Applica s receipt of a superior merger offer from the Harbinger Parties. On October 22, 2007, the plaintiffs filed an amended complaint asserting claims against Applica for, among other things, breach of contract and breach of the implied covenant of good faith relating to the termination of the NACCO merger agreement and asserting various tort claims against Applica and the Harbinger Parties. The original complaint was filed in conjunction with a motion preliminarily to enjoin the Harbinger Parties acquisition of Applica. On December 1, 2006, plaintiffs withdrew their motion for a preliminary injunction. In light of the consummation of Applica s merger with affiliates of the Harbinger Parties in January 2007 (Applica is now a subsidiary of Russell Hobbs), Russell Hobbs believes that any claim for specific performance is moot. Applica filed a motion to dismiss the amended complaint in December 2007. Rather than respond to the motion to dismiss the amended complaint, NACCO filed a motion for leave to file a second amended complaint, which was granted in May 2008. Applica moved to dismiss the second amended complaint, which motion was granted in part and denied in part in December 2009. The trial is currently scheduled for December 2010.

Russell Hobbs intends vigorously to defend the action, but may be unable to resolve the disputes successfully or without incurring significant costs and expenses. As a result, Russell Hobbs and Harbinger Master Fund have entered into the Harbinger Indemnification Agreement by which Harbinger Master Fund has agreed, effective upon the consummation of the mergers, to indemnify Russell Hobbs, its subsidiaries and any entity that owns all of the outstanding voting stock of Russell Hobbs against any out-of-pocket losses, costs, expenses, judgments, penalties, fines and other damages in excess of $3 million incurred with respect to this litigation and any future litigation or legal action against the indemnified parties arising out of or relating to the matters which form the basis of this litigation.

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

Environmental Matters. Prior to 2003, Toastmaster Inc., a subsidiary of Russell Hobbs, manufactured certain of its products at facilities that it operates in the United States and Europe. Toastmaster is investigating or remediating contamination at the following sites:

Kirksville, Missouri. Soil and groundwater contamination has been identified at the former manufacturing facility in Kirksville, Missouri. Toastmaster has entered into a Consent Agreement with the Missouri Department of Natural Resources (MDNR) regarding the contamination.

Laurinburg, North Carolina. Soil and groundwater contamination by trichloroethylene has been identified at the closed manufacturing facility in Laurinburg, North Carolina. A groundwater pump and treat system is currently operating at the site.

Macon, Missouri. Soil and groundwater contamination has been identified at the closed manufacturing facility in Macon, Missouri. The facility is participating in the Missouri Brownfields/Voluntary Cleanup Program.

Additionally, Toastmaster has been notified of its potential liability for cleanup costs associated with the Missouri Electric Works Superfund Site in Cape Girardeau, Missouri. Russell Hobbs believes that, based on available records and Toastmaster s estimated share of any liability, any associated costs would not be material.

The discovery of additional contamination at these or other sites for which Russell Hobbs is responsible could result in significant cleanup costs. These liabilities may not arise, if at all, until years later and could require Russell Hobbs to incur significant expenses, which could materially adversely affect its business, results of operations and financial condition. At December 31, 2009, Russell Hobbs had accrued $6.3 million for environmental matters. Russell Hobbs believes that any remaining exposure for the matters not already accrued will not be material to its financial condition, results of operations or cash flow.

Other Matters. Russell Hobbs is subject to legal proceedings, product liability claims and other claims that arise in the ordinary course of its business. In the opinion of Russell Hobbs management, the amount of ultimate liability, if any, in excess of applicable insurance coverage, is not likely to have a material effect on its financial condition, results of operations or liquidity. However, as the outcome of litigation or other claims is difficult to predict, significant changes in the estimated exposures could occur.

As a distributor of consumer products, Russell Hobbs is also subject to the Consumer Products Safety Act, which empowers the Consumer Products Safety Commission, or CPSC, to exclude from the market products that are found to be unsafe or hazardous. Russell Hobbs receives inquiries from the CPSC in the ordinary course of its business.

Russell Hobbs may have certain non-income tax-related liabilities in a foreign jurisdiction. Based on the advice of legal counsel, Russell Hobbs believes that it is possible that the tax authority in the foreign jurisdiction could claim that such taxes are due, plus penalties and interest. Currently, the amount of potential liability cannot be estimated, but if assessed, it could be material to its financial condition, results of operations or liquidity. If assessed, Russell Hobbs intends to vigorously pursue administrative and judicial action to challenge such assessment, but no assurances can be made that such challenges will ultimately be successful.

MARKET PRICE AND DIVIDEND INFORMATION

Market Prices of Spectrum Common Stock

Prior to December 22, 2008, Spectrum common stock, par value $0.01 per share (the Old Common Stock) was traded on the NYSE under the symbol SPC. The Old Common Stock commenced public trading on November 21, 1997.

On December 15, 2008, Spectrum was advised that its Old Common Stock would be suspended from trading on the NYSE prior to the opening of the market on December 22, 2008. Spectrum was advised that the decision to suspend its Old Common Stock was reached in view of the fact that Spectrum had recently fallen below the NYSE s continued listing standard regarding average global market capitalization over a consecutive 30 trading day period of not less than $25 million, the minimum threshold for listing on the NYSE. Spectrum s Old Common Stock was delisted from the NYSE effective January 23, 2009. Spectrum s Old Common Stock was then quoted on the Pink Sheet Electronic Quotation Service under the symbol SPCB until August 28, 2009 when the Old Common Stock was cancelled pursuant to the Plan in Spectrum s Chapter 11 reorganization.

The following table sets forth the reported high and low prices per share of the Old Common Stock as reported on the NYSE Composite Transaction Tape and the Pink Sheet Electronic Quotation Service for the fiscal periods indicated:

	High	Low
Fiscal 2009		
Quarter ended September 30, 2009 (through August 27, 2009)	$ 0.05 (1)	$ 0.01 (1)
Quarter ended June 28, 2009	$ 0.30 (1)	$ 0.04 (1)
Quarter ended March 29, 2009	$ 0.17 (1)	$ 0.01 (1)
Quarter ended December 28, 2008	$ 1.86 (2)	$ 0.08 (2)
Fiscal 2008		
Quarter ended September 30, 2008	$ 2.98	$ 1.27
Quarter ended June 29, 2008	$ 5.10	$ 2.50
Quarter ended March 30, 2008	$ 5.39	$ 3.41
Quarter ended December 30, 2007	$ 6.20	$ 3.80

(1) Represents market prices while operating during the Chapter 11 reorganization for periods subsequent to February 2, 2009.

(2) High price reflects the high sales price on NYSE prior to Old Common Stock s suspension from trading on December 15, 2008. Low price reflects the OTC market low bid price during the balance of the quarter.

The common stock of reorganized Spectrum (the New Common Stock) began quotation on the OTC Bulletin Board and the Pink Sheet Electronic Quotation Service under the symbol SPEB on September 2, 2009. As of December 21, 2009, there were approximately 11 holders of record of Spectrum s New Common Stock based upon data provided by the transfer agent for the New Common Stock. Spectrum believes the number of beneficial holders of its New Common Stock is significantly in excess of this amount. The transfer agent for the New Common Stock is BNY Mellon Shareowner Services.

The following table sets forth the reported high and low bid prices per share of Spectrum common stock for the fiscal period indicated:

	High	Low
Fiscal 2010		
Quarter ended July 1, 2010 (through May 5, 2010)	$ 30.44	$ 25.05
Quarter ended March 31, 2010	$ 27.50	$ 26.00
Quarter ended January 3, 2010	$ 23.50	$ 21.05
Fiscal 2009		

Quarter ended September 30, 2009	$ 25.00	$ 12.50

On February 8, 2010, the last full trading day before the merger agreement was signed, the closing sales price of the New Common Stock was $29.00 per share.

The OTC bid prices represent prices between dealers and do not include retail markup, markdown or commission.

The historical prices for the Old Common Stock may not be indicative of the anticipated or prospective value or future trading price of or trading market for the New Common Stock.

Spectrum common stock has been once again listed on the NYSE under the symbol SPB since March 18, 2010. On May 5, 2010, the last reported closing sales price of Spectrum common stock on the NYSE was $29.16 per share.

Spectrum Dividend Information

Spectrum has not declared or paid any cash dividends on its Old Common Stock since it commenced public trading in 1997 and Spectrum does not anticipate paying cash dividends on the current Spectrum common stock in the foreseeable future, but intends to retain any future earnings for reinvestment in its business. In addition, the terms of Spectrum s senior credit facilities and the indenture governing its outstanding senior subordinated notes restrict its ability to pay dividends to its stockholders. Any future determination to pay cash dividends will be at the discretion of the Spectrum Board and will be dependent upon its financial condition, results of operations, capital requirements, contractual restrictions and such other factors as the board of directors deems relevant.

Market Prices of Russell Hobbs Common Stock

Russell Hobbs common stock is not publicly traded and therefore does not have any market prices available.

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PRINCIPAL STOCKHOLDERS

Principal Stockholders of Spectrum Before the Proposed Transaction and of SB Holdings After the Proposed Transaction

The table below shows:

The number of shares of Spectrum common stock beneficially owned by (i) each named executive officer, (ii) each director, (iii) each person known to Spectrum to beneficially own more than 5% of the outstanding shares of Spectrum common stock (the 5% stockholders) and (iv) all directors and named executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC. Determinations as to the identity of 5% stockholders and the number of shares of Spectrum common stock beneficially owned, including shares which may be acquired by them within 60 days, is based upon filings with the SEC as indicated in the footnotes to the table below. Except as otherwise indicated, Spectrum believes, based on the information furnished or otherwise available to Spectrum, that each person or entity named in the table has sole voting and investment power with respect to all shares of Spectrum common stock shown as beneficially owned by them, subject to applicable community property laws.

The number of shares of SB Holdings estimated to be beneficially owned by (i) each person or group that is expected to become the beneficial owner of more than 5% of the common stock of SB Holdings upon completion of the mergers, (ii) each person designated to be a director of SB Holdings, (iii) each person anticipated, as of the date of this proxy statement/prospectus, to be a named officer of SB Holdings upon the closing of the mergers and (iv) all persons anticipated, as of the date of this proxy statement/prospectus, to be designated to be directors and executive officers of SB Holdings as a group. Beneficial ownership is determined in accordance with the rules of the SEC. Determinations as to the expected identity of 5% stockholders and as to the number of shares of SB Holdings common stock anticipated to be beneficially owned thereby as of the closing of the mergers is based upon (A) filings with the SEC as indicated in the footnotes to the table below with respect to the shares of Spectrum common stock convertible into shares of SB Holdings common stock in the Spectrum merger and (B) information provided by Russell Hobbs and/or the Harbinger Parties in the Merger Agreement and the Harbinger Support Agreement with respect to the RH Stock and the Russell Hobbs term debt held by the Harbinger Parties each of which is convertible into shares of SB Holdings common stock in the Russell Hobbs merger.

The percentage of beneficial ownership set forth below is based upon 30,629,213 shares of Spectrum common stock issued and outstanding as of the close of business on May 5, 2010. In computing the number of shares of Spectrum common stock beneficially owned by a person and the percentage ownership of that person, shares of Spectrum common stock that are subject to options held by that person that are currently exercisable or exercisable within 60 days of May 5, 2010, are deemed outstanding. These shares of Spectrum common stock are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Spectrum Brands, Inc., Six Concourse Parkway, Suite 3300, Atlanta, Georgia 30328.

The stockholders of Spectrum (other than the Harbinger Parties) are expected to own approximately 35% of SB Holdings, and the Harbinger Parties are expected to own approximately 65% of SB Holdings (assuming that the Harbinger Parties do not acquire additional shares of Spectrum common stock prior to the consummation of the mergers).

Name and Address	Pre-Transaction Spectrum Shares Beneficially Owned	Shares which may be acquired within 60 days (1)	Total	Spectrum Percent	Post-Transaction Estimated SB Holdings Shares Beneficially Owned (6)	SB Holdings Percent
5% Stockholders						
Harbinger Capital Partners LLC 450 Park Avenue, 30th Floor New York, NY 10022	12,441,198 (2)		12,441,198	40.62%	32,587,052 (2)	63.82%
Avenue Capital Management II, L.P. 535 Madison Avenue, 15th Floor New York, NY 10022	6,762,845 (3)		6,762,845	22.08%	6,762,845	13.24%
D. E. Shaw Laminar Portfolios, L.L.C. 120 W. 45th Street, Tower 45, 39th Floor New York, NY 10036	3,910,295 (4)		3,910,295	12.77%	3,910,295	7.66%
Directors and Named Executive Officers of Spectrum Serving at May 5, 2010.						
Kent J. Hussey	222,222		222,222	*	222,222	*
Anthony L. Genito	111,111		111,111	*	111,111	*
John A. Heil	111,111		111,111	*	111,111	*
David R. Lumley	166,667		166,667	*	166,667	*
Kenneth C. Ambrecht	3,017		3,017	*	3,017	*
Eugene I. Davis	3,017		3,017	*	3,017	*
Marc S. Kirschner	3,017		3,017	*	3,017	*
Hugh R. Rovit	3,017		3,017	*	3,017	*
Terry L. Polistina	3,017		3,017	*	3,017	*
Norman S. Matthews	3,017		3,017	*	3,017	*
All current directors and executive officers of Spectrum as a group (11 persons) (5)	629,213		629,213	2.05%	629,213	1.23%
Total	23,743,551		23,743,551	77.52%	43,889,405	85.95%

* Indicates less than 1% of the total number of outstanding shares of Spectrum common stock.

(1) Reflects the number of shares of Spectrum common stock issuable upon the exercise of options exercisable within 60 days of May 5, 2010.

(2) Based on information set forth in a Schedule 13D that was filed with the SEC on September 8, 2009, as amended by Amendment No. 1 to the Schedule 13D that was filed with the SEC on October 19, 2009, Amendment No. 2 to the Schedule 13D that was filed with the SEC on

February 12, 2010, Amendment No. 3 to the Schedule 13D that was filed with the SEC on March 3, 2010, Amendment No. 4 to the Schedule 13D that was filed with the SEC on April 2, 2010, Amendment No. 5 to the Schedule 13D that was filed with the SEC on May 4, 2010 and a Form 4 that was filed with the SEC on May 6, 2010, in each case by Harbinger Master Fund; Harbinger Capital Partners LLC (Harbinger LLC), the investment manager of the Master Fund; Harbinger Special Situations Fund; Harbinger Capital Partners Special Situations GP, LLC (HCPSS),

the general partner of Breakaway Fund; Harbinger Capital Partners II LP (HCP II), the investment manager of the Breakaway Fund; Harbinger Capital Partners II GP LLC (HCP II GP), the general partner of HCP II; Harbinger Holdings, LLC (Harbinger Holdings), the managing member of Harbinger LLC and HCPSS; and Philip Falcone, the managing member of HCP II GP and Harbinger Holdings and the portfolio manager of Harbinger Master Fund, the Harbinger Special Situations Fund and the Breakaway Fund (each of Harbinger Master Fund, Harbinger LLC, Harbinger Special Situations Fund, HCPSS, Breakaway Fund, HCP II, HCP II GP, Harbinger Holdings and Philip Falcone are collectively referred to Harbinger Reporting Group). The Harbinger Reporting Group beneficially owns 12,441,198 shares of the Spectrum common stock.

As of the record date, Harbinger Master Fund may be deemed to be the beneficial owner of 9,018,156 shares of Spectrum common stock, constituting 29.44% of the outstanding Spectrum common stock. Harbinger Master Fund has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 9,018,156 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 9,018,156 shares. Harbinger Master Fund specifically disclaims beneficial ownership in the shares of Spectrum common stock except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, Harbinger LLC may be deemed to be the beneficial owner of 9,018,156 shares of Spectrum common stock, constituting 29.44% of the Spectrum common stock. Harbinger LLC has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 9,018,156 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 9,018,156 shares. Harbinger LLC specifically disclaims beneficial ownership in the shares of Spectrum common stock except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, Harbinger Special Situations Fund may be deemed to be the beneficial owner of 1,969,192 shares of Spectrum common stock, constituting 6.43% of the Spectrum common stock outstanding. Harbinger Special Situations Fund has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 1,969,192 Shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 1,969,192 shares. Harbinger Special Situations Fund specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, HCPSS may be deemed to be the beneficial owner of 1,969,192 shares of Spectrum common stock, constituting 6.43% of the Spectrum common stock outstanding. HCPSS has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 1,969,192 shares; has sole power to disposer direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 1,969,192 shares. HCPSS specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, the Breakaway Fund may be deemed to be the beneficial owner of 1,453,850 shares of Spectrum common stock, constituting 4.75% of the Spectrum common stock outstanding. The Breakaway Fund has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 1,453,850 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 1,453,850 shares. The Breakaway Fund specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, HCP II may be deemed to be the beneficial owner of 1,453,850 shares of Spectrum common stock, constituting 4.75% of the Spectrum common stock outstanding. HCP II has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 1,453,850 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 1,453,850 shares. HCP II specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, HCP II GP may be deemed to be the beneficial owner of 1,453,850 shares of Spectrum common stock, constituting 4.75% of the Spectrum common stock outstanding. HCP II GP has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 1,453,850 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 1,453,850 shares. HCP II GP specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, Harbinger Holdings may be deemed to be the beneficial owner of 10,987,348 shares of Spectrum common stock, constituting 35.87% of the Spectrum common stock outstanding. Harbinger Holdings has the sole power

to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 10,987,348 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 10,987,348 shares. Harbinger Holdings specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

As of the record date, Philip Falcone may be deemed to be the beneficial owner of 12,441,198 shares of Spectrum common stock, constituting 40.62% of the Spectrum common stock outstanding. Mr. Falcone has the sole power to vote or direct the vote of 0 shares; has the shared power to vote or direct the vote of 12,441,198 shares; has sole power to dispose or direct the disposition of 0 shares; and has shared power to dispose or direct the disposition of 12,441,198 shares. Mr. Falcone specifically disclaims beneficial ownership in the shares except to the extent it actually exercises voting or dispositive power with respect to such shares.

(3) Based on information set forth in a Schedule 13D that was filed with the SEC on September 8, 2009, as amended by Amendment No. 1 to the Schedule 13D filed with the SEC on February 16, 2010, in each case by (i) Avenue Investments, L.P. (Avenue Investments), (ii) Avenue International Master, L.P. (Avenue International Master), (iii) Avenue International, Ltd. (Avenue International), sole limited partner of Avenue International Master, (iv) Avenue International Master GenPar, Ltd. (Avenue International GenPar), the general partner of Avenue International Master, (v) Avenue Partners, LLC (Avenue Partners), the general partner of Avenue Investments and the sole shareholder of Avenue International GenPar, (vi) Avenue CDP Global Opportunities Fund, L.P. (CDP Global), (vii) Avenue Global Opportunities Fund GenPar, LLC (CDP Global GenPar), the general partner of CDP Global, (viii) Avenue Special Situations Fund IV, L.P. (Avenue Fund IV), (ix) Avenue Capital Partners IV, LLC (Avenue Capital IV), general partner of Avenue Fund IV, (x) GL Partners IV, LLC (GL IV), managing member of Avenue Capital IV, (xi) Avenue Special Situations Fund V, L.P. (Avenue Fund V), (xii) Avenue Capital Partners V, LLC (Avenue Capital V), the general partner of Avenue Fund V, (xiii) GL Partners V, LLC (GL V), the managing member of Avenue Capital V, (xiv) Avenue Capital Management II, L.P. (Avenue Capital II), the investment advisor to Avenue Investments, Avenue International Master, CDP Global, Avenue Fund IV and Avenue Fund V (collectively, the Funds), (xv) Avenue Capital Management II GenPar, LLC (GenPar), the general partner of Avenue Capital II, and (xvi) Marc Lasry, the managing member of Avenue International GenPar, Avenue Partners, CDP Global GenPar, GL IV, GL V and GenPar, with respect to the shares of Spectrum common stock held by the Funds.

The persons identified in (i) through (xvi) above are referred to as the Avenue Reporting Persons. The Avenue Reporting Persons beneficially own 6,762,845 shares of Spectrum common stock.

The Avenue Reporting Persons have the sole power to vote and dispose of the shares of Spectrum common stock held by them reported in the Schedule 13D, as amended, and the shared power to vote and dispose of the shares of Spectrum common stock held by them reported in the Schedule 13D, as amended.

(4) Based on information set forth in a Schedule 13D that was filed with the SEC on February 22, 2010 and a Form 4 that was filed with the SEC on April 13, 2010, in each case by D.E. Shaw Laminar Portfolios, L.L.C. (Shaw), D.E. Shaw & Co., L.L.C., managing member to Shaw (DESCO LLC), D.E. Shaw & Co., L.P., investment adviser to Shaw (DESCO LP), and David E. Shaw (collectively with Shaw, DESCO LLC and DESCO LP, the Shaw Reporting Persons), the Shaw Reporting Persons beneficially own 3,910,295 shares of Spectrum common stock. The Shaw Reporting Persons have the sole power to vote and dispose of the shares of Spectrum common stock held by them as reported in the Schedule 13D and Form 4 and the shared power to vote and dispose of the shares of Spectrum common stock held by them as reported in the Schedule 13D and Form 4.

(5) Pursuant to and by operation of the Plan, on August 28, 2009, all of Spectrum s then existing equity securities, including the existing common stock and stock options were extinguished and deemed cancelled, including the shares of Spectrum common stock held by Spectrum s officers and directors.

(6) The column with respect to the beneficial ownership of the post-transaction SB Holdings shares set forth below assumes that: (1) there is no change in the beneficial ownership of Spectrum common stock and Russell Hobbs Stock, as applicable, for any of the named stockholders, or for any other executive officer that is part of the designated group, between May 5, 2010 and the date of the closing of the mergers; and (2) there will be a total of 51,061,213 shares of SB Holdings common stock outstanding upon completion of the mergers.

Principal Stockholders of Russell Hobbs Before the Proposed Transaction

Before the consummation of the mergers, the Harbinger Parties own 100% of Russell Hobbs Stock.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements for the year ended September 30, 2009 and for the three month period ended January 3, 2010, the date of the latest publicly available financial information for Spectrum, gives effect to the acquisitions of Spectrum and Russell Hobbs by SB Holdings. The unaudited pro forma condensed combined financial statements shown below reflect historical financial information and have been prepared on the basis that the merger transaction is accounted for under Accounting Standards Codification Topic 805: Business Combinations (ASC 805). Although SB Holdings will issue 51,061,213 shares of its common stock to effect the merger transactions, for accounting purposes Spectrum has been treated as the acquirer in the proposed merger transaction. See Accounting Treatment in this proxy statement/prospectus for more information on the accounting treatment afforded the merger transaction. The transaction between Spectrum and Russell Hobbs will be accounted for using the acquisition method of accounting. Accordingly, the consideration transferred in the proposed transaction with Russell Hobbs, that is, the assets acquired and liabilities assumed, will be measured at their respective fair values with any excess reflected as goodwill. The unaudited pro forma condensed combined financial statements assume that, as part of a number of merger related transactions to occur simultaneously, Russell Hobbs will become a wholly owned subsidiary of Spectrum and SB Holdings will become the parent of the newly merged entity.

The following unaudited pro forma condensed combined statement of financial position at January 3, 2010 is presented on a basis to reflect the merger related transactions as if they had occurred on January 3, 2010. The following unaudited pro forma condensed combined statements of operations for the three month period ended January 3, 2010 and for the year ended September 30, 2009 are presented on a basis to reflect the merger related transactions as if they had occurred on October 1, 2008. Because of different fiscal year ends, and in order to present results for comparable periods, the unaudited pro forma condensed combined statement of operations for the three month period ended January 3, 2010 combines Spectrum historical consolidated statement of operations for the three month period then ended with Russell Hobbs historical consolidated statement of operations for the three month period ended December 31, 2009. Russell Hobbs historical consolidated statement of operations for the three month period ended September 30, 2009 has been excluded from the interim results in order to present comparable results to Spectrum s three month period ended January 3, 2010. See Note 1 to the Unaudited Pro Forma Condensed Combined Financial Statements for additional information. The unaudited pro forma condensed combined statement of operations for the fiscal year ended September 30, 2009 combines Spectrum s historical audited consolidated statement of operations for the fiscal year then ended with Russell Hobbs historical audited consolidated statement of operations for the fiscal year ended June 30, 2009. SB Holdings fiscal year ends September 30, the same date as Spectrum s fiscal year end. Pro forma adjustments are made in order to reflect the potential effect of the transaction on the unaudited pro forma condensed combined statement of operations.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the notes to unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements and the notes to unaudited pro forma condensed combined financial statements were based on, and should be read in conjunction with:

- Amended Annual Report on Form 10-K/A for the fiscal year ended September 30, 2009 filed with the SEC on March 29, 2010;

- Spectrum s historical audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2009, which is incorporated by reference into this proxy statement/prospectus;

- Spectrum s historical unaudited condensed consolidated financial statements and notes thereto included in the Company s Quarterly Report on Form 10-Q for the three month period ended January 3, 2010, which is incorporated by reference into this proxy statement/prospectus;

- Russell Hobbs historical audited consolidated financial statements for the fiscal year ended June 30, 2009 and notes thereto included elsewhere in this proxy statement/prospectus;

- Russell Hobbs historical unaudited condensed consolidated financial statements for the three and six month periods ended December 31, 2009 and notes thereto included elsewhere in this proxy statement/prospectus.

The process of valuing Russell Hobbs tangible and intangible assets and liabilities, as well as evaluating accounting policies for conformity, is still in the preliminary stages. Accordingly, the purchase price allocation adjustments included in the unaudited pro forma condensed combined financial statements are preliminary and have been made solely for the purpose of providing these unaudited pro forma condensed combined financial statements. For purposes of the unaudited pro forma condensed combined financial statements, SB Holdings has made preliminary allocations, where sufficient information is available to make a fair value estimate, to those tangible and intangible assets to be acquired and liabilities to be assumed based on preliminary estimates of their fair value as of January 3, 2010. For those assets and liabilities where insufficient information is available to make a reasonable estimate of fair value, the unaudited pro forma condensed combined financial statements reflect the carrying value of those assets and liabilities at January 3, 2010. A final determination of fair values, which cannot be made prior to the completion of the mergers, will include consideration of a final valuation. This final valuation will be based on the actual net tangible and intangible assets of Russell Hobbs that exist as of the date of completion of the mergers. SB Holdings currently expects that the process of determining fair value of the tangible and intangible assets acquired and liabilities assumed will be completed within one year of closing the merger transactions. Material revisions to SB Holdings preliminary estimates could be necessary as more information becomes available through the completion of this final determination. The actual amounts recorded following the completion of the merger may be materially different from the information presented in these unaudited pro forma condensed combined financial statements due to a number of factors, including:

- timing of completion of the merger;

- changes in the price of Spectrum s common stock;

- changes in the net assets of Russell Hobbs;

- changes in market conditions and financial results which may impact cash flow projections in the preliminary valuations; and

- other changes in market conditions which may impact the fair value of Russell Hobbs net assets.

Spectrum and Russell Hobbs historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the merger transactions; (2) factually supportable; and (3) with respect to the unaudited pro forma statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements do not reflect any revenue enhancements, cost savings from operating efficiencies, synergies or other restructurings, or the costs and related liabilities that would be incurred to achieve such revenue enhancements, cost savings from operating efficiencies, synergies or restructurings, which could result from the merger.

The pro forma adjustments are based upon available information and assumptions that the managements of Spectrum and Russell Hobbs believe reasonably reflect the merger. The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of SB Holdings would have been had the merger occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or the financial position of SB Holdings.

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Spectrum Brands Holdings, Inc. and Subsidiaries

Unaudited Pro Forma Condensed Combined Statement of Financial Position

As of January 3, 2010

(Amounts in thousands, except per share amounts)

	Historical							
	Spectrum Brands	Russell Hobbs	Reclassification	Note	Water Products (a)	Pro Forma Adjustments	Note	Pro Forma Combined
Current assets:								
Cash and cash equivalents	$ 62,665	$ 24,299	$		$ (837)	$ (11,127)	(k)	$ 75,000
Receivables:								
Trade accounts receivable, net of allowances	272,309	176,103			(170)			448,242
Other	29,124							29,124
Inventories	296,873	129,698	(973)	(b)	(1,269)	1,300	(c)	425,629
Deferred income taxes	24,551	51						24,602
Assets held for sale	12,079		1,112	(b)				13,191
Prepaid expenses and other	39,366	14,246			(1,699)			51,913
Total current assets	736,967	344,397	139		(3,975)	(9,827)		1,067,701
Property, plant and equipment, net	198,027	18,535	(139)	(b)	(246)	(3,539)	(d)	212,638
Deferred charges and other	36,409	13,366	(2,959)	(g)	(7,021)			39,795
Goodwill	481,393	162,469				(24,425)	(e)	619,437
Intangible assets, net	1,446,997	201,922				201,278	(f)	1,850,197
Debt issuance costs	8,302		2,959	(g)		48,739	(h)	60,000
Total assets	$ 2,908,095	$ 740,689	$		$ (11,242)	$ 212,226		$ 3,849,768
Current liabilities:								
Current maturities of long-term debt	$ 59,494	$ 20,000	$		$	$ (20,694)	(i) (j) (k)	$ 58,800
Accounts payable	159,047	63,212			(421)			221,838
Accrued liabilities:								
Wages and benefits	53,324							53,324
Income taxes payable	30,426	9,117						39,543
Restructuring and related charges	26,066							26,066
Accrued interest	17,674		149	(l)		(17,818)	(l)	5
Other	96,668	84,517	(149)	(l)	(30)			181,006
Total current liabilities	442,699	176,846			(451)	(38,512)		580,582
Long-term debt, net of current maturities	1,524,719	176,807				32,615	(i) (j) (k)	1,734,141
Employee benefit obligation, net of current portion	58,690	14,787						73,477
Deferred income taxes	228,297	47,068				69,209	(m)	344,574
Other	53,282	3,483				(2,102)	(n)	54,663
Total liabilities	2,307,687	418,991			(451)	61,210		2,787,437
Preferred Stock		206,539				(206,539)	(o)	
Commitments and contingencies								
Shareholders equity:								
Common Stock	306	7,319				(7,114)	(o) (p)	511
Additional paid-in capital	727,987	302,677				299,658	(o) (p)	1,330,322
Accumulated deficit	(131,034)	(90,914)			(10,791)	(38,912)	(o) (p)	(271,651)
Accumulated other comprehensive income (loss)	3,149	(38,130)				38,130	(o)	3,149

	600,408	180,952		(10,791)	291,762		1,062,331
Less treasury stock, at cost		(65,793)			65,793	(o)	
Total shareholders equity	600,408	115,159		(10,791)	357,555		1,062,331
Total liabilities and shareholders equity	$ 2,908,095	$ 740,689	$	$ (11,242)	$ 212,226		$ 3,849,768

See accompanying notes to unaudited pro forma condensed combined financial statements

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Spectrum Brands Holdings, Inc. and Subsidiaries

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended September 30, 2009

(Amounts in thousands, except per share amounts)

	Historical							
	Spectrum Brands			Russell Hobbs	Water Products (a)	Pro Forma Adjustments	Note	Pro Forma Combined
	Successor	Predecessor						
	The period from Aug. 31, 2009 to Sept. 30, 2009	The period from Oct. 1, 2008 to Aug. 30, 2009	12 months ended Sept. 30, 2009	12 months ended June 30, 2009				
Net sales	$ 219,888	$ 2,010,648	$ 2,230,536	$ 796,660	$ (32)	$		$ 3,027,164
Cost of goods sold	155,310	1,245,640	1,400,950	577,194	(56)		(q)	1,978,088
Restructuring and related charges	178	13,189	13,367					13,367
Gross Profit	64,400	751,819	816,219	219,466	24			1,035,709
Selling	39,136	363,106	402,242	129,073	(878)			530,437
General and administrative	20,578	145,235	165,813	43,760		12,784	(r) (t) (u)	222,357
Research and development	3,027	21,391	24,418	4,813				29,231
Restructuring and related charges	1,551	30,891	32,442	11,810	(2,110)			42,142
Goodwill and intangibles impairment		34,391	34,391					34,391
Total operating expenses	64,292	595,014	659,306	189,456	(2,988)	12,784		858,558
Operating income	108	156,805	156,913	30,010	3,012	(12,784)		177,151
Interest expense	16,962	172,940	189,902	50,221		(68,616)	(v)	171,507
Other expense (income), net	(816)	3,320	2,504	4,622				7,126
Loss from continuing operations before reorganization items and income taxes	(16,038)	(19,455)	(35,493)	(24,833)	3,012	55,832		(1,482)
Reorganization items expense (income), net	3,962	(1,142,809)	(1,138,847)					(1,138,847)
(Loss) income from continuing operations before income taxes	(20,000)	1,123,354	1,103,354	(24,833)	3,012	55,832		1,137,365
Income tax expense	51,193	22,611	73,804	14,042			(w)	87,846
(Loss) income from continuing operations	$ (71,193)	$ 1,100,743	$ 1,029,550	$ (38,875)	$ 3,012	$ 55,832		$ 1,049,519
Basic net (loss) income per common share:								
(Loss) income from continuing operations	$ (2.37)	$ 21.45	$ 34.32	$ (0.05)				$ 20.55

Weighted average of common stock outstanding	30,000	51,306	30,000	731,874	(710,813)	(x)	51,061
Diluted net (loss) income per common share:							
(Loss) income from continuing operations	$ (2.37)	$ 21.45	$ 34.32	$ (0.05)			$ 20.55
Weighted average of common stock and equivalents outstanding	30,000	51,306	30,000	731,874	(710,813)	(x)	51,061

See accompanying notes to unaudited pro forma condensed combined financial statements

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Spectrum Brands Holdings, Inc. and Subsidiaries

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Three Month period ended January 3, 2010

(Amounts in thousands, except per share amounts)

	Historical					
	Spectrum Brands	Russell Hobbs	Water Products (a)	Pro Forma Adjustments	Note	Pro Forma Combined
Net sales	$ 591,940	$ 248,689	$ (37)	$		$ 840,592
Cost of goods sold	405,827	170,776	108		(q)	576,711
Restructuring and related charges	1,651					1,651
Gross Profit	184,462	77,913	(145)			262,230