

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from _____ to _____

Commission file number 1-35166

FORTUNE BRANDS HOME & SECURITY, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

62-1411546

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

520 Lake Cook Road, Deerfield, Illinois

(Address of principal executive offices)

60015-5611

(Zip Code)

Registrant's telephone number, including area code: (847) 484-4400

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, at October 31, 2011 was 155,595,953.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

**FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEET**

(In millions)
(Unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and cash equivalents	\$ 127.6	\$ 60.7
Accounts receivable, net	391.8	374.2
Inventory	368.8	333.0
Loans to Fortune Brands	12.8	572.8
Other current assets	114.1	127.1
Total current assets	1,015.1	1,467.8
Property, plant and equipment, net	538.1	550.0
Goodwill resulting from business acquisitions	1,366.5	1,364.9
Other intangible assets, net of accumulated amortization	792.2	798.8
Other assets	129.0	77.9
Total assets	<u>\$ 3,840.9</u>	<u>\$ 4,259.4</u>
Liabilities and equity		
Current liabilities		
Notes payable to banks	\$ 3.3	\$ 3.0
Accounts payable	258.4	252.8
Dividend payable to Fortune Brands	548.9	—
Loans from Fortune Brands	56.4	—
Other current liabilities	279.2	320.7
Total current liabilities	1,146.2	576.5
Long-term debt	16.8	16.8
Deferred income taxes	258.2	267.4
Accrued pension and postretirement benefits	187.8	136.0
Loans from Fortune Brands	—	3,214.0
Other non-current liabilities	103.5	103.6
Total liabilities	1,712.5	4,314.3
Equity		
Home & Security stockholders' equity		
Common stock ^(a)	1.6	—
Paid-in capital	2,863.1	703.3
Accumulated other comprehensive loss	(104.4)	(76.3)
Retained deficit	(635.4)	(685.4)
Total Home & Security stockholders' equity	2,124.9	(58.4)
Noncontrolling interests	3.5	3.5
Total equity	2,128.4	(54.9)
Total liabilities and equity	<u>\$ 3,840.9</u>	<u>\$ 4,259.4</u>

^(a) On September 27, 2011, shares of Home & Security common stock (par value \$0.01 per share) were split from 1,000 shares issued and outstanding and 100,000 shares authorized to approximately 155.1 million shares issued and outstanding and 750 million shares authorized.

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Nine Months and Three Months Ended September 30, 2011 and 2010

(In millions, except per share amounts)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$2,452.5	\$2,389.8	\$ 848.0	\$ 813.1
Cost of products sold	1,682.5	1,604.5	576.9	541.2
Selling, general and administrative expenses	637.7	619.7	214.7	202.8
Amortization of intangible assets	11.0	12.0	3.5	3.7
Restructuring charges	1.8	0.8	1.1	0.1
Business separation costs	2.4	—	2.4	—
Operating income	117.1	152.8	49.4	65.3
Related party interest expense, net	23.2	87.3	0.2	29.1
External interest expense (income)	0.2	0.3	(0.1)	0.2
Other expense (income), net	1.9	(0.5)	1.8	(0.8)
Income before income taxes	91.8	65.7	47.5	36.8
Income tax provision	40.9	18.0	27.1	9.1
Net income	50.9	47.7	20.4	27.7
Less: Noncontrolling interests	0.9	0.8	0.3	0.3
Net income attributable to Home & Security	<u>\$ 50.0</u>	<u>\$ 46.9</u>	<u>\$ 20.1</u>	<u>\$ 27.4</u>
Basic and diluted earnings per common share ^(a)	\$ 0.32	\$ 0.30	\$ 0.13	\$ 0.18
Basic and diluted average shares outstanding ^(a)	155.1	155.1	155.1	155.1

^{a)} On September 27, 2011, shares of Home & Security common stock (par value \$0.01 per share) were split from 1,000 shares issued and outstanding and 100,000 shares authorized to approximately 155.1 million shares issued and outstanding and 750 million shares authorized. Basic and diluted earnings per common share and the average number of common shares outstanding were retrospectively restated adjusting the number of Home & Security shares for the stock split.

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2011 and 2010

(In millions)
(Unaudited)

	<u>2011</u>	<u>2010</u>
Operating activities		
Net income	\$ 50.9	\$ 47.7
Non-cash pre-tax expense (income):		
Depreciation	65.0	69.0
Amortization	11.0	12.0
Stock-based compensation	10.9	9.4
Deferred income taxes	3.6	15.7
Changes in assets and liabilities:		
Increase in accounts receivable	(17.9)	(22.5)
Increase in inventories	(35.6)	(64.5)
Increase (decrease) in accounts payable	4.5	(0.9)
Increase in other assets	(30.3)	(2.3)
Decrease in accrued expenses and other liabilities	(43.1)	(12.5)
Increase in accrued taxes	4.0	5.0
Net cash provided by operating activities	<u>23.0</u>	<u>56.1</u>
Investing activities		
Capital expenditures	(41.4)	(28.2)
Proceeds from the disposition of assets	3.4	0.9
Acquisitions, net of cash acquired	(6.0)	—
Net cash used in investing activities	<u>(44.0)</u>	<u>(27.3)</u>
Financing activities		
Increase in short-term debt, net	0.7	1.4
Repayment of long-term debt	—	(7.1)
Net loan payments from (to) Fortune Brands	74.4	(38.2)
Fortune Brands capital contribution ^(a)	15.9	15.1
Other financing, net	(2.1)	(0.3)
Net cash provided by (used in) financing activities	<u>88.9</u>	<u>(29.1)</u>
Effect of foreign exchange rate changes on cash	(1.0)	0.1
Net increase (decrease) in cash and cash equivalents	<u>\$ 66.9</u>	<u>\$ (0.2)</u>
Cash and cash equivalents at beginning of period	<u>\$ 60.7</u>	<u>\$ 57.8</u>
Cash and cash equivalents at end of period	<u>\$127.6</u>	<u>\$ 57.6</u>

^(a) The allocation of general and administrative expenses provided by Fortune Brands, Inc. (net of tax) is included in the Consolidated Statement of Income and treated as a capital contribution. Refer to Note 3, "Related Party Transactions."

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
For the Nine Months Ended September 30, 2011 and 2010

(In millions)
(Unaudited)

	Common Stock	Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Non- controlling Interests	Total Equity
Balance at December 31, 2009	\$ —	\$ 670.5	\$ (90.1)	\$(742.6)	\$ 2.9	\$ (159.3)
Comprehensive income:						
Net income	—	—	—	46.9	0.8	47.7
Translation adjustments	—	—	1.4	—	—	1.4
Derivative instruments	—	—	0.5	—	—	0.5
Pension and postretirement benefit	—	—	12.4	—	—	12.4
Total comprehensive income	—	—	14.3	46.9	0.8	62.0
Dividends paid to noncontrolling interests	—	—	—	—	(0.6)	(0.6)
Fortune Brands capital contribution ^(a)	—	24.9	—	—	—	24.9
Balance at September 30, 2010	\$ —	\$ 695.4	\$ (75.8)	\$(695.7)	\$ 3.1	\$ (73.0)
Balance at December 31, 2010	\$ —	\$ 703.3	\$ (76.3)	\$(685.4)	\$ 3.5	\$ (54.9)
Comprehensive income:						
Net income	—	—	—	50.0	0.9	50.9
Translation adjustments	—	—	(1.6)	—	—	(1.6)
Derivative instruments	—	—	(0.6)	—	—	(0.6)
Pension and postretirement benefit	—	—	(25.9)	—	—	(25.9)
Total comprehensive income	—	—	(28.1)	50.0	0.9	22.8
Common stock split	1.6	(1.6)	—	—	—	—
Dividends paid to noncontrolling interests	—	—	—	—	(0.9)	(0.9)
Dividends declared to Fortune Brands	—	(568.3)	—	—	—	(568.3)
Fortune Brands capital contribution ^(a)	—	2,729.7	—	—	—	2,729.7
Balance at September 30, 2011	\$ 1.6	\$2,863.1	\$ (104.4)	\$(635.4)	\$ 3.5	\$2,128.4

^(a) The allocation of general and administrative expenses, stock-based compensation and the tax benefit on exercise of options provided by Fortune Brands, Inc. (net of tax) is included in the Condensed Consolidated Statement of Income and treated as a capital contribution. In addition, in the first quarter of 2011, Fortune Brands, Inc. made a \$2.7 billion equity contribution to the Company. All related party loan balances to/from Fortune Brands, Inc. were capitalized immediately prior to the spin-off. Refer to Note 3, "Related Party Transactions."

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Background, Basis of Presentation and Principles of Consolidation

Separation - On September 27, 2011, the Fortune Brands, Inc. (“Fortune Brands”) board of directors approved the separation of Fortune Brands Home & Security, Inc. into an independent, publicly-traded company. References to “Home & Security,” “the Company,” “we,” “our” and “us” refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires. The separation (the “Separation”) was accomplished by increasing the total number of issued and outstanding shares such that 155,052,629 shares of Home & Security common stock were available for distribution to the stockholders of Fortune Brands common stock. The Separation was accomplished pursuant to a Separation and Distribution agreement, dated September 27, 2011, between Fortune Brands and the Company. On October 3, 2011, the Separation was completed, with Fortune Brands stockholders receiving one share of Home & Security common stock for each share of Fortune Brands common stock held as of 6:00 p.m. New York City Time on September 20, 2011. In addition, on October 3, 2011, we paid a dividend of \$548.9 million to Fortune Brands, prior to the Separation.

Following the Separation, Fortune Brands changed its name to Beam Inc. and retained no ownership interest in Home & Security. Each company now has separate public ownership, boards of directors and management.

A registration statement on Form 10, as amended (the “Form 10”), describing the Separation was filed by Home & Security with the Securities and Exchange Commission and was declared effective on September 2, 2011. On October 4, 2011, our common stock began trading “regular-way” on the New York Stock Exchange under the ticker symbol “FBHS.”

Basis of Presentation - The condensed consolidated financial statements include the accounts of Home & Security and its majority-owned subsidiaries.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Background, Basis of Presentation and Principles of Consolidation (Continued)

The consolidated financial statements and segment information included in this Quarterly Report on Form 10-Q have been derived principally from the consolidated financial statements of the Company, which prior to the Separation was a wholly-owned subsidiary of Fortune Brands, using the historical results of operations, and historical basis of assets and liabilities. Our historical financial statements include allocations of certain general corporate expenses of Fortune Brands incurred directly by Fortune Brands totaling \$23.4 million and \$23.9 million for the nine months ended September 30, 2011 and 2010, respectively, and \$8.1 million and \$7.0 million for the three months ended September 30, 2011 and 2010, respectively. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services and are included in "Corporate" in the accompanying segment information. Management believes that the assumptions and methodologies underlying the allocation of these general corporate expenses are reasonable. However, such expenses may not be indicative of the actual level of expense that would have been incurred by the Company if it had operated as a stand-alone company or of the costs expected to be incurred in the future. The consolidated financial statements included in this Quarterly Report on Form 10-Q may not necessarily reflect the Company's results of operations, financial condition and cash flows in the future or what its results of operations, financial condition and cash flows would have been had the Company been a stand-alone company during the periods presented.

The condensed consolidated balance sheet as of September 30, 2011, the related condensed consolidated statements of income for the nine-month and three-month periods ended September 30, 2011 and 2010 and the related condensed consolidated statements of cash flows and equity for the nine-month periods ended September 30, 2011 and 2010 are unaudited. In the opinion of management, all adjustments necessary for a fair statement of the financial statements have been included. Interim results may not be indicative of results for a full year.

The condensed consolidated financial statements and notes do not contain certain information included in our annual consolidated financial statements and notes. The year-end condensed consolidated balance sheet was derived from the Company's audited consolidated financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles ("GAAP"). These interim statements should be read in conjunction with the consolidated financial statements and notes thereto in our Form 10.

2. Recently Issued Accounting Standards

Revenue Arrangements with Multiple Deliverables

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-13, "Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force." This guidance requires entities to allocate consideration in multiple deliverable arrangements in a manner that reflects a transaction's economics. The guidance requires expanded disclosure. It is effective for fiscal years beginning on or after June 15, 2010 (calendar year 2011 for Home & Security) and can be applied either prospectively or retrospectively. Adoption of this standard did not impact our financial statements and disclosures.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Recently Issued Accounting Standards (Continued)

Fair Value Measurement

In May 2011, the FASB issued new guidance on fair value measurement and disclosure requirements (ASU 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"). The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. The amendment is effective for interim and annual periods beginning after December 15, 2011 (calendar year 2012 for Home & Security). We do not believe that adoption of this standard will have a material impact on our financial statements and disclosures.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU 2011-05, "Statement of Comprehensive Income." This standard requires entities to present items of net income and other comprehensive income either in one continuous statement or in two separate, but consecutive, statements. The new requirements are effective for public entities as of the beginning of the fiscal year that begins after December 15, 2011 (calendar year 2012 for Home & Security). Full retrospective application is required. Early adoption is permitted. We believe that adoption of this standard will not have a material impact on our financial statements.

Testing Goodwill for Impairment

In September 2011, the FASB issued ASU 2011-08, "Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment," to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The amendment is effective for interim and annual periods beginning after December 15, 2011 (calendar year 2012 for Home & Security). Early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Related Party Transactions

Prior to the Separation, Home & Security had certain related party relationships with Fortune Brands, as discussed below.

Financing and Cash Management - Historically, Fortune Brands provided financing, cash management and treasury services to Home & Security. The Company's U.S. cash balances were swept by Fortune Brands on a daily basis, and the Company received funding from Fortune Brands for its operating and investing cash needs. Cash transferred to and from the Company was recorded in the form of loans from or to Fortune Brands in the accompanying financial statements. Loans accrued interest at rates ranging from 1.3% to 6.0%. The weighted average interest rate on loans to/from Fortune Brands was 3.4% and 4.3% in the nine-month periods ended September 30, 2011 and 2010, respectively. The weighted average interest rate on loans to/from Fortune Brands was 2.1% and 4.4% in the three-month periods ended September 30, 2011 and 2010, respectively. Related party interest expense and income are shown below.

(In millions)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Related party interest expense	\$ 29.3	\$ 98.7	\$ 1.9	\$ 33.0
Related party interest income	(6.1)	(11.4)	(1.7)	(3.9)
Related party interest, net	\$ 23.2	\$ 87.3	\$ 0.2	\$ 29.1

A summary of loans to/from Fortune Brands as of September 30, 2011 and December 31, 2010 is shown below. In the first quarter of 2011, Fortune Brands made a \$2.7 billion equity contribution to Home & Security, capitalizing a substantial majority of the loan balances with Fortune Brands at that time.

(In millions)	September 30, 2011	December 31, 2010
Loans to Fortune Brands – current	\$ (12.8)	\$ (572.8)
Loans from Fortune Brands – short-term	56.4	—
Loans from Fortune Brands – long-term	—	3,214.0
Net loans from Fortune Brands	\$ 43.6	\$ 2,641.2

In August 2011, in connection with the Separation, Fortune Brands contributed one of its subsidiaries to the Company, which resulted in an increase in loans from Fortune Brands totaling approximately \$24 million at that time.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Related Party Transactions (Continued)

Upon the Separation, Fortune Brands ceased providing financing, cash management and treasury services to the Company. All loans to/from Fortune Brands were capitalized immediately prior to the Separation. In addition, on October 3, 2011, the Company paid a \$48.9 million dividend to Fortune Brands, representing U.S. cash balances generated from August 26, 2011, the date of the conversion of Fortune Brands Home & Security LLC from a Delaware limited liability company to a Delaware corporation, through the date of the Separation.

General and Administrative Services - Until consummation of the Separation, Fortune Brands performed certain functions and services on behalf of Home & Security. The costs of these services were historically allocated to Home & Security based on its proportionate share of the actual costs incurred by Fortune Brands. Home & Security believes that the method used to allocate these costs is reasonable. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services and are included in "Selling, general and administrative expense" in the condensed consolidated statements of income and in "Corporate" in the accompanying segment information. During the nine-month periods ended September 30, 2011 and 2010, these allocations totaled \$23.4 million and \$23.9 million, respectively. During the three-month periods ended September 30, 2011 and 2010, these allocations totaled \$8.1 million and \$7.0 million, respectively.

4. Balance Sheet Information

Supplemental information on our balance sheets is as follows:

(In millions)	September 30, 2011	December 31, 2010
Inventories:		
Other raw materials, supplies and work in process	\$ 195.5	\$ 179.8
Finished products	173.3	153.2
Total inventories	\$ 368.8	\$ 333.0
Property, plant and equipment, gross	\$ 1,486.8	\$ 1,461.3
Less: accumulated depreciation	948.7	911.3
Property, plant and equipment, net	\$ 538.1	\$ 550.0

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Goodwill and Other Identifiable Intangible Assets

We had goodwill of \$1,366.5 million as of September 30, 2011. The change in the net carrying amount of goodwill by segment was as follows:

(In millions)	Kitchen & Bath Cabinetry	Plumbing & Accessories	Advanced Material & Door Systems	Security & Storage	Total Goodwill
Balance at December 31, 2010					
Goodwill	\$ 491.7	\$ 569.7	\$ 679.3	\$ 165.6	\$1,906.3
Accumulated impairment losses	—	—	(451.3)	(90.1)	(541.4)
Total goodwill, net	\$ 491.7	\$ 569.7	\$ 228.0	\$ 75.5	\$1,364.9
Year-to-date activity					
Translation adjustments	(0.7)	—	—	0.1	(0.6)
Acquisition-related adjustments	—	—	2.2	—	2.2
Balance at September 30, 2011					
Goodwill	\$ 491.0	\$ 569.7	\$ 681.5	\$ 165.7	\$1,907.9
Accumulated impairment losses	—	—	(451.3)	(90.1)	(541.4)
Total goodwill, net	\$ 491.0	\$ 569.7	\$ 230.2	\$ 75.6	\$1,366.5

We also had indefinite-lived intangible assets, principally tradenames, of \$664.4 million and \$665.9 million as of September 30, 2011 and December 31, 2010, respectively. The decrease of \$1.5 million was due to changes in foreign currency translation adjustments.

Amortizable identifiable intangible assets, principally tradenames, are subject to amortization over their estimated useful life, 5 to 30 years, based on the assessment of a number of factors that may impact useful life. These factors include historical and tradename performance with respect to consumer name recognition, geographic market presence, market share, plans for ongoing tradename support and promotion, financial results and other relevant factors. The gross carrying value and accumulated amortization of amortizable intangible assets were \$330.2 million and \$202.4 million, respectively, as of September 30, 2011, compared to \$325.0 million and \$192.1 million, respectively, as of December 31, 2010. The gross carrying value increase of \$5.2 million was due to the acquisition of a regional windows business (\$5.8 million), partially offset by changes in foreign currency translation adjustments (\$0.6 million).

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Goodwill and Other Identifiable Intangible Assets (Continued)

The gross carrying value and accumulated amortization by class of intangible assets as of September 30, 2011 and December 31, 2010 were as follows:

(In millions)	As of September 30, 2011			As of December 31, 2010		
	Gross Carrying Amounts	Accumulated Amortization	Net Book Value	Gross Carrying Amounts	Accumulated Amortization	Net Book Value
Indefinite-lived tradenames	\$ 706.4	\$ (42.0) ^(a)	\$664.4	\$ 707.9	\$ (42.0) ^(a)	\$665.9
Amortizable intangible assets						
Tradenames	19.7	(7.5)	12.2	17.3	(7.0)	10.3
Customer and contractual relationships	269.9	(160.5)	109.4	267.2	(152.0)	115.2
Patents/proprietary technology	40.5	(34.4)	6.1	40.5	(33.1)	7.4
Other	0.1	—	0.1	—	—	—
Total	330.2	(202.4)	127.8	325.0	(192.1)	132.9
Total identifiable intangibles	\$1,036.6	\$ (244.4)	\$792.2	\$1,032.9	\$ (234.1)	\$798.8

^(a) Accumulated amortization prior to the adoption of revised authoritative guidance on goodwill and other intangibles assets (Accounting Standards Codification (“ASC”) 350).

We have not recorded any goodwill or intangible asset impairment charges in 2010 or 2011. As of September 30, 2011, our Windows reporting unit within our Advanced Material Windows & Door Systems segment has experienced operating losses in the current year. This reporting unit has goodwill and a tradename for which a 10% reduction in the fair value could trigger an impairment charge in future periods. The goodwill of this reporting unit and its tradename had a book value of \$87.3 million and \$127.0 million, respectively, as of September 30, 2011. In addition to evaluating for interim events that require more frequent impairment testing, we will conduct our annual impairment testing in the fourth quarter of 2011. The Company cannot predict the occurrence of certain events that might adversely affect the carrying value of goodwill and other intangible assets. Such events may include, but are not limited to, the impact of the economic environment, a material negative change in relationships with significant customers, and strategic decisions made in response to economic and competitive conditions. Our cash flow projections used to assess impairment of our goodwill and other intangible assets are significantly influenced by our projection for the recovery of the U.S. home products markets in the next 3 to 5 years and our annual operating plans finalized in the fourth quarter of each year. Our projection for the U.S. home products markets is inherently subject to a number of uncertain factors, such as employment, home prices, credit availability, and the rate of home foreclosures. Significant changes in these and other factors could cause us to change our cash flow projections in future periods which could trigger impairment of goodwill or indefinite-lived intangible assets in the period in which such changes occur.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Acquisition

In the third quarter of 2011, we acquired a regional windows business for \$6 million in cash. This acquisition was not material for the purposes of supplemental disclosure and did not have a material impact on our consolidated financial statements.

7. External Debt and Financing Arrangements

On August 22, 2011, we signed a \$650 million, 5-year committed revolving credit facility as well as a \$350 million, 5-year term loan. Both facilities are to be used for general corporate purposes including to finance the \$500 million dividend we paid to Fortune Brands immediately prior to the Separation. On October 4, 2011, Home & Security made an initial borrowing of \$510 million under these facilities. The interest rates under these facilities are variable based on LIBOR at the time of the borrowing and the Company's leverage as measured by a Debt to adjusted EBITDA ratio. Based upon the Company's Debt to adjusted EBITDA ratio, the Company's borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. The credit facilities also include a minimum Consolidated Interest Coverage Ratio requirement of 3.0 to 1.0. The Consolidated Interest Coverage Ratio is defined as the ratio of adjusted EBITDA to Consolidated Interest Expense. Adjusted EBITDA is defined as consolidated net income before interest expense, income taxes, and depreciation and amortization of intangible assets, losses from asset impairments, and certain other adjustments. Consolidated Interest Expense is as disclosed in our financial statements. The credit facility also includes a Maximum Leverage Ratio of 3.5 to 1.0 as measured by the ratio of our debt to adjusted EBITDA. The Maximum Leverage Ratio is permitted to increase to 3.75 to 1.0 for three succeeding quarters in the event of an acquisition.

At September 30, 2011 and December 31, 2010, there were \$3.3 million and \$3.0 million of external short-term borrowings outstanding, respectively, comprised of notes payable to banks that are used for general corporate purposes. These amounts pertain to uncommitted bank lines of credit in China and India, which provide for unsecured borrowings for working capital of up to \$19.7 million and \$15.5 million, respectively. The weighted average interest rates on these borrowings were 9.5% and 7.4% in the nine-month periods ended September 30, 2011 and 2010, respectively. The weighted average interest rates on these borrowings were 2.6% and 2.6% in the three-month periods ended September 30, 2011 and 2010, respectively. There were no amounts outstanding under committed bank credit agreements at September 30, 2011 and December 31, 2010.

In addition, there were \$16.8 million of industrial revenue bonds outstanding as of September 30, 2011 and December 31, 2010, comprised of two long-term notes maturing in 2016 and 2021.

8. Financial Instruments

We do not enter into financial instruments for trading or speculative purposes. We principally use financial instruments to reduce the impact of changes in foreign currency exchange rates and commodities used as raw materials in our products. The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. In addition, from time to time, we enter into commodity swaps. Derivative financial instruments are recorded at fair value.

Raw materials used by the Company are subject to price volatility caused by weather, supply conditions, geopolitical and economic variables, and other unpredictable external factors. From time-to-time, we enter into commodity swaps to manage the price risk associated with forecasted purchases of materials used in our operations. We account for these commodity derivatives as economic hedges or cash flow hedges. Changes in the fair value of economic hedges are recorded directly into current period earnings. There were no material commodity swap contracts outstanding as of September 30, 2011.

We enter into foreign exchange contracts primarily to hedge forecasted sales and purchases denominated in select foreign currencies, thereby limiting currency risk that would otherwise result from changes in exchange rates. The periods of the foreign exchange contracts correspond to the periods of the forecasted transactions, which generally do not exceed 12 to 15 months subsequent to the latest balance sheet date. For derivative instruments that are designated as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item are recognized on the same line of the income statement. Any ineffectiveness was immaterial in the nine and three months ended September 30, 2011. The effective portions of cash flow hedges are reported in other comprehensive income and are recognized in the statement of income when the hedged item affects earnings. The ineffective portion of all hedges is recognized in current period earnings. In addition, changes in fair value of all economic hedge transactions are immediately recognized in current period earnings. Our primary foreign currency hedge contracts pertain to the Canadian dollar, the Chinese yuan, and the Mexican peso. The gross U.S. dollar equivalent notional amount of all foreign currency derivative hedges outstanding at September 30, 2011 was \$112.1 million, representing a net settlement asset of \$1.3 million. Based on foreign exchange rates as of September 30, 2011, net foreign currency derivative gains included in other comprehensive income as of September 30, 2011 that will be reclassified to earnings within the next twelve months is \$1.1 million.

The counterparties to derivative contracts are major financial institutions. We are subject to credit risk on these contracts equal to the fair value of these instruments. Management currently believes that the risk of incurring material losses is unlikely and that the losses, if any, would be immaterial to the Company.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Financial Instruments (Continued)

The fair values of foreign exchange derivative instruments on the consolidated balance sheets as of September 30, 2011 and December 31, 2010 were:

(In millions)	Balance Sheet Location	Fair Value	
		September 30, 2011	December 31, 2010
Assets			
Foreign exchange contracts	Other current assets	\$ 2.5	\$ 1.2
Commodity contracts	Other current assets	—	2.0
	Total assets	\$ 2.5	\$ 3.2
Liabilities			
Foreign exchange contracts	Other current liabilities	\$ 1.2	\$ 1.0
Commodity contracts	Other current liabilities	0.5	—
	Total liabilities	\$ 1.7	\$ 1.0

The effects of derivative financial instruments on the statements of income and other comprehensive income (OCI) for the nine months ended September 30, 2011 and 2010 were:

(In millions)	Recognized in OCI (Effective Portion)		Gain (Loss)		
			Recognized in Income		
			Location of Gain (Loss) Recognized in Income		
Type of hedge	2011	2010	2011	2010	2010
Cash flow	\$ 0.9	\$ 1.0	Net sales	\$(0.7)	\$(0.4)
			Cost of products sold	1.9	1.9
			Other expense, net	—	0.2
Fair value	—	—			
Total	\$ 0.9	\$ 1.0		\$ 1.2	\$ 1.7

The effects of derivative financial instruments on the statement of income and other comprehensive income (OCI) for the three months ended September 30, 2011 and 2010 were:

(In millions)	Recognized in OCI (Effective Portion)		Gain (Loss)		
			Recognized in Income		
			Location of Gain (Loss) Recognized in Income		
Type of hedge	2011	2010	2011	2010	2010
Cash flow	\$ 1.1	\$ 1.3	Net sales	\$(0.3)	\$—
			Cost of products sold	0.1	1.4
			Other expense, net	0.1	0.1
Fair value	—	—			
Total	\$ 1.1	\$ 1.3		\$(0.1)	\$ 1.5

In the nine and three months ended September 30, 2011 and 2010, the ineffective portion of cash flow hedges recognized in other expense (income), net, was insignificant.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 were as follows:

(In millions)	Fair Value	
	September 30, 2011	December 31, 2010
<u>Assets</u>		
Derivative financial instruments (level 2)	\$ 2.5	\$ 3.2
Deferred compensation program assets (level 1)	4.0	5.1
Total assets	\$ 6.5	\$ 8.3
<u>Liabilities</u>		
Derivative financial instruments (level 2)	\$ 1.7	\$ 1.0

The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. In addition, from time to time, we enter into commodity swaps. Derivative financial instruments are recorded at fair value.

Authoritative guidance on fair value measurement (ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We do not have any assets or liabilities measured at fair value that are Level 3.

Because the interest rate on the Company's long-term debt is variable, the aggregate carrying value at both September 30, 2011 and December 31, 2010 of \$16.8 million approximates the fair value.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Pension and Other Retiree Benefits

The components of net periodic benefit cost for pension and postretirement benefits for the nine months ended September 30, 2011 and 2010 were as follows:

(In millions)	Nine Months Ended September 30,			
	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 9.6	\$ 9.5	\$ 0.4	\$ 0.3
Interest cost	23.3	23.0	3.3	3.6
Expected return on plan assets	(32.6)	(31.6)	—	—
Amortization of prior service cost (credit)	0.2	0.4	0.3	0.2
Amortization of net losses (gains)	11.3	9.5	0.3	(0.1)
Curtailed and settlement losses	0.4	0.4	—	—
Net periodic benefit cost	\$ 12.2	\$ 11.2	\$ 4.3	\$ 4.0

The components of net periodic benefit cost for pension and postretirement benefits for the three months ended September 30, 2011 and 2010 were as follows:

(In millions)	Three Months Ended September 30,			
	Pension Benefits		Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 3.2	\$ 3.2	\$ 0.1	\$ 0.1
Interest cost	7.7	7.7	1.0	1.2
Expected return on plan assets	(10.7)	(10.6)	—	—
Amortization of prior service cost (credit)	—	0.1	0.2	—
Amortization of net losses (gains)	4.0	3.2	0.1	—
Curtailed and settlement losses	0.4	0.4	—	—
Net periodic benefit cost	\$ 4.6	\$ 4.0	\$ 1.4	\$ 1.3

In the third quarter of 2011, we communicated to employees our decision to freeze our salaried pension plans as of December 31, 2016 (in five years). As a result, we remeasured our pension liability, updating our pension measurement assumptions, and recorded pension curtailment charges of \$0.3 million. The remeasurement also resulted in an increase in our pension liability of \$56.8 million, predominantly due to the decrease in the discount rate from 5.75% at December 31, 2010 to 5.25%, with an increase to accumulated other comprehensive loss, net of tax.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Income Taxes

The effective income tax rates, calculated as if the Company were a separate taxpayer, for the nine months ended September 30, 2011 and 2010 were 44.6% and 27.4%, respectively. The effective tax rate in 2011 was unfavorably impacted by a tax charge of \$8.5 million related to foreign dividends received in preparation for the Separation. The 2011 effective rate was favorably impacted by enacted changes in state tax laws that reduced the net deferred tax liability by \$2.0 million. The effective tax rate in 2010 was favorably impacted by a \$10.6 million tax benefit related to final settlement of a U.S. federal income tax audit and unfavorably impacted by tax expense of \$2.2 million associated with a change in the tax law related to Medicare Part D subsidies.

The effective income tax rates, calculated as if the Company were a separate taxpayer, for the three months ended September 30, 2011 and 2010 were 57.1% and 24.7%, respectively. The effective tax rate in 2011 was unfavorably impacted by a tax charge of \$8.5 million related to foreign dividends received in preparation for the Separation. The effective tax rate in 2010 was favorably impacted by an \$8.1 million tax benefit related to final settlement of a U.S. federal income tax audit.

It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease in the range of \$10 million to \$15 million, primarily as a result of the conclusion of pending U.S. federal, state and foreign income tax proceedings.

As a result of the Separation, the Company remitted foreign earnings and recorded an associated tax liability of approximately \$8.5 million in the third quarter of 2011. However, as a stand-alone company, we expect to permanently reinvest the earnings of our foreign subsidiaries. Consequently, we have not provided deferred income taxes on undistributed earnings of foreign subsidiaries.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Restructuring and Other Charges

Pre-tax restructuring and other charges for the nine and three months ended September 30, 2011 and 2010 are shown below.

(In millions)	Nine Months Ended September 30, 2011			
	Restructuring Charges	Other Charges ^(a)		
		Cost of Products Sold		Total Charges
Kitchen & Bath Cabinetry	\$ 0.8	\$ (0.2)		\$ 0.6
Plumbing & Accessories	—	(0.1)		(0.1)
Advanced Material Windows & Door Systems	1.0	1.9		2.9
Total	\$ 1.8	\$ 1.6		\$ 3.4

(In millions)	Nine Months Ended September 30, 2010				
	Restructuring Charges	Cost of Products Sold		SG&A ^(b)	Total Charges
Kitchen & Bath Cabinetry	\$ 0.9	\$ 0.2		\$ —	\$ 1.1
Advanced Material Windows & Door Systems	(0.1)	0.9		(0.4)	0.4
Security & Storage	—	—		1.4	1.4
Total	\$ 0.8	\$ 1.1		\$ 1.0	\$ 2.9

^(a) "Other Charges" represent charges directly related to restructuring initiatives that cannot be reported as restructuring under U.S. GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines and accelerated depreciation resulting from the closure of facilities.

^(b) Selling, general and administrative expenses.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Restructuring and Other Charges (Continued)

(In millions)

	Three Months Ended September 30, 2011		
	Restructuring Charges	Other Charges ^(a)	
		Cost of Products Sold	Total Charges
Kitchen & Bath Cabinetry	\$ 0.4	\$ (0.2)	\$ 0.2
Plumbing & Accessories	—	0.1	0.1
Advanced Material Windows & Door Systems	0.7	1.5	2.2
Total	\$ 1.1	\$ 1.4	\$ 2.5

(In millions)

	Three Months Ended September 30, 2010			
	Restructuring Charges	Other Charges ^(a)		
		Cost of Products Sold	SG&A ^(b)	Total Charges
Kitchen & Bath Cabinetry	\$ 0.1	\$ (0.2)	\$ —	\$ (0.1)
Plumbing & Accessories	—	0.1	—	0.1
Security & Storage	—	—	1.4	1.4
Total	\$ 0.1	\$ (0.1)	\$ 1.4	\$ 1.4

^(a) "Other Charges" represent charges directly related to restructuring initiatives that cannot be reported as restructuring under U.S. GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines and accelerated depreciation resulting from the closure of facilities.

^(b) Selling, general and administrative expenses.

Restructuring and other charges in the first nine months of 2011 related to supply chain initiatives in the Kitchen & Bath Cabinetry segment and an announced windows facility closure within the Advanced Material Windows & Door Systems segment.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Restructuring and Other Charges (Continued)

Reconciliation of Restructuring Liability

(In millions)	Balance at December 31, 2010	2011 Provision	Cash Expenditures ^(a)	Balance at September 30, 2011
Workforce reductions	\$ 6.1	\$ 1.2	\$ (2.0)	\$ 5.3
Asset write-downs	—	(0.2)	0.2	—
Other	—	0.8	(0.8)	—
	<u>\$ 6.1</u>	<u>\$ 1.8</u>	<u>\$ (2.6)</u>	<u>\$ 5.3</u>

(In millions)	Balance at December 31, 2009	2010 Provision	Cash Expenditures ^(a)	Non-Cash Changes	Balance at September 30, 2010
Workforce reductions	\$ 3.8	\$ (0.5)	\$ (2.1)	\$ 0.1	\$ 1.3
Asset write-downs	—	(0.5)	0.6	(0.1)	—
Other	0.1	1.8	(1.5)	(0.7)	(0.3)
	<u>\$ 3.9</u>	<u>\$ 0.8</u>	<u>\$ (3.0)</u>	<u>\$ (0.7)</u>	<u>\$ 1.0</u>

^(a) Cash expenditures for asset write-downs include proceeds received on asset disposals.

13. Business Separation Costs

We recorded \$2.4 million of business separation costs during the nine and three months ended September 30, 2011 related to non-cash non-recurring costs associated with the modification of share-based compensation awards as a result of the Separation.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Information on Business Segments

Net sales and operating income for the nine months ended September 30, 2011 and 2010 by segment were as follows:

(In millions)	Nine Months Ended September 30,		
	2011	2010	% Change vs. Prior Year
Net Sales			
Kitchen & Bath Cabinetry	\$ 954.6	\$ 902.1	5.8%
Plumbing & Accessories	704.7	684.1	3.0
Advanced Material Windows & Door Systems	399.2	427.6	(6.6)
Security & Storage	394.0	376.0	4.8
Net sales	\$2,452.5	\$2,389.8	2.6%
Operating Income (Loss)			
Kitchen & Bath Cabinetry	\$ 20.9	\$ 29.2	(28.4)%
Plumbing & Accessories	98.9	97.5	1.4
Advanced Material Windows & Door Systems	(9.6)	9.1	—
Security & Storage	45.7	49.2	(7.1)
Corporate	(38.8)	(32.2)	(20.5)
Operating income	\$ 117.1	\$ 152.8	(23.4)%

Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services. Corporate expenses also include the components of defined benefit plan expense other than service cost which included expense of \$6.0 million and \$4.3 million in the nine months ended September 30, 2011 and 2010, respectively. There are no amounts that are the elimination or reversal of transactions between reportable segments.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Information on Business Segments (Continued)

Net sales and operating income for the three months ended September 30, 2011 and 2010 by segment were as follows:

(In millions)	Three Months Ended September 30,		
	2011	2010	% Change vs. Prior Year
Net Sales			
Kitchen & Bath Cabinetry	\$310.7	\$300.1	3.5%
Plumbing & Accessories	249.1	227.4	9.5
Advanced Material Windows & Door Systems	148.2	149.5	(0.9)
Security & Storage	140.0	136.1	2.9
Net sales	\$848.0	\$813.1	4.3%
Operating Income (Loss)			
Kitchen & Bath Cabinetry	\$ 7.8	\$ 9.7	(19.6)%
Plumbing & Accessories	38.6	31.3	23.3
Advanced Material Windows & Door Systems	(0.3)	7.1	—
Security & Storage	20.0	27.1	(26.2)
Corporate	(16.7)	(9.9)	(68.7)
Operating income	\$ 49.4	\$ 65.3	(24.3)%

Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services. Corporate expenses also include the components of defined benefit plan expense other than service cost which included expense of \$2.6 million and \$1.4 million in the three months ended September 30, 2011 and 2010, respectively. There are no amounts that are the elimination or reversal of transactions between reportable segments.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Earnings Per Share

The computations of earnings per common share were as follows:

(In millions, except per share data)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Net income attributable to Home & Security	\$ 50.0	\$ 46.9	\$ 20.1	\$ 27.4
Basic and diluted earnings per common share	\$ 0.32	\$ 0.30	\$ 0.13	\$ 0.18
Basic and diluted average shares outstanding	155.1	155.1	155.1	155.1

Prior to the Separation, the total number of outstanding shares of the Company's common stock increased significantly. On September 27, 2011, the 1,000 common shares that were previously issued and outstanding were split into 155,051,629 common shares necessary to effect the Separation. Upon the Separation, holders of Fortune Brands common stock received one share of Home & Security common stock for each share of Fortune Brands common stock held on September 20, 2011. Basic and diluted earnings per common share and the average number of common shares outstanding were retrospectively restated adjusting the number of Home & Security shares for the stock split. The same number of shares was used to calculate basic and diluted earnings per share since no Home & Security stock-based awards were outstanding prior to the Separation. Diluted earnings per share subsequent to the Separation will reflect the potential dilution of any Home & Security outstanding stock-based awards.

FORTUNE BRANDS HOME & SECURITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

16. Total Other Comprehensive Income

Total comprehensive income for the three months ended September 30, 2011 and 2010 was as follows:

(In millions)	Three Months Ended September 30,	
	2011	2010
Net income attributable to Home & Security	\$ 20.1	\$ 27.4
Translation adjustments	(7.1)	1.5
Derivative instruments	—	0.4
Pension and postretirement benefit adjustments	(32.5)	2.4
Comprehensive income attributable to Home & Security	\$ (19.5)	\$ 31.7
Comprehensive income attributable to noncontrolling interests	0.3	0.3
Total comprehensive (loss) income	\$ (19.2)	\$ 32.0

17. Pending Litigation

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. We believe that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested.

FORTUNE BRANDS HOME & SECURITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the notes thereto, which are included in this report, as well as our audited consolidated financial statements for the year ended December 31, 2010, which are included in our Registration Statement on Form 10, as amended (the "Form 10"), filed with the Securities and Exchange Commission and declared effective on September 2, 2011. This discussion contains forward-looking statements that are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. The forward-looking statements are not historical facts, but rather are based on expectations, estimates, assumptions and projections about our industry, business and future financial results, based on information available at the time this report is filed with the Security and Exchange Commission, or with respect to any document incorporated by reference, available as of the time such document was prepared. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections of our Form 10 entitled "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements." We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise, except as required by law.

OVERVIEW

Fortune Brands Home & Security, Inc. (together with its consolidated subsidiaries, "Home & Security," "we," "our," "us" or the "Company") is a leader in home and security products with companies focused on the design, manufacture and sale of market leading branded products in the following categories: kitchen and bath cabinetry, plumbing and accessories, advanced material windows products and entry door systems and security and storage products.

With a foundation of market-leading brands across a diversified mix of channels, and lean and flexible supply chains, as well as strong innovation and customer service, we are focused on outperforming our markets on both growth and returns and driving increased shareholder value. We believe the Company's track record reflects the long-term attractiveness and potential of our categories and our leading brands. As consumer demand and the housing market improve from current lows, we expect the benefits of operating leverage and strategic spending will help us to substantially improve profitability.

We believe our most attractive opportunities are to invest in profitable organic growth initiatives. In addition, we may invest in add-on acquisitions that leverage our existing brands and infrastructure, and we may undertake share repurchases.

OVERVIEW (Continued)

Home & Security was organized in 1988 and, until the Separation (as defined below), operated as a wholly-owned subsidiary of Fortune Brands, Inc. (“Fortune Brands,” later renamed Beam Inc.). On September 27, 2011, the Fortune Brands board of directors approved the separation of Home & Security into an independent, publicly traded company. In accordance with the Separation and Distribution agreement between Fortune Brands and the Company, the distribution of all the issued and outstanding shares Home & Security common stock was made on October 3, 2011, with Fortune Brands stockholders receiving one share of Home & Security common stock for each share of Fortune Brands common stock held as of 6:00 p.m. New York City Time on September 20, 2011 (the “Separation”). On October 4, 2011, our common stock began trading “regular-way” on the New York Stock Exchange under the ticker symbol “FBHS.”

We expect that a U.S. home products market recovery will be gradual and uneven. We remain focused on our initiatives designed to outperform our markets. Over the downturn, we implemented proactive supply chain initiatives, decreased our employee headcount and number of manufacturing facilities and enhanced our flexibility and lowered our cost per unit. In addition, we made strategic investments in 2010 and 2011, such as in innovation, new products, targeted brand advertising, international selling infrastructure, and the maintenance of a nationwide manufacturing and service capacity. We believe these investments will position our businesses to perform well in the marketplace.

For a description of certain factors that may have had, or may in the future have, a significant impact on our business, financial condition or results of operations, see “—Forward-Looking Statements.”

RESULTS OF OPERATIONS

Basis of Presentation

The consolidated financial statements and segment information included in this Quarterly Report on Form 10-Q have been derived principally from the consolidated financial statements of the Company, which prior to the Separation was a wholly-owned subsidiary of Fortune Brands, using the historical results of operations, and the historical basis of assets and liabilities. Our historical financial statements include allocations of certain general corporate expenses of Fortune Brands incurred directly by Fortune Brands totaling \$23.4 million and \$23.9 million for the nine months ended September 30, 2011 and 2010, respectively, and \$8.1 million and \$7.0 million for the three months ended September 30, 2011 and 2010, respectively. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services and are included in “Corporate” in the accompanying segment information. Management believes that the assumptions and methodologies underlying the allocation of these general corporate expenses are reasonable. However, such expenses may not be indicative of the actual level of expense that would have been incurred by the Company if it had operated as an independent company or of the costs expected to be incurred in the future. The consolidated financial statements included in this Quarterly Report on Form 10-Q may not necessarily reflect the Company’s results of operations, financial condition and cash flows in the future or what its results of operations, financial condition and cash flows would have been had the Company been a stand-alone company during the periods presented. In particular:

RESULTS OF OPERATIONS (Continued)

- Prior to the Separation, substantially all of the Company's debt was payable to Fortune Brands. Following the Separation, the Company had a capital structure with significantly less debt and will have significantly less interest expense than is reflected in the historical financial statements. In the first quarter of 2011, Fortune Brands made an equity contribution of \$2.7 billion to the Company.
- The Company expects to incur additional expenses of approximately \$20 million annually associated with functioning as an independent stand-alone public company.
- Our effective tax rate historically reflected the impact of certain unusual items including the resolution of taxing authority audits and changes in valuation allowances, as well as recurring factors including changes in geographical mix of income before taxes and the level of pre-tax income or losses. Our effective tax rate has also historically been impacted by a high level of related party interest expense. After the Separation we expect our effective tax rate to be approximately 35%, excluding the impact of unusual items such as adjustments to provisions related to uncertain tax positions.

The following discussion of consolidated results of operations and segment results refers to the nine and three months ended September 30, 2011 compared to the nine and three months ended September 30, 2010. Consolidated results of operations should be read in conjunction with segment results of operations.

RESULTS OF OPERATIONS (Continued)**Nine Months Ended September 30, 2011 Compared To Nine Months Ended September 30, 2010**

(In millions)	Net Sales		
	2011	2010	% Change vs. Prior Year
Kitchen & Bath Cabinetry	\$ 954.6	\$ 902.1	5.8%
Plumbing & Accessories	704.7	684.1	3.0
Advanced Material Windows & Door Systems	399.2	427.6	(6.6)
Security & Storage	394.0	376.0	4.8
Net sales	\$2,452.5	\$2,389.8	2.6%

	Operating Income (Loss)		
	2011	2010	% Change vs. Prior Year
Kitchen & Bath Cabinetry	\$ 20.9	\$ 29.2	(28.4)%
Plumbing & Accessories	98.9	97.5	1.4
Advanced Material Windows & Door Systems	(9.6)	9.1	—
Security & Storage	45.7	49.2	(7.1)
Corporate ^(a)	(38.8)	(32.2)	(20.4)
Operating income	\$117.1	\$152.8	(23.4)%

^(a) Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services. Corporate expenses also include the components of defined benefit plan expense other than service cost which totaled expense of \$6.0 million and \$4.3 million in the nine months ended September 30, 2011 and 2010, respectively. There are no amounts that are the elimination or reversal of transactions between reportable segments.

Net Sales

Net sales increased \$62.7 million, or 3%, to \$2,452.5 million. The increase was primarily due to higher sales volume related to expanding relationships with key customers, new product introductions, the impact of price increases to help mitigate raw material and transportation cost increases, and an approximately \$20 million impact of favorable foreign currency. These increases were partially offset by lower sales volume due to weaker market conditions, including the impact of expiring governmental tax incentives in the U.S. and Canada in 2010, and higher promotional spending, as well as the impact of lower customer inventory levels in 2011 compared to increased customer inventory levels in certain product categories in 2010.

Cost of products sold

Cost of products sold increased \$78.0 million, or 5%, primarily due to higher sales and increased raw material costs (mainly for brass, steel, wood and resins) and costs to support new product introductions. The increase was partially offset by the benefit of productivity initiatives.

RESULTS OF OPERATIONS (Continued)

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$18.0 million, or 3%, primarily due to planned increases in strategic spending to support growth initiatives and new product introductions, as well as higher transportation costs. In addition, expenses were unfavorably impacted by the 2010 favorable resolution of litigation (approximately \$8 million). These increases were partially offset by a lower allocation of general administrative expenses from Fortune Brands and other expense reductions.

Amortization of intangible assets

Amortization of intangible assets decreased \$1.0 million due to a customer relationship intangible that was fully amortized in the third quarter of 2010.

Restructuring charges

Restructuring charges were \$1.8 million and \$0.8 million in the nine months ended September 30, 2011 and 2010, respectively. The 2011 charges related to an announced windows facility closure within the Advanced Material Windows & Door Systems segment and supply chain initiatives in our Kitchen & Bath Cabinetry segment.

Over the next six months we expect to record restructuring and other costs of approximately \$20 million related to the closure and consolidation of cabinetry manufacturing facilities and closure of a windows facility in the Advanced Material Windows & Door Systems segment. These costs include approximately \$14 million of non-cash charges, principally accelerated depreciation for facilities that will be closed.

Business separations costs

We recorded \$2.4 million of business separation costs during the nine months ended September 30, 2011 related to non-cash non-recurring costs associated with the modification of outstanding share-based compensation awards as a result of the Separation.

Operating income

Operating income decreased \$35.7 million, or 23%, primarily due to higher raw material and transportation costs (approximately \$55 million), which were partially offset by price increases, and the impact of the 2010 favorable resolution of litigation (approximately \$8 million). Operating income also decreased due to higher promotional spending, business separation costs and increased restructuring charges. Operating income benefited from higher sales and productivity initiatives.

For the full year 2011, we expect costs will be higher for raw materials and transportation costs (approximately \$75 million), as well as strategic investments to support new business and long-term growth initiatives. We are striving to offset these increases with productivity initiatives and price increases.

Related party interest expense, net

Related party interest expense, net, was \$23.2 million in the nine months ended September 30, 2011 compared to \$87.3 million in the same period of 2010. The decrease of \$64.1 million was predominantly due to the capitalization of a substantial majority of intercompany loans with Fortune Brands in the first quarter of 2011.

RESULTS OF OPERATIONS (Continued)

Other expense (income), net

Other expense (income), net, was expense of \$1.9 million in the nine months ended September 30, 2011 compared to income of \$0.5 million in the same period of 2010. The \$2.4 million change was primarily due to net foreign currency transaction losses in 2011 compared to gains in 2010. Other expense, net includes non-operating income and expense, such as interest income and transaction gains/losses related to foreign currency-denominated transactions.

Income taxes

The effective income tax rates, calculated as if the Company were a separate taxpayer, for the nine months ended September 30, 2011 and 2010 were 44.6% and 27.4%, respectively. The effective tax rate in 2011 was unfavorably impacted by a tax charge of \$8.5 million related to foreign dividends received in preparation for the Separation. The 2011 effective rate was favorably impacted by enacted changes in state tax laws that reduced the net deferred tax liability by \$2.0 million. The effective tax rate in 2010 was favorably impacted by a \$10.6 million tax benefit related to final settlement of a U.S. federal income tax audit and unfavorably impacted by tax expense of \$2.2 million associated with a change in the tax law related to Medicare Part D subsidies.

Noncontrolling interests

Noncontrolling interest expense was \$0.9 million in the nine months ended September 30, 2011 compared to \$0.8 million in the nine months ended September 30, 2010.

Net income attributable to Home & Security

The net income attributable to Home & Security was \$50.0 million in the nine months ended September 30, 2011 compared to \$46.9 million in the same period of 2010. The \$3.1 million, or 7%, increase in net income was primarily due to lower related party interest expense (net), partly offset by lower operating income and a higher effective income tax rate.

Results By Segment

Kitchen & Bath Cabinetry

Net sales increased \$52.5 million, or 6%, primarily due to higher sales volume as a result of new business with key customers awarded in 2010, new product introductions and favorable foreign exchange. Net sales were unfavorably impacted by a weak market for big-ticket remodeling and new construction, due in part to the absence of first-time new homebuyer tax credits that expired on April 30, 2010.

Operating income decreased \$8.3 million, or 28%, primarily due to higher promotional spending, and increased costs for raw materials (wood-related) and transportation. These decreases were partly offset by higher sales volume and the benefit of price increases. Increased costs to support new business and long-term growth initiatives were partially offset by productivity initiatives.

RESULTS OF OPERATIONS (Continued)

Results By Segment (Continued)

Plumbing & Accessories

Net sales increased \$20.6 million, or 3%, primarily due to new product introductions in the U.S., higher sales in China and favorable foreign exchange. Net sales were unfavorably impacted by market weakness caused in part by the expiration of governmental tax incentives in 2010 in the U.S. and Canada, as well as lower year-over-year customer inventory levels.

Operating income increased \$1.4 million, or 1%, primarily due to higher sales. Operating income was unfavorably impacted by higher costs for raw materials (brass, zinc, stainless steel and resins), net of price increases. Strategic investments to support new business and long-term growth initiatives were offset by the benefit of productivity increases.

Advanced Material Windows & Door Systems

Net sales decreased \$28.4 million, or 7%, primarily due to market weakness caused by the expiration in December 2010 of U.S. tax incentives for purchases of energy-efficient home products.

Operating income decreased \$18.7 million to a loss of \$9.6 million, primarily due to lower sales, unfavorable mix and \$2.9 million of restructuring and other charges related to a windows manufacturing closure and door warehouse consolidation. In addition, operating income decreased due to higher raw material (steel and resins) and transportation costs, which were partially offset by the benefit of price increases. Operating income benefited from productivity initiatives.

Security & Storage

Net sales increased \$18.0 million, or 5%, primarily due to strong growth in the safety and international padlock categories and new garage organization product introductions, partially offset by lower sales of tool storage products.

Operating income decreased \$3.5 million, or 7%, primarily due to the impact of the 2010 favorable resolution of litigation (approximately \$8 million). Higher steel and brass costs were largely offset through price increases. Operating income benefited from increased volume and productivity initiatives.

RESULTS OF OPERATIONS (Continued)**Results By Segment (Continued)****Corporate**

Corporate expenses increased \$6.6 million, or 20%, primarily due to \$2.4 million of non-cash non-recurring costs associated with the modification of share-based compensation awards as a result of the Separation and expenses related to transitioning to a stand-alone company.

Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands totaling \$23.4 million and \$23.9 million for the nine months ended September 30, 2011 and 2010, respectively. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services. Corporate expenses also include the components of defined benefit plan expense other than service cost. After the Separation, the Company expects to incur additional corporate expenses of approximately \$20 million annually associated with the incremental costs of functioning as an independent stand-alone public company.

RESULTS OF OPERATIONS (Continued)**Three Months Ended September 30, 2011 Compared To Three Months Ended September 30, 2010**

(In millions)	Net Sales		
	2011	2010	% Change vs. Prior Year
Kitchen & Bath Cabinetry	\$ 310.7	\$ 300.1	3.5%
Plumbing & Accessories	249.1	227.4	9.5
Advanced Material Windows & Door Systems	148.2	149.5	(0.9)
Security & Storage	140.0	136.1	2.9
Net sales	\$848.0	\$813.1	4.3%

	Operating Income (Loss)		
	2011	2010	% Change vs. Prior Year
Kitchen & Bath Cabinetry	\$ 7.8	\$ 9.7	(19.6)%
Plumbing & Accessories	38.6	31.3	23.3
Advanced Material Windows & Door Systems	(0.3)	7.1	—
Security & Storage	20.0	27.1	(26.2)
Corporate ^(a)	(16.7)	(9.9)	(68.7)
Operating income	\$ 49.4	\$65.3	(24.3)%

^(a) Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands. These allocated expenses include costs associated with legal, finance, treasury, accounting, internal audit and general management services. Corporate expenses also include the components of defined benefit plan expense other than service cost which totaled expense of \$2.6 million and \$1.4 million in the three months ended September 30, 2011 and 2010, respectively. There are no amounts that are the elimination or reversal of transactions between reportable segments.

Net Sales

Net sales increased \$34.9 million, or 4%, to \$848.0 million. The increase was primarily due to higher sales volume related to expanding relationships with key customers, new product introductions, the impact of price increases to help mitigate raw material and transportation cost increases, and an approximately \$5 million impact of favorable foreign currency. These increases were partially offset by lower sales volume due to weaker market conditions, including the impact of expiring governmental tax incentives in the U.S. and Canada in 2010.

Cost of products sold

Cost of products sold increased \$35.7 million, or 7%, primarily due to higher sales and increased raw material costs (mainly for brass, steel, wood and resins). The increase was partially offset by the benefit of productivity initiatives.

RESULTS OF OPERATIONS (Continued)

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$11.9 million, or 6%, primarily due to the impact of the 2010 favorable resolution of litigation (approximately \$8 million). In addition, we incurred planned increases in strategic spending to support growth initiatives and new product introductions, higher transportation costs, and a higher allocation of general administrative expenses from Fortune Brands.

Amortization of intangible assets

Amortization of intangible assets decreased \$0.2 million.

Business separations costs

We recorded \$2.4 million of business separation costs during the three months ended September 30, 2011 related to non-cash non-recurring costs associated with the modification of outstanding share-based compensation awards as a result of the Separation.

Restructuring charges

Restructuring charges were \$1.1 million and \$0.1 million in the three months ended September 30, 2011 and 2010, respectively. The \$1.0 million increase in charges primarily reflects certain supply chain initiatives in the Kitchen & Bath Cabinetry segment and a windows facility closure within the Advanced Material Windows & Door Systems segment.

Operating income

Operating income decreased \$15.9 million, or 24%, primarily due to higher raw material and transportation costs (approximately \$25 million), which were partially offset by price increases, and the impact of the 2010 favorable resolution of litigation (approximately \$8 million). In addition, operating income also decreased due to higher promotional spending, business separation costs and increased restructuring charges. The impact of increased spending to support long-term growth initiatives and new product introductions was offset by the benefit of productivity initiatives. Operating income benefited from higher sales volume.

Related party interest expense, net

Related party interest expense, net, was \$0.2 million in the three months ended September 30, 2011 compared to \$29.1 million in the same period of 2010. The decrease was predominantly due to the capitalization of a substantial majority of intercompany loans with Fortune Brands in the first quarter of 2011.

Other expense (income), net

Other expense (income), net, was expense of \$1.8 million in the three months ended September 30, 2011 compared to income of \$0.8 million in the same period of 2010. The \$2.6 million change was primarily due to net foreign currency transaction losses in 2011 compared to gains in 2010. Other expense (income), net includes non-operating income and expense, such as interest income and transaction gains/losses related to foreign currency-denominated transactions.

RESULTS OF OPERATIONS (Continued)

Income taxes

The effective income tax rates, calculated as if the Company were a separate taxpayer, for the three months ended September 30, 2011 and 2010 were 57.1% and 24.7%, respectively. The effective tax rate in 2011 was unfavorably impacted by a tax charge of \$8.5 million related to foreign dividends received in preparation for the Separation. The effective tax rate in 2010 was favorably impacted by an \$8.1 million tax benefit related to final settlement of a U.S. federal income tax audit.

Noncontrolling interests

Noncontrolling interest expense was \$0.3 million in both the three months ended September 30, 2011 and 2010.

Net income attributable to Home & Security

The net income attributable to Home & Security was \$20.1 million in the three months ended September 30, 2011 compared to \$27.4 million in the same period of 2010. The decrease of \$7.3 million was primarily due to lower related party interest expense (net), partly offset by lower operating income and a higher effective income tax rate.

Results By Segment

Kitchen & Bath Cabinetry

Net sales increased \$10.6 million, or 4%, primarily due to higher sales volume as a result of new business with key customers awarded in 2010, new product introductions, and favorable foreign exchange. Net sales were unfavorably impacted by a weak market for big-ticket remodeling and new construction.

Operating income decreased \$1.9 million, or 20%, primarily due to higher promotional spending and increased costs for raw materials (wood-related) and transportation. These decreases were partially offset by higher sales volume and the benefit of price increases. Increased costs to support new business and long-term growth initiatives were partially offset by productivity initiatives.

Plumbing & Accessories

Net sales increased \$21.7 million, or 10%, primarily due to the benefit of new product introductions in the U.S., higher sales in China and favorable foreign exchange. Net sales were favorably impacted by post-stimulus market weakness in the third quarter of 2010.

Operating income increased \$7.3 million, or 23%, primarily due to higher sales and the benefit of productivity initiatives. Operating income was unfavorably impacted by higher costs for raw materials (brass, zinc, stainless steel and resins), which were partially offset by price increases.

RESULTS OF OPERATIONS (Continued)

Results By Segment (Continued)

Advanced Material Windows & Door Systems

Net sales decreased \$1.3 million, or 1%, primarily due to general market weakness caused by the expiration in December 2010 of U.S. tax incentives for purchases of energy-efficient home and unfavorable product mix, partially offset by higher door sales.

Operating income decreased \$7.4 million to a loss of \$0.3 million, primarily due to lower sales, unfavorable mix, higher raw material (steel and resins) and transportation costs, which were partially offset by price increases, and \$2.2 million of restructuring and other costs related to the closure of a windows manufacturing facility.

Security & Storage

Net sales increased \$3.9 million, or 3%, primarily due to higher sales volume of security products, including safety and international padlock categories.

Operating income decreased \$7.1 million, or 26%, primarily due the impact of the 2010 favorable resolution of litigation (approximately \$8 million). Higher steel and brass costs were partially offset through price increases. Operating income also benefited from increased volume and productivity initiatives.

Corporate

Corporate expenses increased \$6.8 million, primarily due to \$2.4 million of non-cash business separation costs associated with the modification of share-based compensation awards as a result of the Separation and expenses related to transitioning to a stand-alone company, and higher pension expense. Corporate expenses include allocations of certain Fortune Brands general corporate expenses incurred directly by Fortune Brands totaling \$8.1 million and \$7.0 million for the three months ended September 30, 2011 and 2010, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs have historically been to support working capital requirements and fund capital expenditures. In the future, we may have liquidity needs to finance acquisitions, repurchase common stock and pay dividends, when appropriate. Historically, our principal sources of liquidity have been cash on hand, cash flows from operating activities and financial support from Fortune Brands. Upon the Separation, we no longer have financial support from Fortune Brands. Our operating income is generated by our subsidiaries. There are no restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Home & Security. Although we are confident in our ability to generate cash over the long-term, we do not initially expect to pay a dividend. We expect that our Board of Directors will periodically evaluate establishing a dividend. We periodically review our portfolio of brands and evaluate potential strategic transactions to increase shareholder value. However, we cannot predict whether or when we may enter into acquisitions, joint ventures or dispositions, or what impact any such transactions could have on our results of operations, cash flows or financial condition, whether as a result of the issuance of debt or equity securities, or otherwise. Our cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the "Risk Factors" section in our Form 10.

Immediately prior to the Separation, on October 3, 2011, Home & Security paid a dividend to Fortune Brands in the amount of \$500 million. In addition, on October 3, 2011, Home & Security also paid a \$48.9 million dividend to Fortune Brands representing U.S. cash balances generated subsequent to the date of the conversion of Home & Security from a Delaware limited liability company to a Delaware corporation. In the first quarter of 2011, Fortune Brands, Inc. made an equity contribution totaling \$2.7 billion to the Company, capitalizing a substantial majority of the loan balances with Fortune Brands at that time. All loans to/from Fortune Brands were capitalized immediately prior to the Separation.

On August 22, 2011, we signed a \$650 million, 5-year committed revolving credit facility as well as a \$350 million, 5-year term loan. Both facilities are to be used for general corporate purposes including to finance the \$500 million dividend we paid to Fortune Brands immediately prior to the Separation. On October 4, 2011, Home & Security made an initial borrowing of \$510 million under these facilities. The interest rates under these facilities are variable based on LIBOR at the time of the borrowing and the Company's leverage as measured by a Debt to adjusted EBITDA ratio. Based upon the Company's Debt to adjusted EBITDA ratio, the Company's borrowing rate could range from LIBOR + 1.0% to LIBOR + 2.0%. The credit facilities also include a minimum Consolidated Interest Coverage Ratio requirement of 3.0 to 1.0. The Consolidated Interest Coverage Ratio is defined as the ratio of adjusted EBITDA to Consolidated Interest Expense. Adjusted EBITDA is defined as consolidated net income before interest expense, income taxes, and depreciation and amortization of intangible assets, losses from asset impairments, and certain other adjustments. Consolidated Interest Expense is as disclosed in our financial statements. The credit facility also includes a Maximum Leverage Ratio of 3.5 to 1.0 as measured by the ratio of our debt to adjusted EBITDA. The Maximum Leverage Ratio is permitted to increase to 3.75 to 1.0 for three succeeding quarters in the event of an acquisition. At September 30, 2011, we were in compliance with these ratios. We believe our operating cash flow, availability under the new credit facility and access to capital markets will provide sufficient liquidity to support the Company's financing needs.

LIQUIDITY AND CAPITAL RESOURCES (Continued)**Cash Flows**

Below is a summary of cash flows for the nine months ended September 30, 2011 and 2010.

(In millions)	Nine Months Ended September 30,	
	2011	2010
Net cash provided by operating activities	\$ 23.0	\$ 56.1
Net cash used in investing activities	(44.0)	(27.3)
Net cash provided by (used in) financing activities	88.9	(29.1)
Effect of foreign exchange rate changes on cash	(1.0)	0.1
Net increase (decrease) in cash and cash equivalents	\$ 66.9	\$ (0.2)

Management believes that free cash flow provides investors with useful supplemental information about our ability to fund internal growth, make acquisitions, repay debt, pay dividends and repurchase common stock. Free cash flow, as shown below, is cash from operating activities less net capital expenditures (capital expenditures less proceeds from the sale of assets, including property, plant and equipment). Free cash flow is not a measure derived in accordance with U.S. generally accepted accounting principles (GAAP) and may not be consistent with similar measures presented by other companies. A reconciliation of free cash flow to net cash provided by operating activities, the most comparable measure derived in accordance with GAAP, is as follows:

(In millions)	Nine Months Ended September 30,	
	2011	2010
Net cash provided by operating activities	\$ 23.0	\$ 56.1
Capital expenditures	(41.4)	(28.2)
Proceeds from the disposition of assets	3.4	0.9
Free cash flow	\$ (15.0)	\$ 28.8

Net cash provided by operating activities was \$23.0 million in the nine months ended September 30, 2011 compared to \$56.1 million in the nine months ended September 30, 2010. The decrease of \$33.1 million was primarily due to higher incentive compensation and customer program payments in 2011, partially offset by the impact of a smaller increase in inventory in 2011.

Net cash used in investing activities was \$44.0 million in the nine months ended September 30, 2011 compared to \$27.3 million in the nine months ended September 30, 2010. The increase of \$16.7 million was primarily due to planned higher capital spending compared to low spending in the prior year.

Net cash provided by financing activities was \$88.9 million in the nine months ended September 30, 2011 compared to cash used of \$29.1 million in the nine months ended September 30, 2010. The increase of \$118.0 million was primarily due to increased borrowings from Fortune Brands to fund operating and investing cash needs and increased loans from Fortune Brands due to the transfer of a Fortune Brands subsidiary to the Company in connection with the Separation.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Customer Credit Risk

We routinely grant unsecured credit to customers in the normal course of business. Accounts receivable were \$391.8 million and \$374.2 million as of September 30, 2011 and December 31, 2010, respectively, and are recorded at their stated amount less allowances for discounts, doubtful accounts and returns. Allowances for doubtful accounts include provisions for certain customers where a risk of default has been specifically identified, as well as provisions determined on a general formula basis when it is determined that the risk of some default is probable and estimable but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on a variety of factors, including the length of time the receivables are past due, the historical collection experience and existing economic conditions. In accordance with our policy, our allowance for doubtful accounts was \$9.8 million and \$14.7 million as of September 30, 2011 and December 31, 2010, respectively. The conditions in the global economy and credit markets may reduce our customers' ability to access sufficient liquidity and capital to fund their operations and make our estimation of customer defaults inherently uncertain. While we believe current allowances for doubtful accounts are adequate, it is possible that continued weak economic conditions may cause significantly higher levels of customer defaults and bad debt expense in future periods.

Counterparty Risk

The counterparties to our foreign currency and commodity derivative contracts are major financial institutions. Although our theoretical risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring losses is unlikely and that the losses, if any, would be immaterial to our results of operations, cash flows and financial condition. The fair value of our derivative assets at September 30, 2011 and December 31, 2010 was \$2.5 million and \$3.2 million, respectively. The estimated fair value of our derivative contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

Pension Plans

Subsidiaries of Home & Security sponsor their respective defined benefit pension plans that are funded by a portfolio of investments maintained within our benefit plan trust. We met all of our U.S. minimum funding requirements for 2010. There is no minimum funding requirement in 2011 and we have made no pension contributions through September 30, 2011. For the foreseeable future, we believe that we have sufficient liquidity to meet the minimum funding that may be required by the Pension Protection Act of 2006.

Foreign Exchange

We have investments in various foreign countries, principally Canada, Mexico, China and France. Therefore, changes in the value of the related currencies affect our balance sheet and cash flow statements when translated into U.S. dollars. See Note 7, "External Debt and Financing Arrangements," to the Consolidated Financial Statements.

RECENTLY ISSUED ACCOUNTING STANDARDS

Revenue Arrangements with Multiple Deliverables

In October 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2009-13, “Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force.” This guidance requires entities to allocate consideration in multiple deliverable arrangements in a manner that reflects a transaction’s economics. The guidance requires expanded disclosure. It is effective for fiscal years beginning on or after June 15, 2010 (calendar year 2011 for Home & Security) and can be applied either prospectively or retrospectively. Adoption of this standard did not impact our financial statements and disclosures.

Fair Value Measurement

In May 2011, the FASB issued new guidance on fair value measurement and disclosure requirements (ASU 2011-04, “Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”). The new guidance results in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. The amendment is effective for interim and annual periods beginning after December 15, 2011 (calendar year 2012 for Home & Security). We do not believe that adoption of this standard will have a material impact on our financial statements and disclosures.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU 2011-05, “Statement of Comprehensive Income.” This standard requires entities to present items of net income and other comprehensive income either in one continuous statement or in two separate, but consecutive, statements. The new requirements are effective for public entities as of the beginning of the fiscal year that begins after December 15, 2011 (calendar year 2012 for Home & Security). Full retrospective application is required. Early adoption is permitted. We believe that adoption of this standard will not have a material impact on our financial statements.

Testing Goodwill for Impairment

In September 2011, the FASB issued ASU 2011-08, “Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment,” to allow entities to use a qualitative approach to test goodwill for impairment. ASU 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. The amendment is effective for interim and annual periods beginning after December 15, 2011 (calendar year 2012 for Home & Security). Early adoption is permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain “forward-looking statements” made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding business strategies, market potential, future financial performance and other matters. Statements preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations at the time this report is filed with the Securities and Exchange Commission or, with respect to any documents incorporated by reference, available at the time such document was prepared. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements. These factors include those listed in the sections entitled “Risk Factors” and “Cautionary Statement Concerning Forward-Looking Statements” in our Form 10, which are hereby incorporated herein by reference. Except as required by law, we undertake no obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in the information provided in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" Quantitative and Qualitative Disclosures about Market Risk in the Form 10.

Item 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

The Company's management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. **LEGAL PROCEEDINGS.**

a) Other Litigation

The Company and its subsidiaries are defendants in lawsuits associated with the normal conduct of their businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. We believe that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested.

b) Environmental Matters.

We are subject to laws and regulations relating to protection of the environment. It is not possible to quantify with certainty the potential impact of actions relating to environmental matters, particularly remediation and other compliance efforts that our subsidiaries may undertake in the future. In our opinion, however, compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition.

Item 1A. **RISK FACTORS.**

There have been no material changes from risk factors previously disclosed in our Form 10 in the section entitled "Risk Factors".

Item 6. EXHIBITS

- 2.1. Separation and Distribution Agreement, dated as of September 27, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).†
- 3(i). Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 3(ii). Amended and Restated Bylaws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 4.1. Rights Agreement, dated as of September 6, 2011, between the Company and Wells Fargo Bank, N.A. (incorporated herein by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed with the SEC on September 6, 2011).
- 10.1. Tax Allocation Agreement, dated as of September 28, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 10.2. Employee Matters Agreement, dated as of September 28, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 10.3. Indemnification Agreement, dated as of September 14, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 15, 2011).
- 10.4. Credit Agreement, dated as of August 22, 2011, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated herein by reference to Exhibit 10.6 to Amendment No. 6 to the Company's Registration Statement on Form 10 filed with the SEC on August 31, 2011).
- 10.5.* Short-Term Credit Agreement, dated as of August 31, 2011, by and among the Company and Bank of America, N.A. and JPMorgan Chase Bank, N.A.
- 10.6. Fortune Brands Home & Security, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed with the SEC on October 3, 2011).
- 10.7.* Fortune Brands Home & Security, Inc. Annual Executive Incentive Compensation Plan.
- 31.1.* Certificate of Chief Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2.* Certificate of Chief Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.* Joint CEO/CFO Certificate Required Under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.* The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statement of Cash Flows, (iv) Condensed Consolidated Statement of Equity, and (v) related notes tagged as blocks of text.

* Filed herewith.

† The Company agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURE

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

FORTUNE BRANDS HOME & SECURITY, INC.
(Registrant)

Date: November 10, 2011

/s/ E. Lee Wyatt

E. Lee Wyatt

Senior Vice President and Chief Financial Officer

(Duly authorized officer and principal financial officer of the Registrant)

EXHIBIT INDEX

Exhibit

- 2.1. Separation and Distribution Agreement, dated as of September 27, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).†
- 3(i). Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 3(ii). Amended and Restated Bylaws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 4.1. Rights Agreement, dated as of September 6, 2011, between the Company and Wells Fargo Bank, N.A. (incorporated herein by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed with the SEC on September 6, 2011).
- 10.1. Tax Allocation Agreement, dated as of September 28, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
- 10.2. Employee Matters Agreement, dated as of September 28, 2011, between the Company and Fortune Brands, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011).
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* Filed herewith.

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\$500,000,000

SHORT-TERM CREDIT AGREEMENT

dated as of

August 31, 2011

among

FORTUNE BRANDS HOME & SECURITY, INC.
(successor by conversion to Fortune Brands Home & Security LLC),
as Borrower

BANK OF AMERICA, N.A.,
as Lender

and

JPMORGAN CHASE BANK, N. A.,
as Lender

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SCHEDULES:

Schedule 2.12 – Payment Offices

EXHIBITS:

Exhibit A – Parent Guaranty

Exhibit B – Solvency Certificate

RECITALS:

A. The Borrower has requested that Bank of America and JPMCB each make a \$250,000,000 term loan to the Borrower.

B. Bank of America and JPMCB is each severally willing to make such a term loan to the Borrower on the terms and conditions set forth below.

C. FBHS LLC, Bank of America, JPMCB (both individually and as administrative agent), and certain other lenders have previously entered into the Syndicated Credit Agreement (as defined below). It is contemplated that the loans to be made hereunder will be refinanced by borrowings under the Syndicated Credit Agreement.

NOW, THEREFORE, in consideration of the promises and of the mutual agreements made herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, Bank of America and JPMCB hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Agreed Rate" means the sum of (a) the rate per annum reasonably determined by the Lenders to be the LIBO Rate for an interest period of one week (or other period of 14 days or less requested by the Borrower) commencing on the Short-Term Funding Date plus (b) 1.50%.

"Agreement" means this Short-Term Credit Agreement, as amended, restated, modified or supplemented from time to time.

"Availability Period" means the period from and including October 3, 2011 to but excluding the earlier of (a) December 12, 2011 and (b) the Syndicated Funding Date.

"Borrower" means Fortune Brands Home & Security, Inc., a Delaware corporation and successor by conversion to FBHS LLC.

"Commitment" means, with respect to each Lender, the several commitment of such Lender to make a single term loan hereunder pursuant to Section 2.01 in the amount of \$250,000,000 as such commitment may be reduced or increased from time to time pursuant to the terms hereof or assignments by or to such Lender pursuant to Section 8.05. The initial amount of each Lender's Commitment is \$250,000,000. The initial aggregate amount of the Commitments is \$500,000,000.

“Credit Documents” means this Agreement, the Parent Guaranty and each Subsidiary Guaranty.

“Credit Party” means the Borrower, Fortune Brands and each Subsidiary Guarantor.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Dividend” means the \$500,000,000 dividend to be paid by the Borrower to Fortune Brands in connection with the Spin-Off as described in the Form 10.

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 8.03).

“Event of Default” has the meaning assigned to such term in Article VII.

“FBHS LLC” means Fortune Brands Home & Security LLC, a Delaware limited liability company.

“Fortune Brands” means Fortune Brands, Inc., a Delaware corporation and, as of the date hereof, the direct or indirect owner of 100% of the Equity Interests of the Borrower.

“Incorporated By Reference” means incorporated by reference herein mutatis mutandis (as if fully stated herein) with all references to “Lenders” meaning the Lenders hereunder, all references to the “Administrative Agent”, “Letter of Credit” matters or “Information Materials” omitted, all “Loans” meaning Loans hereunder, all references to the “Agreement”, “Credit Documents”, “Credit Parties”, “Lenders”, “Loan”, “Material Adverse Effect” and “Transactions” being deemed references to such terms as defined herein.

“Lenders” means Bank of America, JPMCB and any other Person that shall have become a party hereto pursuant to an assignment pursuant to Section 8.05, other than any such Person that ceases to be a party hereto pursuant to such an assignment.

“Loans” means the term loans made by the lenders to the Borrower pursuant to this Agreement and “Loan” means such loans collectively or either of such loans as the contract may require.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations or financial condition of the Borrower and the Subsidiaries taken as a whole or (b) the rights of or remedies available to the Lenders under this Agreement.

“Maturity Date” means the earliest of (a) the Syndicated Funding Date, (b) the date ten Business Days after the Short-Term Funding Date and (c) December 14, 2011.

“Obligations” means (a) the obligation of the Borrower to pay the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy,

insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (b) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Borrower under this Agreement.

“Parent Guaranty” means a guaranty by Fortune Brands of all Obligations, which guaranty shall be dated the Effective Date and shall be substantially in the form annexed as Exhibit A.

“Required Lenders” means all the Lenders.

“Separation” means the spin-off (the “Spin-Off”) of the FBHS LLC business from Fortune Brands and the creation of an independent, publicly traded company holding such business. Such Separation shall be effectuated through the distribution of all of the shares of FBHS, Inc. common stock owned by Fortune Brands to stockholders of Fortune Brands.

“Short-Term Funding Date” means the date on which the conditions in Section 4.02 are satisfied (or waived in accordance with Section 8.03) and as of which the Loans are requested to be made.

“Spin-Off” has the meaning assigned to such term in the definition of Separation.

“Syndicated Credit Agreement” means that certain Credit Agreement dated as of August 22, 2011 among FBHS LLC, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as in effect on the date hereof without giving effect to any amendment or waiver of the terms thereof by the lenders thereunder unless consented to by each Lender hereunder and without giving effect to any termination thereof.

“Syndicated Funding Date” means the date of the initial extension of credit under the Syndicated Credit Agreement.

“Transactions” means (a) the execution, delivery and performance by the Borrower of this Agreement and by Fortune Brands of the Parent Guaranty, (b) the consummation of the transactions contemplated hereby and (c) the borrowing of the Loan and the use of the proceeds thereof.

SECTION 1.02. Certain Terms. Each term used but not otherwise defined herein (but defined in the Syndicated Credit Agreement) shall have the meaning ascribed to such term by the Syndicated Credit Agreement.

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word

“shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Articles and Sections, shall be construed to refer to Articles and Sections of this Agreement.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender severally agrees to make a single Loan to the Borrower during the Availability Period in the principal amount of its Commitment. No amount of the Loan which is repaid or prepaid by the Borrower may be reborrowed hereunder.

SECTION 2.02. Loans. The Loans shall be made by the Lenders simultaneously in accordance with their respective Commitments. The failure of any Lender to make the Loan required to be made by it hereunder shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender’s failure to make Loans as required.

SECTION 2.03. Requests for Loans. To request the making of the Loans, the Borrower shall submit to each of the Lenders a written notice not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Loans, which notice shall specify the proposed date for the Loans. Such borrowing request shall be irrevocable.

SECTION 2.04. Funding of Loans. Each Lender shall make the Loan to be made by it hereunder on the proposed date thereof by intra-bank or wire transfer of immediately available funds by 3:00 p.m., New York City time, to (a) with respect to the Loan made by Bank of America, an account of the Borrower at Bank of America to be agreed to by the Borrower and Bank of America and (b) with respect to the Loan made by JPMCB, an account of the Borrower at JPMCB to be agreed to by the Borrower and JPMCB.

SECTION 2.05. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitment of each Lender shall terminate upon the earlier of the expiry of the Availability Period and the making of its Loan on the Short-Term Funding Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that each reduction of the Commitments shall be in an amount that is an integral multiple of \$5,000,000 and not less than \$25,000,000.

(c) The Borrower shall notify each Lender of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective

date thereof. Each notice delivered by the Borrower pursuant to any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.06. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay each Lender the outstanding principal balance of its Loan in full on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from the Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The entries made in the accounts maintained pursuant to paragraph (b) shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

SECTION 2.07. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay the Loans in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Lenders by telephone (confirmed by telecopy) of any prepayment hereunder not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of the Loans or portion thereof to be prepaid. Each partial prepayment of the Loans shall be in a minimum amount of \$10,000,000 and in an increment of \$5,000,000. Each prepayment of the Loans shall be made ratably among the Lenders. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.09.

SECTION 2.08. Fees. The Borrower agrees to pay to each Lender a commitment fee, which fee shall accrue at the "Commitment Fee Rate" (as set forth on and determined in accordance with the Pricing Schedule attached to the Syndicated Credit Agreement) on the daily amount of its Commitment from and including October 3, 2011 to but excluding the date on which such Commitment terminates (it being understood that the Commitments shall be deemed terminated on the Short-Term Funding Date). Accrued commitment fees shall be payable in arrears on the earlier of the date upon which the Commitments are terminated and the Funding Date. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.09. Interest. (a) Each Loan shall bear interest at the Agreed Rate.

(b) Notwithstanding the foregoing, upon the occurrence and during the continuance of an Event of Default, any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder shall bear interest, after as well as before judgment, at the election of the Required Lenders or automatically upon the occurrence and during the

continuance of an "Event of Default" described in clause (h) or (i) of Article VII of the Syndicated Credit Agreement, at a rate per annum equal to (i) 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section, (ii) in the case of any fee payable pursuant to Section 2.08, 2% plus the rate otherwise applicable to such fee in Section 2.08, and (iii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in the Syndicated Credit Agreement.

(c) Accrued interest on each Loan shall be payable in arrears on the Maturity Date; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) All interest hereunder shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.10. Increased Costs. Section 2.15 of the Syndicated Credit Agreement is Incorporated By Reference.

SECTION 2.11. Taxes. Section 2.17 of the Syndicated Credit Agreement is Incorporated By Reference.

SECTION 2.12. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or of other amounts payable hereunder) prior to 12:00 noon, New York City time (except that any payment required to be made on the Syndicated Funding Date shall be made no later than contemporaneously with the receipt by the Borrower of funds from the Administrative Agent pursuant to Section 2.07 of the Syndicated Credit Agreement), on the date when due, in immediately available funds, without set off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Lenders, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the applicable Lender at its payment office set forth on Schedule 2.12 or to such other address as such Lenders may designate in writing to the Borrower). All payments hereunder shall be made in U.S. dollars.

(b) Section 2.18(c) of the Syndicated Credit Agreement is Incorporated By Reference.

ARTICLE III

Representations and Warranties

Each of the representations and warranties set forth in Article III of the Syndicated Credit Agreement is Incorporated By Reference, and the Borrower hereby makes such representations and warranties to the Lenders as so incorporated, in each case as of the date of this Agreement.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. This Agreement shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 8.03):

(a) The Lenders (or their counsel) shall have received from the Borrower and Fortune Brands (i) a counterpart of each applicable Credit Document (including this Agreement and the Parent Guaranty) signed on behalf of such party or (ii) written evidence satisfactory to the Lenders (which may include electronic image transmission of a signed signature page of this Agreement and the Parent Guaranty) that such party has signed a counterpart of such Credit Documents.

(b) The Lenders shall have received all amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out of pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(c) The Lenders shall have received such documents and certificates as the Lenders or their counsel may reasonably request relating to the organization, existence and good standing of the Borrower and Fortune Brands, the authorization of the Transactions and any other legal matters relating to the Borrower, Fortune Brands, this Agreement or the Transactions, all in form and substance reasonably satisfactory to the Lenders and their counsel.

(d) The “Commitments” under the Syndicated Credit Agreement shall not have been reduced, terminated or expired.

(e) The Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

SECTION 4.02. Short-Term Funding Date. The Lenders shall not be obligated to make the Loans until the date on which the conditions set forth in Section 4.01 have been satisfied and on which, in addition, each of the following conditions is satisfied (or waived in accordance with Section 8.03):

(a) The Lenders shall have received a favorable written opinion (addressed to the Lenders and dated the Short-Term Funding Date) of Chadbourne & Parke LLP, counsel for the Borrower and Fortune Brands, in form and substance reasonably satisfactory to the Lenders and covering such matters relating to the Borrower, this Agreement, the Parent Guaranty and the Transactions as the Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(b) The Lenders shall have received such supplemental documents and certificates as the Lenders or their counsel may reasonably request relating to the organization, existence and good standing of the Borrower and Fortune Brands and the authorization of the Transactions, all in form and substance reasonably satisfactory to the Lenders and their counsel.

(c) The Lenders shall have received a certificate, dated the Short-Term Funding Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (j) and (k) of this Section 4.02.

(d) Each Lender shall have received all fees and other amounts due and payable on or prior to the Short-Term Funding Date, including, to the extent invoiced, reimbursement or payment of all out of pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(e) The Borrower shall have provided evidence satisfactory to the Lenders that all governmental and third party approvals necessary or, in the reasonable discretion of the Lenders, advisable in connection with the Transactions contemplated hereby shall have been obtained and be in full force and effect.

(f) The Lenders shall have received a solvency certificate from the chief financial officer or controller of the Borrower, dated as of the Short-Term Funding Date, relating to the solvency of the Borrower both before and after giving pro-forma effect to the cash distribution referred to in Section 5.02 below and substantially in the form annexed as Exhibit B.

(g) There shall not have occurred a material adverse change since December 31, 2010 in the business, assets, liabilities (actual or contingent), operations or financial condition of either (i) the Borrower and its subsidiaries taken as a whole or (ii) Fortune Brands and its subsidiaries taken as a whole.

(h) The Syndicated Credit Agreement shall remain in full force and effect with "Commitments" thereunder at least equal to \$500,000,000 and such Syndicated Credit Agreement shall not have been amended in any manner not approved by each of the Lenders.

(i) The Lenders shall have received a certificate, dated the Short-Term Funding Date and signed by the chief financial officer or treasurer of the Borrower, setting forth reasonably detailed computations evidencing compliance with the Leverage Ratio and the Interest Coverage Ratio as of the Short-Term Funding Date giving pro-forma effect to the consummation of the borrowings and repayment of indebtedness by the Borrower to occur on the Short-Term Funding Date.

(j) The representations and warranties of the Credit Parties set forth in the Credit Documents shall be true and correct on and as of the Short-Term Funding Date.

(k) At the time of and immediately after giving effect to such Loans no Default or "Default" (as defined in the Syndicated Credit Agreement) shall have occurred and be continuing.

Notwithstanding the foregoing, the obligations of the Lenders to make Loans shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 8.03) at or prior to 3:00 p.m., New York City time, on December 11, 2011 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

ARTICLE V

Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Incorporation By Reference of Certain Covenants. The Borrower will comply with the provisions of Sections 5.01(d) (for the avoidance of doubt, incorporating the lead in language to Section 5.01), 5.02, 5.03, 5.04, 5.05, 5.06, 5.07, 5.09 and 5.10 of the Syndicated Agreement (such covenants and the related definitions from the Syndicated Agreement being Incorporated By Reference).

SECTION 5.02. Use of Proceeds. The proceeds of the Loans will be used only to finance, in whole or in part, a cash distribution by the Borrower to Fortune Brands prior to the Spin-Off in connection with the Separation. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of Regulation U or X of the Board.

SECTION 5.03. Deposit Account Matters. The Borrower shall cause an amount equal to at least \$250,000,000 to be on deposit in a deposit account with each of Bank of America and JPMCB at all times from and after the making of the Term Loan on the Short-Term Funding Date until the earlier of the repayment of the Loans in full and the payment of the Dividend. When and if the Dividend is paid, the Borrower shall pay the Dividend by (a) the transfer of \$250,000,000 from a deposit account of the Borrower at Bank of America to a deposit account of Fortune Brands at Bank of America and (b) the transfer of \$250,000,000 from a deposit account at JPMCB to a deposit account of Fortune Brands at JPMCB.

ARTICLE VI

Negative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Borrower covenants and agrees with the Lenders that the Borrower will comply with each of the covenants set forth in Article VI of the Syndicated Agreement (such covenants and the related definitions from the Syndicated Agreement being Incorporated By Reference).

ARTICLE VII

Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) (i) the Borrower shall fail to pay any interest on any Loan when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days or (ii) the Borrower shall fail to pay any fee or any other amount (other than an amount referred to in clause (a) or (b)(i) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made by or on behalf of any Credit Party the Borrower or any of its Subsidiaries in any Credit Document or any amendment or modification thereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to any Credit Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant or agreement contained in Article V, Article VI (subject, in the case of covenants Incorporated By Reference into Article V, to the cure period, if any, applicable thereto in the Syndicated Credit Agreement) or the Guarantor shall fail to observe or perform any covenant or agreement contained in the Parent Guaranty;

(e) any Event of Default (as defined in the Syndicated Credit Agreement) shall occur;

(f) any Event of Default (as defined in the Three-Year Revolving Credit Agreement dated as of February 3, 2010 among Fortune Brands, the lenders party thereto and JPMCB, as administrative agent, as in effect on the date hereof without giving effect to any amendment or waiver of the terms thereof by the lenders thereunder unless consented to by each Lender hereunder and without giving effect to any termination thereof) shall occur;

(g) any provision of any Credit Document after delivery thereof pursuant to the terms hereof shall for any reason cease to be valid and binding on or enforceable against any Credit Party to it, or any such Credit Party shall so state in writing, except to the extent such Credit Party has been released from its obligations thereunder in accordance with this Agreement or such other Credit Document or such Credit Document has expired or terminated in accordance with its terms;

then, and in every such event (other than an Event of Default arising out of a default with respect to the Borrower described in clause (h) or (i) of Article VIII of the Syndicated Credit Agreement) and at any time thereafter during the continuance of such event, any Lender may: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of Article VIII of the Syndicated

Credit Agreement, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Incorporation By Reference of Certain Miscellaneous Provisions. The provisions of Sections 9.05, 9.06, 9.07, 9.08, 9.09, 9.10 (including without limitation the WAIVER OF TRIAL BY JURY), 9.11, 9.12, 9.13 and 9.14 of the Syndicated Credit Agreement (and the related definitions from the Syndicated Credit Agreement) are Incorporated By Reference.

SECTION 8.02. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to it at Fortune Brands Home & Security, Inc., 520 Lake Cook Road, Deerfield, Illinois 60015, Attention of General Counsel (Telecopy No. (847) 484-4490);

(ii) if to Bank of America, to Bank of America, N.A., at Bank of America, N.A., 540 West Madison St., Chicago, IL 60661, Attention of David Catherall (Telecopy No. 415-504-5026), with a copy to Bank of America, N.A., 2001 Clayton Rd Building B, Concord, CA 94520, Attention of Anna Finn (Telecopy No. 888-969-9238); and

(iii) if to JPMCB, to JPMorgan Chase Bank, N. A., Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, Texas 77002, Attention of Ryan Mader (Telecopy No. (713) 750-2956), with a copy to JPMorgan Chase Bank, N.A., 383 Madison Avenue, New York 10179, Attention of Peter Predun (Telecopy No. 212-270-5100);

(b) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 8.03. Waivers; Amendments. (a) No failure or delay by any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any

provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and each of the Lenders and, until such time as Fortune Brands has been released from its obligations under the Parent Guaranty, Fortune Brands.

SECTION 8.04. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out of pocket expenses incurred by the Lenders, including the reasonable fees, charges and disbursements of counsel for the Lenders, in connection with the Lenders, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by any Lender, including the reasonable fees, charges and disbursements of one firm of counsel acting for the Lenders in each applicable jurisdiction (provided that if either Lender shall in good faith determine that a conflict does or may exist with such firm then it shall be entitled to retain its own conflict-free counsel at the Borrower's expense) in connection with the enforcement or protection of its rights under this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including all such out-of pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or such Indemnitee's breach in bad faith of such Indemnitee's obligations hereunder or under any other Credit Document. This Section 8.04(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(c) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(d) All amounts due under this Section shall be payable not later than five Business Days after written demand therefor.

SECTION 8.05. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Each Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loan at the time owing to it); provided that, except in the case of an assignment to an Affiliate of the Lender or an assignment made while an Event of Default has occurred and is continuing, the Borrower must give its prior written consent to such assignment (which consent shall not be unreasonably withheld). Subject to notification of such assignment to the Borrower and the Lenders, the assignee shall be a party hereto and, to the extent of the interest assigned, have the rights and obligations of a Lender under this Agreement, and the assigning Lender shall, to the extent of the interest assigned, be released from its obligations under this Agreement (and, in the case of an assignment covering all of the Lender's rights and obligations under this Agreement, the Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.10 for any then outstanding Loan and 8.04). The Borrower hereby agrees to execute any amendment and/or any other document that may, in the reasonable judgment of the assigning Lender, be necessary to effectuate such an assignment.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

FORTUNE BRANDS HOME & SECURITY, INC., as Borrower

By _____
Name:
Title:

BANK OF AMERICA, N.A.,
as Lender

By _____
Name:
Title:

JPMORGAN CHASE BANK, N.A.,
as Lender

By _____
Name:
Title:

[Signature Page to Short-Term Credit Agreement]

SCHEDULE 2.12

PAYMENT OFFICES

Bank of America, N.A.

2001 Clayton Rd., 2nd Floor
Concord, California 94520*

JP Morgan Chase Bank, N.A.

JPMorgan Loan Services
1111 Fannin Street, 10th Floor
Houston, Texas 77002*

* Specific wiring instructions to be provided separately

Payment Offices

Bank of America, N.A.

2001 Clayton Rd., 2nd Floor
Concord, California 94520*

JP Morgan Chase Bank, N.A.

JPMorgan Loan Services
1111 Fannin Street, 10th Floor
Houston, Texas 77002*

* Specific wiring instructions to be provided separately

[FORM OF]

PARENT GUARANTY

PARENT GUARANTY dated as of August 31, 2011 (this "Guaranty") made by Fortune Brands, Inc., a Delaware corporation (the "Guarantor"), in favor of Bank of America, N.A. ("Bank of America") and JPMorgan Chase Bank, N.A. ("JPMCB" and together with Bank of America, each individually, a "Guaranteed Party" and collectively, the "Guaranteed Parties").

WITNESSETH:

WHEREAS, Fortune Brands Home & Security, Inc., a Delaware corporation (successor by conversion to Fortune Brands Home & Security LLC) (the "Subsidiary Borrower"), and the Guaranteed Parties as "Lenders" are contemporaneously herewith entering into a short-term credit agreement dated as of the date hereof (as same may be amended, supplemented or otherwise modified and/or restated from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit to be made by the Guaranteed Parties to the Subsidiary Borrower. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them by the Credit Agreement;

WHEREAS, the Subsidiary Borrower, a wholly-owned subsidiary of the Guarantor, intends to pay a Dividend to the Guarantor, financed in whole or in part by the Loans, and as such the Guarantor (and for other reasons) will derive a financial benefit from the extensions of credit to the Subsidiary Borrower under the Credit Agreement;

WHEREAS, it is a condition precedent to the extension of credit by the Guaranteed Parties under the Credit Agreement that the Guarantor executes and delivers this Guaranty whereby the Guarantor shall guarantee the payment when due of all Obligations (as defined in the Credit Agreement); and

WHEREAS, in order to induce the Guaranteed Parties to enter into the Credit Agreement and extend credit thereunder, the Guarantor is willing to guarantee the Obligations of the Subsidiary Borrower under the Credit Agreement.

NOW THEREFORE, in order to induce the Guaranteed Parties to enter into or extend or continue credit or give financial accommodation under the Credit Agreement, the Guarantor agrees as follows:

Section 1. **Guaranty of Payment.** The Guarantor unconditionally and irrevocably guarantees to each Guaranteed Party the punctual payment of all the Obligations now owing or which may in the future be owing by the Subsidiary Borrower under the Credit Agreement in accordance with the terms thereof, when the same are due and payable in accordance with the terms thereof, whether on demand, at stated maturity, by acceleration or otherwise, and whether for principal, interest, fees, expenses, indemnification or otherwise. For purposes hereof, the Obligations shall include, without limitation, interest accruing after the commencement of a proceeding under bankruptcy, insolvency or similar laws of any jurisdiction

at the rate or rates provided in the Credit Agreement. Upon the failure by the Subsidiary Borrower to pay punctually any Obligation in accordance with the terms of the Credit Agreement, the Guarantor agrees that it shall forthwith upon demand pay to the applicable Guaranteed Party the amount not so paid at the place and in the manner specified in the Credit Agreement. This Guaranty is a guarantee of payment and not of collection only. The Guaranteed Parties shall not be required to exhaust any right or remedy or take any action against the Subsidiary Borrower or any other person or entity. The Guarantor agrees that, as between the Guarantor and the Guaranteed Parties, the Obligations may be declared to be due and payable for the purposes of this Guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards the Subsidiary Borrower and that in the event of a declaration or attempted declaration, the Obligations shall immediately become due and payable by the Guarantor for the purposes of this Guaranty.

Section 2. **Guaranty Absolute.** The Guarantor guarantees that the Obligations shall be paid strictly in accordance with the terms of the Credit Agreement. The liability of the Guarantor under this Guaranty is absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, the Credit Agreement or any Obligations, or any other amendment or waiver of or any consent to departure from any of the terms of the Credit Agreement or any Obligation, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, any other guarantee or support document for the Credit Agreement or all or any of the Obligations; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of the Credit Agreement or any Obligation; (d) without being limited by the foregoing, any lack of validity or enforceability of the Credit Agreement or any Obligation; and (e) any other setoff, defense or counterclaim whatsoever (in any case, whether based on contract, tort or any other theory) with respect to the Credit Agreement or the transactions contemplated thereby which might constitute a legal or equitable defense available to, or discharge of, the Subsidiary Borrower or the Guarantor. Notwithstanding the foregoing, the Guarantor shall be entitled to rely on, and assert as a defense to its obligations hereunder, any and all waivers, amendments or modifications which are granted in writing by the Guaranteed Parties to the Borrower under the Credit Agreement and which are effective pursuant to the terms of the Credit Agreement.

Section 3. **Guaranty Irrevocable.** This Guaranty is a continuing guarantee of the payment of all Obligations now or hereafter existing under the Credit Agreement and shall remain in full force and effect until the termination or expiry of the Commitments and the payment in full of all Obligations and other amounts payable under this Guaranty (other than, in either case, inchoate indemnification obligations).

Section 4. **Reinstatement.** This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by any Guaranteed Party on the insolvency, bankruptcy or reorganization of the Subsidiary Borrower or otherwise, all as though the payment had not been made.

Section 5. **Subrogation.** The Guarantor shall not exercise any rights which it may acquire by way of subrogation, by any payment made under this Guaranty or otherwise, until all the Obligations have been paid in full and the Credit Agreement is no longer in effect. If any amount is paid to the Guarantor on account of subrogation rights under this Guaranty at any time when all the Obligations have not been paid in full, the amount shall be held in trust by the Guarantor for the benefit of the Guaranteed Parties and shall be promptly paid to the Guaranteed Parties to be credited and applied to the Obligations, whether matured or unmatured or absolute or contingent, in accordance with the terms hereof and of the Credit Agreement. If the Guarantor makes payment to the Guaranteed Parties of all or any part of the Obligations and all the Obligations are paid in full and the Credit Agreement is no longer in effect, the applicable Guaranteed Party shall, at the Guarantor's request, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Obligations resulting from such payment.

Section 6. **Subordination.** Without limiting the Guaranteed Parties' rights under any other agreement, any liabilities owed by the Subsidiary Borrower to the Guarantor in connection with any extension of credit or financial accommodation by the Guarantor to or for the account of such Subsidiary Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Obligations, and such liabilities of such Subsidiary Borrower to the Guarantor, if the Guaranteed Parties so request, shall be collected, enforced and received by the Guarantor as trustee for the Guaranteed Parties and shall be paid over to the Guaranteed Parties on account of the Obligations but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

Section 7. **Payments Generally.** All payments by the Guarantor hereunder shall be made in the manner, at the place and in U.S. dollars as required by the Credit Agreement.

Section 8. **Certain Taxes.** The Guarantor further agrees that all payments to be made hereunder shall be made without setoff or counterclaim and free and clear of, and without deduction for, any taxes, levies, imposts, duties, charges, fees, deductions, withholdings or restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed by any country or by any political subdivision or taxing authority thereof or therein ("Taxes"). If any Taxes are required to be withheld from any amounts payable to a Guaranteed Party hereunder, the amounts so payable to such Guaranteed Party shall be increased to the extent necessary to yield to such Guaranteed Party (after payment of all Taxes) the amounts payable hereunder in the full amounts so to be paid. Whenever any such Tax is withheld and paid by the Guarantor, as promptly as possible thereafter, the Guarantor shall send the applicable Guaranteed Party an official receipt showing payment thereof, together with such additional documentary evidence as may be reasonably required from time to time by such Guaranteed Party.

Section 9. **Representations and Warranties.** The Guarantor represents and warrants that: (a) the execution, delivery and performance of this Guaranty by the Guarantor (i) are within the Guarantor's corporate powers and have been duly authorized by all necessary

corporate and, if required, stockholder or similar action on the part of the Guarantor, (ii) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (iii) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Guarantor or any of its Subsidiaries or any order of any Governmental Authority and (iv) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Guarantor or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Guarantor or any of its Subsidiaries; (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law; (c) since December 31, 2010 there has been no material adverse change in the business, assets, operations or financial condition of the Guarantor and its Subsidiaries, taken as a whole; and (d) in executing and delivering this Guaranty, the Guarantor has (i) without reliance on any Guaranteed Party or any information received from any Guaranteed Party and based upon such documents and information it deems appropriate, made an independent investigation of the transactions contemplated hereby and the Subsidiary Borrower, the Subsidiary Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances which may bear upon such transactions, the Subsidiary Borrower or the obligations and risks undertaken herein with respect to the Obligations; (ii) adequate means to obtain from the Subsidiary Borrower on a continuing basis information concerning the Subsidiary Borrower; (iii) has full and complete access to the Credit Agreement and any other documents executed in connection with the Credit Agreement; and (iv) not relied and will not rely upon any representations or warranties of any Guaranteed Party not embodied herein or any acts heretofore or hereafter taken by any Guaranteed Party (including but not limited to any review by any Guaranteed Party of the affairs of the Subsidiary Borrower). The Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by the Guarantor on the date of this Guaranty and on the date of the funding of the Term Loans pursuant to the Credit Agreement.

Section 10. **Application of Payments.** All payments received by a Guaranteed Party hereunder may be applied by such Guaranteed Party to payment of the Obligations in such manner as such Guaranteed Party shall determine unless a court of competent jurisdiction shall otherwise direct.

Section 11. **Dividend Matters.** The Guarantor shall (a) cause the Dividend (to the extent of \$500,000,000), if paid, to be paid by the Subsidiary Borrower to the Guarantor by wire transfer or intra-bank transfer of (i) \$250,000,000 to a deposit account of the Guarantor with Bank of America and (ii) \$250,000,000 to a deposit account of the Guarantor with JPMCB and (b) cause an amount equal to at least \$250,000,000 to be on deposit in a deposit account with each of Bank of America and JPMCB at all times from and after the payment of the Dividend until the earlier of (i) the repayment in full of the Loans and (ii) if no Default shall have occurred and be continuing under the Credit Agreement on such date, December 31, 2011.

Section 12. **Remedies Generally.** The remedies provided in this Guaranty are cumulative and not exclusive of any remedies provided by law.

Section 13. **Setoff.** The Guarantor agrees that, in addition to (and without limitation of) any right of setoff, banker's lien or counterclaim the Guaranteed Parties may otherwise have, each Guaranteed Party shall be entitled, at its option, to offset balances (general or special, time or demand, provisional or final) held by it for the account of the Guarantor at any of such Guaranteed Party's offices, in U.S. dollars or in any other currency, against any amount payable by the Guarantor under this Guaranty which is not paid when due (regardless of whether such balances are then due to the Guarantor), in which case it shall promptly notify the Guarantor thereof; provided that the Guaranteed Parties' failure to give such notice shall not affect the validity thereof.

Section 14. **Formalities.** The Guarantor waives presentment, notice of dishonor, protest, notice of acceptance of this Guaranty or incurrence of any Obligation and any other formality with respect to any of the Obligations or this Guaranty.

Section 15. **Amendments and Waivers.** No amendment or waiver of any provision of this Guaranty, nor consent to any departure by the Guarantor therefrom, shall be effective unless it is in writing and signed by both of the Guaranteed Parties, and then the waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right under this Guaranty shall operate as a waiver or preclude any other or further exercise thereof or the exercise of any other right.

Section 16. **Expenses.** The Guarantor shall reimburse the Guaranteed Parties on demand for all reasonable costs, expenses and charges (including without limitation reasonable fees and charges of external legal counsel and reasonable costs allocated by internal legal counsel) incurred by such Guaranteed Parties in connection with the enforcement of this Guaranty. The obligations of the Guarantor under this Section shall survive the termination of this Guaranty for a period of six months after the payment in full of all Obligations (but the Guarantor's obligation to make payment of amounts demanded pursuant to this Section prior to the end of such six month period shall continue thereafter).

Section 17. **Assignment.** This Guaranty shall be binding on, and shall inure to the benefit of, the Guarantor, each Guaranteed Party and their respective successors and assigns; provided that the Guarantor may not assign or transfer its rights or obligations under this Guaranty. Without limiting the generality of the foregoing, each Guaranteed Party may assign, sell participations in or otherwise transfer its rights under the Credit Agreement in accordance with the terms thereof to any other person or entity, and the other person or entity shall then become vested with all the rights granted to the Guaranteed Parties in this Guaranty or otherwise.

Section 18. **Captions.** The headings and captions in this Guaranty are for convenience only and shall not affect the interpretation or construction of this Guaranty.

Section 19. **Governing Law, Etc.** This Guaranty shall be construed in accordance with the law of the State of New York. The Guarantor acknowledges and agrees that

the provisions of Section 8.01 of the Credit Agreement solely with respect to the Incorporation By Reference of Sections 9.09(b), (c) and (d) and Section 9.10 of the Syndicated Credit Agreement shall be applicable hereto and are incorporated herein by reference mutatis mutandis.

Section 20. **Integration; Effectiveness.** This Guaranty alone sets forth the entire understanding of the Guarantor and the Guaranteed Parties relating to the guarantee of the Obligations and constitutes the entire contract between the parties relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Guaranty shall become effective when it shall have been executed and delivered by the Guarantor to the Guaranteed Parties. Delivery of an executed signature page of this Guaranty by telecopy shall be effective as delivery of a manually executed signature page of this Guaranty.

Section 21. **Notices.** All communications and notices hereunder shall be in writing and given as provided in Section 8.02 of the Credit Agreement (a) if to the Guaranteed Parties, to their respective addresses set forth in the Credit Agreement and (b) if to the Guarantor, to it at its address set forth beneath its signature below.

Section 22. **No Consequential Damages.** In no event shall the Guarantor be liable hereunder for any special, indirect, consequential or punitive damages (as opposed to direct or actual damages).

[signature page follow]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its authorized officer as of the date first above written.

FORTUNE BRANDS, INC.

By: _____

Name: _____

Title: _____

520 Lake Cook Road
Deerfield, IL 60015
Fax: (847)-484-4496
Attention: Mark Hausberg

[FORM OF]
SOLVENCY CERTIFICATE

The undersigned does hereby certify that:

1. He is the [Controller/Chief Financial Officer]¹ of Fortune Brands Home & Security, Inc., a Delaware corporation (the "Borrower"), and that as such he is authorized to execute this Certificate on behalf of the Borrower.

2. He has made due inquiry into the financial and other affairs of the Borrower sufficient to permit him to make this Certificate and is doing so pursuant to that certain Short-Term Credit Agreement dated as of August 31, 2011 (the "Agreement") among the Borrower, Bank of America, N.A. ("Bank of America") and JPMorgan Chase Bank, N.A. ("JPMCB"). Capitalized terms used but not otherwise defined herein have the meaning ascribed to them by the Agreement.

3. Immediately after giving effect to each of the Transactions, the Dividend and the Spin-Off, (a) the fair value of the property of the Borrower is greater than the total amount of liabilities, including contingent liabilities, of the Borrower (such contingent liabilities of the Borrower being computed as the amount that, in the light of existing facts and circumstances represents the amount that can reasonably be expected to become an actual or matured liability of the Borrower), (b) the present fair salable value of the assets of the Borrower is not less than the amount that will be required to pay the probable liability of the Borrower on its debts as they become absolute and matured, (c) the Borrower does not intend to, and does not believe that it will, incur debts or liabilities beyond the Borrower's ability to pay such debts and liabilities as they mature, (d) the Borrower is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which the Borrower's property would constitute an unreasonably small capital and (e) the Borrower is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business.

IN WITNESS WHEREOF, this Certificate has been duly executed as of the day of , 2011.

By: _____
Title: _____

¹ Choose as applicable.

FORTUNE BRANDS HOME & SECURITY, INC.

ANNUAL EXECUTIVE
INCENTIVE COMPENSATION PLAN

ARTICLE I

GENERAL

SECTION 1.1 *Purpose*. The purpose of this Annual Executive Incentive Compensation Plan (the “Plan”) is to advance the interests of the stockholders of Fortune Brands Home & Security, Inc. (the “Company”) by providing performance-based incentives to senior executives of the Company.

SECTION 1.2 *Definitions*.

(a) “Award” means a right, contingent upon the attainment of specified Performance Measures within a specified Performance Period, to receive payment in cash of a specified amount, subject to the Committee’s discretion pursuant to Section 2.4(a) of the Plan.

(b) “Board of Directors” means the Board of Directors of the Company.

(c) “Code” means the Internal Revenue Code of 1986, as amended.

(d) “Committee” means the Compensation Committee of the Board of Directors.

(e) “Incentive Pool” means the total amount of dollars available to be paid to all Participants based on the extent to which the applicable Performance Measures are attained. The Incentive Pool for each Performance Period shall be determined by the Committee pursuant to Section 2.2 and no portion of the Incentive Pool for any Performance Period which is not awarded in such applicable Performance Period may be carried forward to a subsequent Performance Period.

(f) “Participant” means each senior executive of the Company or its subsidiaries designated by the Committee to participate in the Plan, in any event to include those individuals designated as “named executive officers” in the Company’s proxy statement for the year prior to the start of a Performance Period.

(g) “Performance Measures” means criteria and objectives, including one or more of the following corporate-wide or subsidiary, division, operating unit or individual measures, stated in either absolute terms or relative terms, such as rates of growth or improvement: the attainment by a share of common stock of a specified fair market value for a specified period of time, earnings per share, return to stockholders (including dividends), return on assets, return on equity, earnings of the Company before or after taxes and/or interest, revenues, expenses, market share, cash flow or cost reduction goals, interest expense after taxes, return on investment, return on investment capital, return on operating costs, economic value created, operating margin, gross margin, net income before or after taxes, pretax earnings before interest, depreciation and/or amortization, pretax operating earnings after interest expense and before incentives, and/or extraordinary or special items, operating earnings, net cash provided by operations, and strategic

business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion goals, cost targets, days sales outstanding goals, customer satisfaction, reductions in errors and omissions, reductions in lost business, management of employment practices and employee benefits, supervision of litigation and information technology, quality and quality audit scores, and goals relating to acquisitions or divestitures, or any combination of the foregoing. In the sole discretion of the Committee, but subject to Code Section 162(m), the Committee may provide for the Performance Measures or other terms and conditions of an outstanding Award to be adjusted to reflect any of the following items: extraordinary, unusual or non-recurring items; changes in law or accounting principles; currency fluctuations; financing activities (*e.g.*, effect on earnings per share of issuance of convertible debt securities); realized or unrealized gains and losses on securities; expenses, charges or credits for restructuring initiatives, productivity initiatives or for impaired assets; non-cash items (*e.g.*, amortization, depreciation or reserves); other non-operating items; write downs of intangible assets, property, plant or equipment, investments in business units and securities resulting from the sale of business units; spending for acquisitions; and effects of any recapitalization, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-off, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction or event.

(h) "Performance Period" means each consecutive twelve-month period commencing January 1 of each year.

SECTION 1.3 *Administration of the Plan*. The Plan shall be administered by the Committee; *provided, however*, that (i) the number of directors on the Committee shall not be less than two, and (ii) each member of the Committee shall be an "outside director" within the meaning of Code Section 162(m)(4). The Committee shall, in its sole discretion, but subject to the terms of the Plan, select eligible persons for participation in the Plan and determine the form, amount and timing of each Award to such persons, the time and conditions of payment of the Award and all other terms and conditions of the Award. The Committee may adopt its own rules of procedure, and the action of a majority of the Committee, taken at a meeting, or taken without a meeting by unanimous written consent of the members of the Committee, shall constitute action by the Committee. The Committee shall have the power and authority to administer, construe and interpret the plan, to make rules for carrying it out and to make changes in such rules. All such interpretations, rules, regulations and conditions shall be conclusive and binding on all parties.

ARTICLE II

AWARDS

SECTION 2.1 *Awards*. The Committee may, in its sole discretion, make Awards to Participants with respect to each Performance Period, subject to the terms and conditions set forth in the Plan, the Participant's Award or resolutions adopted by the Committee.

SECTION 2.2 *Terms of Awards*. Within 90 days after the commencement of each Performance Period (or such earlier or later date as permitted or required by Code Section 162(m) and the regulations promulgated thereunder), the Committee shall establish in writing (i) the objective formula for determining the Incentive Pool for such Performance Period, (ii) the

applicable Performance Measures and (iii) the allocable percentage of the total Incentive Pool to which each Participant shall be entitled, provided that the total of all such percentages for all Participants for any Performance Period shall not exceed 100 percent.

SECTION 2.3 *Limitations on Awards.* The maximum amount of an Award to any Participant for any Performance Period shall not exceed \$5.0 million. No part of any potential Award for any Performance Period which is not actually awarded to a Participant because of any reduction required or permitted by this Section 2.3 or Section 2.4 below shall be available for award to any other Participant.

SECTION 2.4 *Determination and Payment of Awards.*

(a) For each Performance Period, promptly after the date on which all necessary financial or other information becomes available, the Committee shall certify (i) the degree to which the applicable Performance Measures have been attained and (ii) with respect to each Participant, the amount of the Participant's Award, if any, all in the manner required by Code Section 162(m). Notwithstanding anything in the Plan to the contrary, the Committee may, in its sole discretion, reduce or eliminate, but not increase, the amount of a Participant's Award. Any adjustments so made by the Committee shall be final, conclusive and binding.

(b) To the extent an Award granted to a Participant who commences participation in the Plan after the first day of a Performance Period is intended to be "performance-based compensation" (within the meaning of Code Section 162(m)), such Participant shall participate on a proportional basis reflecting the portion of the Performance Period during which he or she was a Participant.

(c) Amounts to which Participants are entitled shall be payable in a single lump sum cash payment as promptly as practicable after the certifications and adjustments (if any) described in this Section 2.4 have been made by the Committee; but in no event later than March 15th of the year following the end of the Performance Period.

SECTION 2.5 *Deferral of Payment of Awards.* At the request of a Participant, the Committee may permit, in its sole discretion, payment with respect to an Award made hereunder to be deferred pursuant to a deferral election made by the Participant. All deferrals shall be for such periods and upon such terms as the Committee may determine in its sole discretion, subject to Code Section 409A and may include the payment of an amount equivalent to interest, at such rate or rates fixed by the Committee or based on one or more predetermined investments selected by the Committee.

SECTION 2.6 *Termination of Employment.* A Participant whose employment terminates for any reason other than death, disability or retirement prior to the last day of the Performance Period shall not be entitled to receive any amounts pursuant to the Award, and any Award held by such Participant with respect to such Performance Period shall be forfeited and cancelled. If a Participant's employment terminates before the end of a Performance Period as a result of death, disability, or retirement, the Participant (or in the event of death, the Participant's designated beneficiary) shall be entitled to receive an amount under the Award equal to the payment the Participant would have received had such Participant remained employed through the last day of the Performance Period, prorated for the portion of the Performance Period during which the

Participant was employed. Such prorated Award shall be paid at the time and in the manner described in Section 2.4(c) above. If a Participant dies without a valid, written beneficiary designation on file with the Company, payments under the Plan shall be made to the Participant's estate. For purposes of the Plan, "retirement" shall mean either (1) termination of employment on or after attaining age 55 and completion of at least five (5) years of service with the Company or a subsidiary (provided that retirement shall not include termination of employment for cause), or (2) retirement within the meaning of the Company's non-qualified supplemental retirement plan; "disability" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months within the meaning of Code Section 22(e)(3); and "cause" shall have the meaning set forth in any employment, severance or other written agreement between the Participant and the Company or its subsidiaries.

ARTICLE III

MISCELLANEOUS

SECTION 3.1 *Restriction on Transfer*. No Award shall be transferable other than by will, the laws of descent and distribution. Any attempt to transfer or otherwise dispose of an Award shall be null and void.

SECTION 3.2 *Tax Withholding*. The Company shall deduct from all payments made under the Plan to a Participant (or, in the event of the Participant's death, to the Participant's beneficiary or estate, as applicable) any Federal, state or local taxes required by law to be withheld with respect to such payments. Participants shall be solely responsible for all other taxes associated with the amounts payable under an Award or the Plan.

SECTION 3.3 *Source of Payments*. This Plan shall be unfunded and constitutes a an unvested promise by the Company to make payments in accordance with the terms of the Plan. The Company shall not have any obligation to establish any separate fund or trust or other segregation of assets to provide for payments under the Plan. To the extent any person acquires any rights to receive payments hereunder from the Company, such rights shall be no greater than those of an unsecured creditor.

SECTION 3.4 *Employment Rights and Other Benefit Programs*. The provisions of the Plan shall not give any Participant any right to be retained in the employment of the Company. In the absence of any specific agreement to the contrary, the Plan shall not affect any right of the Company, or of any affiliate of the Company, to terminate, with or without cause, any Participant's employment at any time. The Plan shall not replace any contract of employment between the Company and any Participant, but shall be considered a supplement thereto. The Plan is in addition to, and not in lieu of, any other employee benefit plan or program in which any Participant may be or become eligible to participate by reason of employment with the Company.

SECTION 3.5 *Amendment and Termination*. The Board of Directors may at any time and from time to time alter, amend, suspend or terminate the Plan in whole or in part, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including

Code Section 162(m). No termination or amendment of the Plan or an Award may, without the consent of the Participant, adversely affect the rights of a Participant with respect to an Award for which the certifications and adjustments (if any) described in Section 2.4(a) have been determined, nor shall any amendment increase the amount payable to a Participant under an outstanding Award after the date on which the terms of the Award have been determined by the Committee pursuant to Section 2.2.

SECTION 3.6. *Governing Law.* The Plan and all rights and Awards hereunder shall be construed in accordance with and governed by the laws of the State of Delaware without giving effect to principles of conflicts of laws. The jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Plan shall be exclusively in the courts in the State of Illinois, County of Cook, including the Federal Courts located therein (should Federal jurisdiction exist).

SECTION 3.7 *Severability.* If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan, such provision shall be stricken as to such jurisdiction, and the remainder of the Plan shall remain in full force and effect.

SECTION 3.8 *Effective Date.* The Plan shall be effective as of the date the Board approves the Plan; provided that any compensation paid under the Plan on or after the 2013 annual meeting of stockholders of the Company shall be subject to approval of the Plan by the stockholders of the Company at such meeting as required by Code Section 162(m) and the regulations thereunder. In the event that this Plan is not so approved, any Awards paid on or after such stockholders meeting shall be void and of no force or effect.

CERTIFICATION

I, Christopher Klein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2011 of Fortune Brands Home & Security, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

/s/ Christopher Klein
Christopher Klein
Chief Executive Officer

CERTIFICATION

I, E. Lee Wyatt, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2011 of Fortune Brands Home & Security, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

/s/ E. Lee Wyatt

E. Lee Wyatt

Senior Vice President and Chief Financial Officer

**JOINT CEO/CFO CERTIFICATE REQUIRED
UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Fortune Brands Home & Security, Inc. (the "Company"), hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

Dated: November 10, 2011

/s/ Christopher Klein

Christopher Klein

Chief Executive Officer

/s/ E. Lee Wyatt

E. Lee Wyatt

Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Fortune Brands Home & Security, Inc. and will be retained by Fortune Brands Home & Security, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.