

HRG GROUP, INC.
Form S-3ASR
February 04, 2016

As filed with the Securities and Exchange Commission on February 4, 2016
Registration No.333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HRG Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	3690 (Primary Standard Industrial Classification Code Number)	74-1339132 (I.R.S. Employer Identification Number)
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450 Park Avenue, 29th Floor, New York, NY 10022
(212) 906-8555
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ehsan Zargar
Senior Vice President, General Counsel and Corporate Secretary
450 Park Avenue, 29th Floor, New York, NY 10022
(212) 906-8555
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
Raphael M. Russo, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas, New York, New York 10019
(212) 373-3000

Approximate Date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement, as determined by market conditions.
If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. " "
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.x
If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering." "
If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same

offering.”

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.”

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
7.750% Senior Notes due 2022	(1)	(1)	(1)	(2)

This Registration Statement relates to offers and sales of an indeterminate amount of the registrant's 7.750% Senior (1) Notes due 2022 (the "Securities") in connection with ongoing market-making transactions in the Securities by and through affiliates of the registrant.

Pursuant to Rule 457(q) under the Securities Act of 1933, as amended (the "Securities Act"), no filing fee is required (2) for the registration of an indeterminate amount of the Securities to be offered and sold in market-making transactions by affiliates of the registrant.

HRG Group, Inc.

7.750% Senior Notes due 2022

(CUSIP No.: 40434J AC4)

This prospectus of HRG Group, Inc., which we refer to as the “Company,” “HRG,” “we,” “us,” or “our,” may be used by our affiliate, Jefferies LLC or any of its affiliates, which we refer to as “Jefferies,” in connection with offers and sales by Jefferies of our 7.750% Senior Notes due 2022 (the “Notes”) in market-making transactions effected from time to time. Market-making transactions in the Notes may occur in the open market or may be privately negotiated at prevailing market prices at a time of resale or at related or negotiated prices. In these transactions, Jefferies may act as principal or agent, including as agent for the counterparty in a transaction in which Jefferies acts as principal, or as agent for both counterparties in a transaction in which Jefferies does not act as a principal. Jefferies may receive compensation in the form of discounts and commissions, including from both counterparties in some cases.

We will not receive any proceeds from these market-making transactions.

Jefferies does not have any obligation to make a market in the Notes, and Jefferies may discontinue market-making activities at any time without notice.

The Notes are not listed on any securities exchange and we do not intend to apply for listing the Notes on any securities exchange or for inclusion of the Notes in any automated quotation system.

An investment in the Notes involves risks. See “Risk Factors” beginning on page 6 of this prospectus, as well as the “Risk Factors” section of our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”), and any updates to those risk factors or new risk factors contained in our subsequent Quarterly Reports on form 10-Q and Current Reports on Form 8-K filed with the SEC, all of which we incorporate by reference herein. Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 4, 2016.

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You should carefully read the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. We take no responsibility for, and can provide no assurances as to the reliability of, any other information that others may give you. This document may only be used where the offer and sale of the Notes is permitted. The information contained in this prospectus is as of the date hereof and subject to change, completion or amendment without notice. The delivery of this prospectus at any time shall not, under any circumstances, create any implication that there has been no change in the information set forth in this prospectus or in our affairs since the date of this prospectus.

FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

This prospectus, the documents incorporated by reference and certain oral statements made by our representatives from time to time may contain, forward-looking statements that are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements.

These statements are based on the beliefs and assumptions of HRG’s management and the management of HRG’s subsidiaries and affiliates (including target businesses). Forward-looking statements include information concerning possible or assumed future actions, events, results, strategies and expectations, including plans and expectations regarding future acquisitions, dispositions, distributions, and similar activities, and are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans,” “seeks,” “estimates,” “projects,” “may,” “will,” “could,” “m or similar expressions.

Such forward-looking statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements. These statements are based on the beliefs and assumptions of HRG’s management and the management of HRG’s subsidiaries (including target businesses). Factors that could cause actual results, events and developments to differ include, without limitation: the ability of HRG’s subsidiaries (including target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions; the decision of the HRG subsidiaries’ boards to make upstream cash distributions, which is subject to numerous factors such as restrictions contained in applicable financing agreements, state and regulatory restrictions and other relevant considerations as determined by the applicable board; HRG’s liquidity, which may be impacted by a variety of factors, including the capital needs of HRG’s current and future subsidiaries; capital market conditions; commodity market conditions; foreign exchange rates; HRG’s and its subsidiaries’ ability to identify, pursue or complete any suitable future acquisition or disposition opportunities, including realizing such transaction’s expected benefits, efficiencies/cost avoidance or savings, income and margins, growth, economies of scale, streamlined/combined operations, economic performance and conditions to, and the timetable for, completing applicable financial reporting requirements; litigation; potential and contingent liabilities; management’s plans; changes in regulations; taxes; and the risks that may affect the performance of the operating subsidiaries of HRG.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. HRG does not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operation results, except as required by law.

In addition, you should understand that the following important factors, in addition to those discussed in the section titled “Risk Factors” in this prospectus, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. You should also understand that many factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating the business of the Company and our subsidiaries.

HRG

HRG’s actual results or other outcomes may differ from those expressed or implied by forward-looking statements contained or incorporated herein due to a variety of important factors, including, without limitation, the following:

- our dependence on distributions from our subsidiaries to fund our operations and payments on our debt and other obligations;
- the decision of our subsidiaries’ boards to make upstream cash distributions, which is subject to numerous factors such as restrictions contained in applicable financing agreements, state and regulatory restrictions and other relevant considerations as determined by the applicable board;
-

our and our subsidiaries' liquidity, which may be impacted by a variety of factors, including the capital needs of us and our current and future subsidiaries;

- limitations on our ability to successfully identify suitable acquisition, disposition and other strategic opportunities and to compete for these opportunities with others who have greater resources;
- the need to provide sufficient capital to our operating businesses;
- the impact of covenants in the indenture governing our 7.875% Senior Secured Notes due 2019, the covenants in the indenture governing the Notes, the continuing covenants contained in the certificate of designation governing our Series A Participating Convertible Preferred Stock and future financing or refinancing agreements, on our ability to operate our business and finance our pursuit of our business strategy;
- our ability to incur new debt and refinance our existing indebtedness;

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- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we and our subsidiaries may incur;
- the impact on the aggregate value of our assets and our stock price from changes in the market prices of publicly traded equity interests we hold, particularly during times of volatility in security prices;
- the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- the impact of restrictive covenants and applicable laws, including securities laws, on our ability to dispose of equity interests we hold;
- the impact of decisions by our significant stockholders, whose interest may differ from those of our other stockholders, or any of them ceasing to remain significant stockholders;
- the effect any interests of our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- our dependence on certain key personnel;
- the impact on us and/or our subsidiaries from interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data residing on such systems;
- our and our subsidiaries' ability to attract and retain key employees;
- the impact of potential losses and other risks from changes in the value of our assets;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the impact of a determination that we are an investment company or personal holding company;
- the impact of claims or litigation arising from operations, agreements and transactions, including litigation arising from or involving former subsidiaries;
- the impact of expending significant resources in considering acquisition or disposition targets or business opportunities that are not consummated;
- our ability to successfully integrate current and future acquired businesses into our existing operations and achieve the expected economic benefits;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- the impact of delays or difficulty in satisfying the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 or negative reports concerning our internal controls;
- the impact of the relatively low market liquidity for our shares of common stock;
- the impact on the holders of our common stock if we issue additional shares of our common stock or preferred stock;
- and
- the effect of price fluctuations in our common stock caused by general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly-held subsidiaries.

Spectrum Brands Holdings, Inc. (including its consolidated subsidiaries, "Spectrum Brands")

Spectrum Brands' actual results or other outcomes may differ from those expressed or implied by the forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- the impact of Spectrum Brands' substantial indebtedness on its business, financial condition and results of operations;
- the impact of restrictions in Spectrum Brands' debt instruments on its ability to operate its business, finance its capital needs or pursue or expand its business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of Spectrum Brands' debt instruments;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- Spectrum Brands' inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated;
- the unanticipated loss of key members of Spectrum Brands' senior management;
-

the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit;
interest rate and exchange rate fluctuations;

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- the loss of, or a significant reduction in, sales to any significant retail customer(s);
- competitive promotional activity or spending by competitors or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where Spectrum Brands does business;
- changes in consumer spending preferences and demand for Spectrum Brands' products;
- Spectrum Brands' ability to develop and successfully introduce new products, protect its intellectual property and avoid infringing the intellectual property of third parties;
- Spectrum Brands' ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of Spectrum Brands' products, including the potential for environmental liabilities, product liability claims, litigation and other claims;
- the impact of pending or threatened litigation;
- changes in accounting policies applicable to Spectrum Brands' business;
- government regulations;
- the seasonal nature of sales of certain of Spectrum Brands' products;
- the effects of climate change and unusual weather activity; and
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

Fidelity & Guaranty Life (including its consolidated subsidiaries "FGL") and Front Street Re (Delaware) Ltd. (including its consolidated subsidiaries, "Front Street")

FGL's and Front Street's actual results or other outcomes may differ from those expressed or implied by the forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

- the ability to satisfy the closing conditions, including regulatory approvals, contained in the Agreement and Plan of Merger (the "FGL Merger Agreement" and such merger, the "FGL Merger"), by and among FGL, Anbang Insurance Group Co., Ltd., a joint-stock insurance company established in the People's Republic of China ("Anbang"), AB Infinity Holding, Inc., a Delaware corporation and a wholly-owned subsidiary of Anbang ("AB Infinity"), and AB Merger Sub, Inc., a Delaware corporation and a newly formed, wholly-owned subsidiary of AB Infinity ("Merger Sub");
- impact on the stock price, business, financial condition and results of operations if the FGL Merger is not consummated or not consummated timely;
- the impact of the operating restrictions in the FGL Merger Agreement and their impact on FGL;
- litigation arising from the FGL Merger;
- the impact of restrictions in FGL's debt instruments on its ability to operate its business, finance its capital needs or pursue or expand its business strategies;
- the accuracy of FGL's and Front Street's assumptions and estimates;
- the accuracy of FGL's and Front Street's assumptions regarding the fair value and future performance of their investments;
- FGL and its insurance subsidiaries' abilities to maintain or improve their financial strength ratings;
- FGL's and Front Street's and their insurance subsidiaries' potential need for additional capital to maintain their financial strength and credit ratings and meet other requirements and obligations;
- FGL's and Front Street's ability to defend themselves against or respond to, potential litigation, enforcement investigations or increased regulatory scrutiny;
- FGL's and Front Street's ability to manage their businesses in a highly-regulated industry, which is subject to numerous legal restrictions and regulations;
-

regulatory changes or actions, including those relating to regulation of financial services, affecting (among other things) underwriting of insurance products and regulation of the sale, underwriting and pricing of products and minimum capitalization and statutory reserve requirements for insurance companies, or the ability of FGL's and Front

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Street's insurance subsidiaries to make cash distributions to FGL or Front Street, as applicable (including dividends or payments on surplus notes FGL's subsidiaries issue to FGL);

- the impact of potential litigation, including class action litigation;
- the impact of FGL's reinsurers failing to meet or timely meet their assumed obligations, increasing their reinsurance rates, or becoming subject to adverse developments that could materially adversely impact their ability to provide reinsurance to FGL at consistent and economical terms;
- restrictions on FGL's ability to use captive reinsurers;
- FGL and Front Street being forced to sell investments at a loss to cover policyholder withdrawals;
- the impact of interest rate fluctuations on FGL and Front Street and withdrawal demands in excess of FGL's and Front Street's assumptions;
- the impact of market and credit risks;
- equity market volatility;
- credit market volatility or disruption;
- changes in the federal income tax laws and regulations which may affect the relative income tax advantages of FGL's products;
- the performance of third parties, including independent distributors, underwriters, actuarial consultants and other service providers;
- interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data residing on such systems;
- the continued availability of capital required for FGL's and Front Street's insurance subsidiaries to grow;
- the impact on FGL's or Front Street's business of new accounting rules or changes to existing accounting rules;
- the risk that FGL's or Front Street's exposure to unidentified or unanticipated risk is not adequately addressed by their risk management policies and procedures;
- general economic conditions and other factors, including prevailing interest and unemployment rate levels and stock and credit market performance;
- FGL's ability to protect its intellectual property;
- difficulties arising from FGL's and Front Street's outsourcing relationships;
- the impact on FGL's and Front Street's business of natural and of man-made catastrophes, pandemics, computer viruses, network security breaches, and malicious and terrorist acts;
- FGL's and Front Street's ability to compete in a highly competitive industry;
- FGL's and Front Street's ability to maintain competitive policy expense costs;
- adverse consequences if the independent contractor status of FGL's independent insurance marketing organizations is successfully challenged;
- FGL's ability to attract and retain national marketing organizations and independent agents;
- the potential adverse tax consequences to FGL if FGL generates passive income in excess of operating expenses;
- the significant operating and financial restrictions contained in FGL's debt agreements, which may prevent FGL from capitalizing on business opportunities;
- the inability of FGL's and Front Street's subsidiaries and affiliates to generate sufficient cash to service all of their obligations;
- conflicts of interest between HRG or its affiliates;
- the impact on FGL and Front Street of non-performance of loans originated by Salus (as defined below);
- the ability of FGL's and Front Street's subsidiaries to pay dividends;
- and
- the ability to maintain or obtain approval of the Iowa Insurance Division and other regulatory authorities as required for FGL's operations and those of its insurance subsidiaries.

The Asset Managers, comprised of CorAmerica Capital, LLC ("CorAmerica"), Energy & Infrastructure Capital, LLC ("EIC") and Salus Capital Partners, LLC ("Salus")

The Asset Managers' actual results or other outcomes may differ from those expressed or implied by the forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

• their respective abilities, as applicable, to recover amounts that are contractually owed to them by their borrowers;

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their respective abilities to continue to find attractive business opportunities, particularly if the FGL Merger is consummated;

their respective abilities to address a number of issues to implement their respective business strategies;

the impact on these businesses resulting from deterioration in economic conditions;

• their respective abilities to compete with traditional competitors and new market entrants;

and

• their respective abilities to address a variety of other risks associated with their business, including reputational risk, legal, litigation and compliance risk, the risk of fraud or theft, operational errors and systems malfunctions.

Compass Production GP, LLC and Compass Production Partners, LP (including their subsidiaries, "Compass")

Compass' actual results or other outcomes may differ from those expressed or implied by the forward-looking statements contained herein due to a variety of important factors, including, without limitation, the following:

• fluctuations in oil, natural gas liquids and natural gas prices sold by Compass;

• the impact of Compass' substantial indebtedness on its business, financial condition and results of operations;

• the impact of the sharp decline in commodity prices and commodity pricing volatility on Compass' business, operations and cash flows;

• Compass' ability to manage counterparty credit risk in a depressed commodity pricing environment, which may lead to one or more of Compass' counterparties failing to satisfy their contractual obligations;

• the impact of restrictions in Compass debt instruments on its ability to operate its business, finance its capital needs or pursue or expand its business strategies;

• changes in the differential between the New York Mercantile Exchange or other benchmark prices of oil, natural gas liquids and natural gas and the reference or regional index price used to price Compass' actual oil and natural gas sales;

• Compass' ability to operate successfully as an independent business;

• Compass' ability to replace natural gas marketing services upon the expiration of the current arrangements with EXCO Resources, Inc.;

• the impact on Compass if it is unable to successfully execute or consummate one or more disposition, acquisition or reserve development opportunities;

• Compass' ability to market and sell its oil, natural gas liquids and natural gas and its exposure to the credit risk of its customers, working interest owners and other counterparties and the risks associated with drilling activities;

• the inherent uncertainty of estimates of oil and natural gas reserves;

• the risk that Compass will be unable to identify or complete, or complete on economically attractive terms, suitable disposition and/or acquisition opportunities of oil and gas properties;

• Compass' ability to successfully operate in a highly regulated and litigious environment, including exposure to operating hazards and uninsured risks;

• Compass' ability to effectively mitigate the impact of commodity price volatility from its cash flows with its hedging strategy;

• changes in the U.S. federal income tax laws and regulations that may affect the relative income tax advantages of Compass' products;

• the impact of future and existing environmental regulations;

• the effects of climate change and unusual weather activity;

• the intense competition in the oil and gas industry, including acquiring properties, contracting for drilling equipment and hiring experienced personnel; and

• the unavailability of pipelines or other facilities interconnected to Compass' gathering and transportation pipelines.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this prospectus or the date of documents incorporated by reference herein. Neither we nor any of our subsidiaries undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect actual outcomes.

SUMMARY

The following summary highlights basic information about the Company. It may not contain all of the information that is important to you. For a more comprehensive understanding of our business, you should read this entire prospectus and the documents incorporated by reference herein, including the sections entitled “Risk Factors” included or incorporated by reference herein and the historical financial statements incorporated by reference herein. Certain statements in this summary are forward-looking statements. See “Special Note Regarding Forward-Looking Statements.”

Unless otherwise indicated in this prospectus or the context requires otherwise, in this prospectus, references to the “Company,” “HRG,” “we,” “us” or “our” refer to HRG Group, Inc. (formerly, Harbinger Group Inc.) and, where applicable, its consolidated subsidiaries; “Asset Managers” refers collectively to the business conducted by CorAmerica, EIC, and Salus (each referred to individually as an “Asset Manager”); “Compass” refers to our oil and gas business, which we conduct through Compass Production GP, LLC (“Compass GP”) and Compass Production Partners, LP (“Compass Limited Partnership”) and, where applicable, their subsidiaries; “CorAmerica” refers to CorAmerica Capital, LLC and, where applicable, its consolidated subsidiaries; “EIC” refers to Energy & Infrastructure Capital, LLC and, where applicable, its consolidated subsidiaries; “FGH” refers to Fidelity & Guaranty Life Holdings, Inc. (formerly, Old Mutual U.S. Life Holdings, Inc.) and, where applicable, its consolidated subsidiaries; “FGL” refers to Fidelity & Guaranty Life (formerly, Harbinger F&G, LLC) and, where applicable, its consolidated subsidiaries; “Front Street” refers to Front Street Re (Delaware) Ltd. and, where applicable, its consolidated subsidiaries; “Front Street Cayman” refers to Front Street Re Cayman Ltd. and, where applicable, its consolidated subsidiaries; “HAMCO” refers to HGI Asset Management Holdings, LLC (which holds our interest in CorAmerica, EIC and Salus) and, where applicable, its consolidated subsidiaries; “HGI Energy” refers to HGI Energy Holdings, LLC (which holds our interests in Compass) and, where applicable, its consolidated subsidiaries; “HGI Funding” refers to HGI Funding, LLC and, where applicable, its consolidated subsidiaries; “Indenture” refers to the indenture dated as of January 21, 2014, between the Company and Well Fargo Bank, National Association, as trustee, under which the Notes were issued; “Notes” refers to our 7.750% Senior Notes due 2022; “Salus” refers to Salus Capital Partners, LLC and, where applicable, its consolidated subsidiaries; “SBI” refers to Spectrum Brands, Inc. and, where applicable, its consolidated subsidiaries; and “Spectrum Brands” refers to Spectrum Brands Holdings, Inc. and, where applicable, its consolidated subsidiaries.

Our Company

We are a diversified holding company focused on owning businesses that we believe can generate sustainable free cash flow or attractive returns on investment. As of September 30, 2015, our principal operating subsidiaries include the following assets: (i) Spectrum Brands, our subsidiary that provides global branded consumer products; (ii) FGL, our subsidiary that provides life insurance and annuity products; (iii) Front Street, our subsidiary engaged in the business of providing long-term reinsurance, including reinsurance to the specialty insurance sector of fixed, deferred and payout annuities; (iv) HAMCO, which, through its subsidiaries, provides financing and engages in asset management across a range of industries; and (v) Compass, our subsidiary that is engaged in the business of owning, operating, acquiring, exploiting and developing conventional oil and natural gas assets.

On November 8, 2015, FGL, Anbang, AB Infinity, and Merger Sub entered into the FGL Merger Agreement.

Pursuant to the FGL Merger Agreement and subject to the terms and conditions set forth therein, Merger Sub will merge with and into FGL, with FGL continuing as the surviving entity, which will become a direct, wholly-owned subsidiary of AB Infinity and an indirect, wholly-owned subsidiary of Anbang. Pursuant to the FGL Merger Agreement, at the effective time of the FGL Merger, each issued and outstanding share of FGL common stock will be cancelled and converted automatically into the right to receive \$26.80 in cash, without interest, other than any shares of common stock owned by FGL as treasury stock or otherwise or owned by Anbang, AB Infinity or Merger Sub (which will be cancelled and no payment will be made with respect thereto), shares of common stock granted pursuant to FGL's equity plans and those shares of common stock with respect to which appraisal rights under Delaware law are properly exercised and not withdrawn. See Part I, Item I. "Business—Our Operating Subsidiaries—FGL—the FGL Merger" of our Annual Report on Form 10-K for the Fiscal Year ended September 30, 2015 (the "2015 Annual Report").

On December 1, 2015, pursuant to the Purchase Agreement, dated as of October 8, 2015 (the "Purchase Agreement"), between Compass Energy Operating, LLC ("Compass Energy"), and Indigo Minerals LLC, Compass Energy completed the sale of certain of its oil and gas interests located in the Holly, Waskom and Danville Fields in East Texas and North Louisiana to Indigo Resources LLC (as successor to Indigo Minerals LLC, the "Buyer"). At closing, proceeds from the transaction, which were approximately \$147.5 million, less estimated expenses of \$1.9 million, were used primarily to reduce borrowings under Compass Energy's existing credit facility. Following the closing, pursuant to the terms of the Purchase Agreement, Compass received an additional \$4.2 million in connection with resolving certain title and consent matters.

We were incorporated in Delaware in 1954 under the name Zapata Corporation and reincorporated in Nevada in April 1999 under the same name. On December 23, 2009, we reincorporated in Delaware under the name "Harbinger Group Inc." Effective March 9, 2015, we changed our name from Harbinger Group Inc. to HRG Group, Inc. Our common stock trades on the New York Stock Exchange ("NYSE") under the symbol "HRG."

Corporate Structure

The following diagram represents a simplified HRG corporate structure, depicting only our principal subsidiaries:

(1) Certain non-operating subsidiaries, including Zap.Com Corporation, a 97.9% owned subsidiary of HRG, are not reflected in the structure chart above.

(2) Direct and indirect subsidiaries of this entity are not reflected.

Corporate Information

We are a Delaware corporation and the address of our principal executive office is 450 Park Avenue, 29th Floor, New York, New York 10022. Our telephone number is (212) 906-8555. Our website address is www.hrggroup.com.

Information contained on our website is not part of this prospectus.

Summary Description of the Notes

The following summary is provided solely for your convenience. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the Notes, see “Description of Notes.”

Issuer	HRG Group, Inc. (formerly known as “Harbinger Group Inc.”)
Governing Document	The Notes are governed by the indenture, dated as of January 21, 2014, between HRG and Wells Fargo Bank, National Association, as trustee.
Maturity	January 15, 2022.
Interest	Interest will be payable in cash on January 15 and July 15 of each year. On or after January 15, 2017, we may redeem some or all of the Notes at any time at the redemption prices set forth in “Description of Notes—Optional Redemption.” In addition, prior to January 15, 2017, we may redeem the Notes at a redemption price equal to 100% of the principal amount of the Notes plus a “make-whole” premium.
Optional Redemption	Before January 15, 2017, we may redeem up to 35% of the Notes, including further additional Notes, with the proceeds of equity sales at a price of 107.750% of principal plus accrued and unpaid interest; provided that at least 65% of the original aggregate principal amount of the Notes issued under the Indenture remains outstanding after the redemption, as further described in “Description of Notes-Optional Redemption.”
Change of Control	Upon a change of control (as defined under “Description of Notes”), we will be required to make an offer to purchase the Notes. The purchase price will equal 101% of the principal amount of the Notes on the date of purchase plus accrued and unpaid interest. We may not have sufficient funds available at the time of any change of control to make any required debt repayment (including repurchases of the Notes). See “Risk Factors—We may be unable to repurchase the Notes upon a change of control.”
Guarantors	Any subsidiary that guarantees our debt will guarantee the Notes. You should not expect that any subsidiaries will guarantee the Notes.
Ranking	The Notes are our unsecured unsubordinated obligations and will: <ul style="list-style-type: none"> • rank equally in right of payment to all of our existing and future unsubordinated debt; • be effectively subordinated to all our secured debt to the extent of the value of the collateral securing that debt; • be effectively subordinated to all liabilities of our non-guarantor subsidiaries; and • rank senior in right of payment to all of our and our guarantors’ future debt that expressly provides for its subordination to the Notes and the note guarantors. As of September 30, 2015, HRG had no debt other than the \$890.0 million aggregate principal amount of the Notes and \$864.4 million aggregate principal amount of our 7.875% Senior Secured Notes due 2019 (the “7.875% Notes”). All of the 7.875% Notes will be effectively senior to the Notes to the extent of the value of the collateral securing such indebtedness. As of September 30, 2015, the total liabilities of Spectrum Brands were approximately \$5.7 billion, including trade payables. As of September 30, 2015, the total liabilities of FGL were

approximately \$23.4 billion, including approximately \$17.8 billion in annuity contractholder funds, approximately \$3.5 billion in future policy benefits and approximately \$300.0 million of indebtedness under FGH's 6.375% Senior Notes due 2021 (the "FGH Notes"). As of September 30, 2015, the total liabilities of HAMCO were approximately \$1.4 million and were approximately \$379.4 million when consolidated with the Asset Managers. As of September 30, 2015, the total liabilities of HGI Energy were approximately \$502.0 million. As a result of HRG's holding company structure, claims of creditors of HRG's subsidiaries will generally have priority as to the assets of HRG's subsidiaries over claims of HRG and over claims of the holders of HRG's indebtedness, including the Notes.

As of September 30, 2015, our total liabilities on an unconsolidated and consolidated basis were \$1.8 billion and \$30.7 billion, respectively.

Certain Covenants

The Indenture contains covenants, subject to specified exceptions, limiting our ability and, in certain cases, our subsidiaries' ability to:

- incur additional indebtedness;
- create liens or engage in sale and leaseback transactions;
- pay dividends or make distributions in respect of capital stock;
- make certain restricted payments;
- sell assets;
- engage in transactions with affiliates, except on an arms'-length basis; or
- consolidate or merge with, or sell substantially all of our assets to, another person.

We are also required to maintain compliance with a minimum liquidity covenant.

You should read "Description of Notes—Certain Covenants" for a description of these covenants.

Form and Denominations

The Notes were issued in minimum denominations of \$2,000 and higher integral multiples of \$1,000. The Notes will be book-entry only and registered in the name of a nominee of the Depository Trust Company ("DTC").

Risk Factors

Investing in the Notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to purchase any Notes.

RISK FACTORS

Before investing in the Notes, you should carefully consider the risk factors discussed below and the risk factors incorporated by reference into this offering circular. See “Where You Can Find More Information.” Any of these risk factors could materially and adversely affect our or our subsidiaries’ business, financial condition and results of operations. These risk factors are not the only risks that we or our subsidiaries may face. Additional risks and uncertainties not presently known to us or our subsidiaries or that are not currently believed to be material also may adversely affect us or our subsidiaries. These risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future.

Risks Related to the Notes

We are a holding company and our only material assets are our equity interests in our operating subsidiaries and our other investments; as a result, our principal source of revenue and cash flow is distributions from our subsidiaries; our subsidiaries may be limited by law and by contract in making distributions to us.

As a holding company, our only material assets are our cash on hand, the equity interests in our subsidiaries and other investments. As of September 30, 2015, excluding cash, cash equivalents and investments held by our subsidiaries, we had approximately \$331.3 million in cash, cash equivalents and investments, which includes \$33.2 million held by our wholly-owned subsidiary, HGI Funding. Our principal source of revenue and cash flow is distributions from our subsidiaries. Thus, our ability to service our debt, finance acquisitions and pay dividends to our stockholders in the future is dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to us. Our subsidiaries are and will continue to be separate legal entities, and although they may be wholly-owned or controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, distributions or otherwise. The boards of directors of our subsidiaries may consider a range of factors and consider their stockholders’ constituencies (including public stockholders) as a whole when making decisions about dividends or other payments. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that are contained in our subsidiaries’ financing agreements, availability of sufficient funds in such subsidiaries and applicable state laws and regulatory restrictions. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us could be limited in any way, our liquidity and ability to grow, pursue business opportunities or make acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business could be materially limited.

As an example, our subsidiary Spectrum Brands is a holding company with limited business operations of its own and its main assets are the capital stock of its subsidiaries, principally SBI. The terms of SBI’s indebtedness may limit its ability to pay dividends to Spectrum Brands and to us. See Part I, Item IA. “Risk Factors—Risks Related to Spectrum Brands’ Business—Spectrum Brands’ substantial indebtedness may limit its financial and operating flexibility, and Spectrum Brands may incur additional debt, which could increase the risks associated with its substantial indebtedness.” and Part I, Item IA. “Risk Factors—Risks Related to Spectrum Brands’ Business—Restrictive covenants in the SBI Senior Secured Facilities and the SBI Indentures may restrict SBI’s ability to pursue its business strategies.” contained in our 2015 Annual Report.

Our subsidiary, FGL, is also a holding company with limited business operations of its own. Its main assets are the capital stock of its subsidiaries, which are principally regulated insurance companies, whose ability to pay dividends is limited by applicable insurance laws. Accordingly, FGL’s payment of dividends is dependent, to a significant extent, on the generation of cash flow by its subsidiaries and their ability to make such cash available to FGL, by dividend or otherwise. FGL’s subsidiaries may not be able to, or may not be permitted to, make distributions to enable FGL to meet its obligations and pay dividends. Each subsidiary is a distinct legal entity and legal and contractual restrictions may also limit FGL’s ability to obtain cash from its subsidiaries. See Part I, Item 1. “Business—Our Operating Subsidiaries—FGL—Regulation—Financial Regulation—Dividend and Other Distribution Payment Limitations” and Part I, Item 1A. “Risk Factors—Risks Related to FGL’s and Front Street’s Businesses—The agreements and instruments governing FGL’s debt contain significant operating and financial restrictions, which may prevent FGL from capitalizing on business opportunities.” in our 2015 Annual Report. As discussed in our 2015 Annual Report, while the agreements

governing the FGL Merger permit FGL to pay a regular quarterly cash dividend on its common stock in an amount not in excess of \$0.065 per share, per quarter, FGL may not pay any other dividends without the consent of Anbang. In addition, if the FGL Merger is consummated, while we will receive the proceeds from the sale of our shares of FGL common stock, we will no longer receive dividends from FGL.

Additionally, the terms of Compass' indebtedness and recent declines in oil and gas prices may continue to adversely affect Compass' cash flow, may further limit Compass' business operations, may prevent Compass from remaining in compliance with the covenants in its credit facility agreement, and/or further limit Compass' ability to pay distributions to us. Compass may also require additional equity infusions or other support in the near or long term future. In November 2015, HGI Funding provided a limited guaranty with respect to a portion of Compass' indebtedness. HGI Funding's limited guaranty may not be sufficient credit support for the operations of Compass, to maintain Compass' compliance with the covenants in its credit facility agreement and/or HGI Funding may decide to withdraw (to the extent it may do so under the guaranty documents) or not to provide any other forms of credit

support to Compass in the future. See Part I, Item 1A. “Risk Factors—Risks Related to Compass’ Business—Compass has a substantial amount of indebtedness, which may adversely affect its cash flow and ability to operate its business, remain in compliance with debt covenants and make payments on its debt and distributions to us. HGI Funding has provided credit support for such indebtedness in the past but may choose not to do so in the future.” contained in our 2015 Annual Report.

In addition, our liquidity and ability to pursue business opportunities may be impacted by the capital needs of our subsidiaries. Such entities may require additional capital to operate, maintain or grow their businesses, make payments on their indebtedness or other commitments, and/or make upstream cash distributions. For example, given the recent declines in oil and gas prices, Compass may require capital contributions if current period earnings and cash on hand at Compass are not sufficient to reduce debt levels and remain compliant with applicable covenants in Compass’ financing agreement. As another example, Front Street will require additional capital in order to engage in reinsurance transactions, and may require additional capital to operate or maintain its business or meet regulatory capital requirements.

Furthermore, these restrictions on our subsidiaries ability to pay dividends or distributions may limit our ability to incur additional indebtedness or refinance our existing indebtedness in the future as well. Our ability to refinance our indebtedness will depend on our ability to generate future cash flow, and we are dependent on our subsidiaries’ ability to pay dividends or pay distributions to us in order for us to generate cash flow.

The Notes are structurally subordinated to all liabilities of our subsidiaries and are effectively subordinated to HRG’s existing and future secured debt to the extent of the value of the collateral securing such debt.

The Notes are our senior unsecured obligations. The Notes are not, and are not expected to be, guaranteed by any of our current or future subsidiaries. As a result of our holding company structure, claims of creditors of our subsidiaries will generally have priority as to the assets of our subsidiaries over our claims and over claims of the holders of our indebtedness, including the Notes. As of September 30, 2015, the total liabilities of Spectrum Brands were approximately \$5.7 billion, including trade payables. As of September 30, 2015, the total liabilities of FGL were approximately \$23.4 billion, including approximately \$17.8 billion in annuity contractholder funds, approximately \$3.5 billion in future policy benefits and approximately \$300.0 million of indebtedness under the FGH Notes. As of September 30, 2015, the total liabilities of HAMCO were approximately \$1.4 million and were approximately \$379.4 million when consolidated with the Asset Managers. As of September 30, 2015, the total liabilities of HGI Energy were approximately \$502.0 million. Also, as described herein, HGI Funding has provided a limited guaranty with respect to a portion of Compass’ indebtedness.

The creditors of our subsidiaries have direct claims on the subsidiaries and their assets and the claims of holders of the Notes are “structurally subordinated” to any existing and future liabilities of our subsidiaries. This means that the creditors of our subsidiaries have priority in their claims on the assets of the subsidiaries over our creditors, including the noteholders. All of our consolidated liabilities are obligations of our subsidiaries and are effectively senior to the Notes.

As a result, upon any distribution to the creditors of any subsidiary in bankruptcy, liquidation, reorganization or similar proceedings, or following acceleration of our indebtedness or an event of default under such indebtedness, the lenders or noteholders, as the case may be, of the indebtedness of our subsidiaries will be entitled to be repaid in full by such subsidiaries before any payment is made to HRG. The Indenture does not restrict the ability of our subsidiaries to incur additional indebtedness or grant liens secured by assets of our subsidiaries.

The Notes are not secured by any of our assets. The Notes are therefore effectively subordinated to HRG’s secured indebtedness, including the 7.875% Notes, to the extent of the value of the collateral securing such indebtedness. As of September 30, 2015, HRG had \$864.4 million of secured indebtedness outstanding.

Further, we may incur future indebtedness, some of which may be secured by liens on our assets, to the extent permitted by the Indenture and the terms of our other agreements, including the indenture governing the 7.875% Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. Holders of the Notes will participate ratably with all holders of our senior unsecured indebtedness and potentially with all of our general creditors.

We may and our subsidiaries may incur substantially more indebtedness. This could exacerbate the risks associated with our leverage.

Subject to the limitations set forth in the Indenture and terms of our other agreements, including the indenture governing the 7.875% Notes, we and our subsidiaries may incur additional indebtedness (including secured obligations) in the future. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that indebtedness will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. If we incur additional secured indebtedness, the holders of such indebtedness will be effectively senior to the holders of the Notes to the extent of the value of the collateral securing such indebtedness. This may have the effect of reducing the amount of proceeds paid to holders of the Notes. Additionally, if our subsidiaries incur additional debt, the Notes will be structurally subordinated to such debt. If new indebtedness is added to our current levels of indebtedness, the related risks that we now face, including our possible inability to service our debt, could intensify.

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We may be unable to repurchase the Notes upon a change of control.

Under the Indenture, each holder of Notes may require us to repurchase all of such holder's Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if certain "change of control" events occur. However, it is possible that we will not have sufficient funds when required under the Indenture to make the required repurchase of the Notes. If we fail to repurchase Notes in that circumstance, we will be in default under the Indenture. If we are required to repurchase a significant portion of the Notes, we may require third-party financing as such funds may otherwise only be available to us through a distribution by our subsidiaries to us. We cannot be sure that we would be able to obtain third-party financing on acceptable terms, or at all, or obtain such funds through distributions from our subsidiaries.

An active public market may not develop for the Notes, which may hinder your ability to liquidate your investment. There is no established trading market for the Notes, and we do not intend to list them on any securities exchange or to seek approval for quotations through any automated quotation system. Certain financial institutions, including Jefferies, may make a market in the Notes, however no such financial institution, including Jefferies, has any obligation to do so and may discontinue any market making in the Notes at any time, in their sole discretion. We therefore cannot assure you that:

- a liquid market for the Notes will develop;
- you will be able to sell your Notes; or
- you will receive any specific price upon any sale of the Notes.

We also cannot assure you as to the level of liquidity of the trading market for the Notes, if one does develop. If a public market for the Notes develops, the Notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all.

Fraudulent transfer statutes may limit your rights as a holder of the Notes.

Federal and state fraudulent transfer laws as previously interpreted by various courts permit a court, if it makes certain findings, to:

- avoid all or a portion of our obligations to holders of the Notes;
- subordinate our obligations to holders of the Notes to our other existing and future creditors, entitling such creditors to be paid in full before any payment is made on the Notes; and
- take other action detrimental to holders of the Notes, including invalidating the Notes.

In that event, we cannot assure you that you would ever be repaid. There is also no assurance that amounts previously paid to you pursuant to the Notes or guarantees (if any) would not be subject to return.

Under federal and state fraudulent transfer laws, in order to take any of those actions, courts will typically need to find that we or the guarantors (if any) received less than fair consideration or reasonably equivalent value for incurring the indebtedness represented by the notes, and at the time the notes were issued:

- were insolvent or were rendered insolvent by reason of the issuance of the notes;
- were engaged, or were about to engage, in a business or transaction for which our capital was unreasonably small;
- intended to incur, or believed or should have believed we would incur, indebtedness beyond our ability to pay as such indebtedness matures; or
- were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment was unsatisfied.

A court may also void an issuance of Notes, a guarantee or grant of security, without regard to the above factors, if the court found that we issued the Notes or the guarantors (if any) entered into their respective guaranty with actual intent to hinder, delay or defraud current or future creditors.

Many of the foregoing terms are defined in or interpreted under those fraudulent transfer statutes and as judicially interpreted. A court could find that we did not receive fair consideration or reasonably equivalent value for the incurrence of the indebtedness represented by the Notes.

The measure of insolvency for purposes of the foregoing considerations will vary depending on the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at

the time it incurred the indebtedness:

- the sum of its indebtedness (including contingent liabilities) is greater than its assets, at fair valuation;
- the present fair salable value of its assets is less than the amount required to pay the probable liability on its total existing indebtedness and liabilities (including contingent liabilities) as they become absolute and matured; or
- it could not pay its debts as they became due.

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We cannot assure you of the standard a court would apply in determining our solvency and whether it would conclude that we were solvent when we incurred our obligations under the Notes.

In addition, although we do not expect there to be any guarantee of the Notes, it should be noted that any such guarantee (if any) may be subject to review under various laws for the protection of creditors. A court would likely find that we or a guarantor did not receive reasonably equivalent value or fair consideration for the Notes or the guarantees, respectively, if we or a guarantor did not substantially benefit directly from the issuance of the Notes. If a court were to void an issuance of the Notes or the guarantees, you would no longer have a claim against us or the guarantors. Sufficient funds to repay the Notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from us or the guarantors. In addition, any payment by us pursuant to the Notes made at a time we were found to be insolvent could be voided and required to be returned to us or to a fund for the benefit of our creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give the creditors more than such creditors would have received in a distribution under the bankruptcy code.

Changes in credit ratings issued by nationally recognized statistical ratings organizations could adversely affect our cost of financing and the market price of our securities, including the Notes.

Credit rating agencies rate our debt securities and our subsidiaries' debt securities on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us or our subsidiaries on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or our subsidiaries' debt securities or placing us or our subsidiaries on a watch list for possible future downgrading would likely increase our cost of financing, limit our access to the capital markets and have an adverse effect on the market price of our securities, including the Notes.

USE OF PROCEEDS

We will not receive any of the proceeds from the market-making activities effected from time to time in our Notes by Jefferies pursuant to this prospectus.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratio of earnings to combined fixed charges for each of the periods indicated. For the purpose of calculating the consolidated ratio of earnings to fixed charges, “earnings” represents pre-tax income (loss) from continuing operations plus fixed charges, and less any interest capitalized. “Fixed charges” consists of interest expense, whether expensed or capitalized, amortization of debt financing costs, and one-third of lease expense. You should read these ratios in connection with our consolidated financial statements, including the notes to those statements, incorporated by reference in this prospectus.

	Year Ended September 30,				
	2011	2012	2013	2014	2015
Ratio of earnings to combined fixed charges	1.2	1.1	1.2	1.6	(a)
Deficiency of (loss) earnings to fixed charges (a)					\$(440.8)

(a) Due to losses the year ended September 30, 2015, the coverage ratio was less than 1:1. We would have needed to generate additional earnings of \$440.8 million in this period in order to achieve ratio of 1:1.

HRG GROUP, INC.

Unaudited Pro Forma Condensed Combined Financial Information
(in millions, except per share and share amounts)

On December 1, 2015, Compass Energy consummated the transactions contemplated by the Purchase Agreement. Pursuant to the Purchase Agreement, Buyer acquired certain of Compass Energy's oil and gas interests located in the Holly, Waskom and Danville Fields in East Texas and North Louisiana. At the time of closing, proceeds from the transaction, which were approximately \$147.5, less estimated expenses of \$1.9, were used to primarily reduce borrowings under Compass' existing credit facility. Following the closing, pursuant to the terms of the Purchase Agreement, Compass received an additional \$4.2 in connection with resolving certain title and consent matters. On November 8, 2015, AB Infinity and Merger Sub entered into the FGL Merger Agreement to acquire FGL for \$26.80 per share. Pursuant to this agreement, at closing Anbang will acquire all of the outstanding shares of FGL. Stockholders of FGL will receive \$26.80 per share in cash at closing. At the date of the transaction, HRG owned 47 million shares, or 80.5% of FGL.

On May 21, 2015, Spectrum Brands completed the acquisition (the "AAG Acquisition") of AAG pursuant to the Agreement and Plan of Merger by and among AAG, Spectrum Brands, Ignite Merger Sub, Inc. and, solely in its capacity as representative, Avista Capital Partners II GP, LLC, dated as of April 28, 2015 for \$1,400.0 in cash. Spectrum Brands funded the AAG Acquisition with the proceeds of its offering of an aggregate principal amount of \$1,000.0 of SBI's 5.750% Senior Notes due 2025 (the "SBI 5.75% Notes") and its registered offering of \$575.0 of shares of Spectrum Brands' common stock (the "SBH Equity Offering"). In the SBH Equity Offering, HRG acquired 49.0% of the common stock offered thereby, including the shares subject to the underwriters' option to purchase additional shares, for \$281.7 through one of its wholly-owned subsidiaries.

On May 19, 2015, HRG issued an additional \$140.0 aggregate principal amount of its 7.75% Senior Notes due 2022 (the "May HRG Unsecured Notes") at 98.51% of par plus accrued interest from January 15, 2015 and an additional \$160.0 aggregate principal amount of its 7.875% Senior Secured Notes due 2019 (the "May HRG Secured Notes") at 104.5% of par plus accrued interest from January 15, 2015.

On April 14, 2015, HRG issued an additional \$100.0 aggregate principal amount of its 7.875% Senior Secured Notes due 2019 (the "April HRG Secured Notes" and together with the May HRG Secured Notes and the May HRG Unsecured Notes, the "New HRG Notes") at 104.5% of par plus accrued interest from January 15, 2015.

The following unaudited pro forma condensed combined financial information is derived from HRG's historical consolidated financial statements.

The unaudited pro forma condensed combined balance sheet as of September 30, 2015 gives effect to the FGL Merger Agreement; and the disposition of the Holly, Waskom, and Danville assets and the repayment of the portion of Compass' existing facilities (collectively, the "Compass Transactions") as if they had occurred on September 30, 2015. The unaudited pro forma condensed combined statement of operations for the year ended September 30, 2015 reflects the AAG Acquisition, the issuance of the SBI 5.75% Notes, the SBH Equity Offering and the New HRG Notes offerings (collectively, the "AAG Acquisition Transactions") and the Compass Transactions as if they had occurred on October 1, 2014. In addition, the FGL Merger Agreement would have resulted in classifying HRG's ownership interest in FGL as held for sale on the condensed combined balance sheet and FGL's operating results as discontinued operations on the statements of operations. As a result, the unaudited pro forma condensed combined statement of operations for the years ended September 30, 2015, 2014 and 2013 have been presented to reflect FGL being treated as discontinued operations as a result of the FGL Merger Agreement.

On October 31, 2014, HRG, through its wholly-owned subsidiary HGI Energy, acquired approximately 25.5% interests in Compass that it did not previously own from EXCO Resources, Inc., upon which HGI Energy became the owner of 99.8% of the economic interest in Compass. Prior to this acquisition, HRG's ownership of Compass was 74.4%. As a result, prior to October 31, 2014, the presentation of the pro forma operating results of Compass represent HRG's 74.4% proportionate interest while operating results after October 31, 2014 represent 100.0% of Compass' consolidated results.

This unaudited pro forma condensed combined financial information should be read in conjunction with our 2015 Annual Report.

This unaudited pro forma condensed combined financial information is provided for illustrative purposes only and is not necessarily indicative of the results of operations that would have occurred had the disposition been effected on the assumed dates, nor is it necessarily indicative of our future operating results.

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HRG GROUP, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

As of September 30, 2015, in millions, except per share and share amounts

	Historical Condensed Consolidated	Pro Forma Adjustments FGL Merger Agreement	Compass Transactions	Pro Forma Condensed Combined
ASSETS				
Investments:				
Fixed maturities	\$17,514.8	\$(17,500.6)	3(a) \$—	\$14.2
Equity securities	649.4	(616.6)	3(a) —	32.8
Derivatives	81.9	(81.9)	3(a) —	—
Asset-based loans	335.8	(109.2)	3(a) —	226.6
Commercial mortgage loans	489.2	(489.2)	3(a) —	—
Other invested assets	39.6	(34.2)	3(a) —	5.4
Total investments	19,110.7	(18,831.7)	3(a) —	279.0
Cash and cash equivalents	1,197.0	(501.8)	3(a) 2.8	4(a) 698.0
Receivables, net	632.9	—	—	632.9
Inventories, net	780.8	—	—	780.8
Accrued investment income	192.0	(190.7)	3(a) —	1.3
Reinsurance recoverable	2,351.9	(2,351.9)	3(a) —	—
Deferred tax assets	285.0	134.1	3(a) —	419.1
Properties, including oil and natural gas properties, net	812.8	(14.4)	3(a) (72.0)	4(b) 726.4
Goodwill	2,487.4	—	—	2,487.4
Intangibles, including DAC and VOBA, net	3,528.9	(1,048.6)	3(a) —	2,480.3
Other assets	954.7	991.4	3(a) —	1,946.1
Assets held for sale	—	24,986.1	3(a) —	24,986.1
Total assets	\$32,334.1	\$3,172.5	3(a) \$(69.2)	\$35,437.4
LIABILITIES AND EQUITY				
Insurance reserves:				
Contractholder funds	\$17,769.8	\$(17,769.8)	3(a) \$—	\$—
Future policy benefits	4,096.8	(2,240.7)	3(a) —	1,856.1
Liability for policy and contract claims	55.3	(55.3)	3(a) —	—
Funds withheld from reinsurers	9.8	(9.8)	3(a) —	—
Total insurance reserves	21,931.7	(20,075.6)	3(a) —	1,856.1
Debt	6,382.7	30.7	3(a) (147.0)	4(c) 6,266.4
Accounts payable and other current liabilities	1,137.7	(42.1)	3(a) (5.4)	4(d) 1,090.2
Employee benefit obligations	92.9	—	—	92.9
Deferred tax liabilities	613.6	328.8	3(a) —	942.4
Other liabilities	587.4	(491.9)	3(a) (18.0)	4(e) 77.5
Liabilities held for sale	—	23,422.6	3(a) —	23,422.6
Total liabilities	30,746.0	3,172.5	3(a) (170.4)	33,748.1
Commitments and contingencies				
HRG Group, Inc. shareholders' equity:				
Common stock, \$0.01 par; 500,000.0 thousand shares authorized; 201,383.8	2.0	—	—	2.0

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thousand shares issued and outstanding at
September 30, 2015.

Additional paid-in capital	1,458.5	—	—		1,458.5
Accumulated deficit	(833.1	) —	100.7	4(j)	(732.4)
Accumulated other comprehensive loss	(40.7	) —	—		(40.7)
Total HRG Group, Inc. shareholders' equity	586.7	—	100.7		687.4
Noncontrolling interest	1,001.4	—	0.5	4(l)	1,001.9
Total shareholders' equity	1,588.1	—	101.2		1,689.3
Total liabilities and equity	\$32,334.1	\$3,172.5	\$(69.2	)	\$35,437.4

See accompanying notes to unaudited pro forma condensed combined financial statements.

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HRG GROUP, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2015, in millions, except per share data

	Historical Condensed Consolidated	Pro Forma Adjustments AAG Acquisition		FGL Merger Agreement	Compass Transactions	Pro Forma Condensed Combined
Revenues:						
Net consumer and other product sales	\$ 4,733.1	\$275.8	2(a)	\$—	\$—	\$ 5,008.9
Oil and natural gas	107.4	—		—	(40.5)	4(f) 66.9
Insurance premiums	59.8	—		(58.4)	3(b) —	1.4
Net investment income	927.2	—		(845.4)	3(b) —	81.8
Net investment losses	(104.7)	—		(30.2)	3(b) —	(134.9)
Insurance and investment product fees and other	93.1	—		(88.2)	3(b) —	4.9
Total revenues	5,815.9	275.8		(1,022.2)	(40.5)	5,029.0
Operating costs and expenses:						
Cost of consumer products and other goods sold	3,050.9	154.4	2(a,b)	—	—	3,205.3
Oil and natural gas direct operating costs	85.9	—		—	(41.0)	4(f) 44.9
Benefits and other changes in policy reserves	625.5	—		(578.4)	3(b) —	47.1
Selling, acquisition, operating and general expenses	1,476.5	27.5	(2a,c,e,f,g)	(113.2)	3(b) (14.1)	4(f) 1,376.7
Impairments and bad debt expense	675.3	7.0	2(a)	(36.9)	3(b) (129.5)	4(g) 515.9
Amortization of intangibles	129.6	6.5	2(d)	(41.8)	3(b) —	94.3
Total operating costs and expenses	6,043.7	195.4		(770.3)	(184.6)	5,284.2
Operating (loss) income	(227.8)	80.4		(251.9)	144.1	(255.2)
Interest expense	(429.7)	(61.1)	2(a,h)	18.1	3(b) 4.1	4(h) (468.6)
Gain on deconsolidation of subsidiary	38.5	—		—	—	38.5
Gain upon gaining control of equity method investment	141.2	—		—	—	141.2
Other income (expense), net	37.0	(1.1)	2(a)	(6.1)	3(b) (8.5)	4(i) 21.3
Loss (income) from continuing operations before income taxes	(440.8)	18.2		(239.9)	139.7	(522.8)
Income tax expense (benefit)	71.6	(11.6)	2(a,j)	(84.1)	3(b) —	4(k) (24.1)
Net (loss) income from continuing operations	(512.4)	29.8		(155.8)	139.7	(498.7)
Income from discontinued operations, net of tax	—	—		155.8	3(b) —	155.8
Net (loss) income	(512.4)	29.8		—	139.7	(342.9)
Less: Net income attributable to noncontrolling interest	44.4	12.7	2(a,i)	—	0.4	4(l) 57.5
Net (loss) income attributable to controlling interest	\$ (556.8)	\$ 17.1		\$—	\$ 139.3	\$ (400.4)
Amounts attributable to controlling interest:						
	\$ (556.8)	\$ 17.1		\$ (125.4)	3(c) \$ 139.3	\$ (525.8)

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Net (loss) income from continuing operations, net of tax							
Net income from discontinued operations, net of tax	—	—		125.4	3(c)	—	125.4
Net (loss) income attributable to controlling interest	\$ (556.8)	\$ 17.1		\$—		\$ 139.3	\$ (400.4)
Net loss per common share attributable to controlling interest:							
Basic (loss) income from continuing operations	\$ (2.81)	\$ 0.09	2(k)	\$ (0.63)	3(d)	\$ 0.70	4(m) \$ (2.65)
Basic income from discontinued operations	—	—		0.63	3(d)	—	0.63
Basic	\$ (2.81)	\$ 0.09		\$—		\$ 0.70	\$ (2.02)
Diluted (loss) income from continuing operations	\$ (2.81)	\$ 0.09	2(k)	\$ (0.63)	3(d)	\$ 0.70	4(m) \$ (2.65)
Diluted income from discontinued operations	—	—		0.63	3(d)	—	0.63
Diluted	\$ (2.81)	\$ 0.09		\$—		\$ 0.70	\$ (2.02)

See accompanying notes to unaudited pro forma condensed combined financial statements.

HRG GROUP, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2014, in millions, except per share data

	Historical Condensed Consolidated	FGL Merger Agreement		Pro Forma Condensed Combined	
Revenues:					
Net consumer and other product sales	\$4,449.2	\$—		\$4,449.2	
Oil and natural gas	147.0	—		147.0	
Insurance premiums	56.6	(55.6)	) 3(b)	1.0	
Net investment income	842.2	(753.2)	) 3(b)	89.0	
Net investment gains (losses)	395.3	(306.7)	) 3(b)	88.6	
Insurance and investment product fees and other	72.7	(67.5)	) 3(b)	5.2	
Total revenues	5,963.0	(1,183.0)	)	4,780.0	
Operating costs and expenses:					
Cost of consumer products and other goods sold	2,875.6	—		2,875.6	
Oil and natural gas direct operating costs	69.6	—		69.6	
Benefits and other changes in policy reserves	852.7	(787.5)	) 3(b)	65.2	
Selling, acquisition, operating and general expenses	1,332.5	(101.7)	) 3(b)	1,230.8	
Impairments and bad debt expense	83.9	(0.6)	) 3(b)	83.3	
Amortization of intangibles	179.2	(97.5)	) 3(b)	81.7	
Total operating costs and expenses	5,393.5	(987.3)	)	4,406.2	
Operating income (loss)	569.5	(195.7)	)	373.8	
Interest expense	(321.9)	) 15.5	3(b)	(306.4))
Loss from the change in the fair value of the equity conversion feature of preferred stock	(12.7)	) —		(12.7))
Other expense, net	(21.7)	) (0.8)	) 3(b)	(22.5))
Income (loss) from continuing operations before income taxes	213.2	(181.0)	)	32.2	
Income tax expense (benefit)	111.5	(23.4)	) 3(b)	88.1	
Net income (loss) from continuing operations	101.7	(157.6)	)	(55.9))
Income from discontinued operations, net of tax	—	157.6	3(b)	157.6	
Net income	101.7	—		101.7	
Less: Net income attributable to noncontrolling interest	112.0	—		112.0	
Net loss income attributable to controlling interest	(10.3)	) —		(10.3))
Less: Preferred stock dividends, accretion and loss on conversion	73.6	—		73.6	
Net loss attributable to common and participating preferred stockholders	\$(83.9)	) \$—		\$(83.9))
Amounts attributable to common and participating preferred stockholders:					
Net loss from continuing operations, net of tax	\$(83.9)	) \$(131.4)	) 3(c)	\$(215.3))
Net income from discontinued operations, net of tax	—	131.4	3(c)	131.4	
Net (loss) income attributable to common and participating preferred stockholders	\$(83.9)	) \$—		\$(83.9))
Net loss per common share attributable to controlling interest:					
Basic loss from continuing operations	\$(0.51)) \$(0.81)) 3(d)	\$(1.32))
Basic income from discontinued operations	—	0.81	3(d)	0.81	

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Basic	\$ (0.51) \$—		\$ (0.51)
Diluted loss from continuing operations	\$ (0.51) \$ (0.81) 3(d)	\$ (1.32)
Diluted income from discontinued operations	—	0.81	3(d)	0.81	
Diluted	\$ (0.51	) \$—		\$ (0.51)

See accompanying notes to unaudited pro forma condensed combined financial statements.

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HRG GROUP, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

For the year ended September 30, 2013, in millions, except per share data

	Historical Condensed Consolidated	FGL Merger Agreement	Pro Forma Condensed Combined	
Revenues:				
Net consumer and other product sales	\$4,085.6	\$—	\$4,085.6	
Oil and natural gas	90.2	—	90.2	
Insurance premiums	58.8	(58.3)	0.5	) 3(b)
Net investment income	734.7	(666.1)	68.6	) 3(b)
Net investment gains (losses)	511.6	(547.7)	(36.1)	) 3(b)
Insurance and investment product fees and other	62.5	(57.5)	5.0	) 3(b)
Total revenues	5,543.4	(1,329.6)	4,213.8)
Operating costs and expenses:				
Cost of consumer products and other goods sold	2,695.3	—	2,695.3	
Oil and natural gas direct operating costs	44.0	—	44.0	
Benefits and other changes in policy reserves	531.8	(496.7)	35.1	) 3(b)
Selling, acquisition, operating and general expenses	1,216.6	(106.7)	1,109.9	) 3(b)
Impairments and bad debt expense	58.2	(1.2)	57.0	) 3(b)
Amortization of intangibles	260.1	(229.0)	31.1	) 3(b)
Total operating costs and expenses	4,806.0	(833.6)	3,972.4)
Operating income (loss)	737.4	(496.0)	241.4)
Interest expense	(511.9)	) 2.5	(509.4)	) 3(b)
Loss from the change in the fair value of the equity conversion feature of preferred stock	(101.6)	) —	(101.6))
Other expense, net	(5.6)	) 0.1	(5.5)	) 3(b)
Income (loss) from continuing operations before income taxes	118.3	(493.4)	(375.1))
Income tax expense (benefit)	187.3	(157.9)	29.4	) 3(b)
Net loss from continuing operations	(69.0)	) (335.5)	(404.5))
Income from discontinued operations, net of tax	—	335.5	335.5	) 3(b)
Net loss	(69.0)	) —	(69.0))
Less: Net loss attributable to noncontrolling interest	(23.2)	) —	(23.2))
Net loss attributable to controlling interest	(45.8)	) —	(45.8))
Less: Preferred stock dividends, accretion and loss on conversion	48.4	—	48.4	
Net loss attributable to common and participating preferred stockholders	\$(94.2)	) \$—	\$(94.2))
Amounts attributable to controlling interest:				
Net loss from continuing operations, net of tax	\$(94.2)	) \$(335.5)	\$(429.7)	) 3(c)
Net income from discontinued operations, net of tax	—	335.5	335.5	) 3(c)
Net loss attributable to controlling interest	\$(94.2)	) \$—	\$(94.2))
Net loss per common share attributable to controlling interest:				
Basic loss from continuing operations	\$(0.67)) \$(2.40)	\$(3.07)) 3(d)
Basic income from discontinued operations	—	2.40	2.40) 3(d)
Basic	\$(0.67)) \$—	\$(0.67))

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Diluted loss from continuing operations	\$ (0.67)	\$ (2.40)	3(d)	\$ (3.07)
Diluted income from discontinued operations	—		2.40		3(d)	2.40	
Diluted	\$ (0.67	)	\$ —			\$ (0.67)

See accompanying notes to unaudited pro forma condensed combined financial statements.

HRG GROUP, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(in millions, except per share and share amounts)

1. Significant Accounting Policies

The Company reports a business as held for sale when management has approved or received approval to sell the business and is committed to a formal plan, the business is available for immediate sale, the business is being actively marketed, the sale is anticipated to occur during the next twelve months and certain other specified criteria are met, in accordance with ASC Topic 360, Property, Plant and Equipment (“ASC 360”). A business classified as held for sale is recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the consolidated balance sheets in the period in which the business is classified as held for sale. If a business is classified as held for sale after the balance sheet date but before the financial statements are issued or are available to be issued, the business continues to be classified as held for sale and used in those financial statements when issued or when available to be issued. Intercompany transactions between businesses held for sale and businesses held for use that are expected to continue to exist after the sale are presented gross on the balance sheet.

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results when the business is classified as held for sale, in accordance with ASC 360 and ASU 2014-08, Presentation of Financial Statements (Topic 2015) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The results of discontinued operations are reported in discontinued operations in the consolidated statements of operations for current and prior periods commencing in the period in which the business meets the criteria of a discontinued operation, and include any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell. Intercompany transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are presented gross on the statement of operations.

The guidance above does not apply to oil and gas properties that are accounted for using the full-cost method of accounting as prescribed by the U.S. Securities and Exchange Commission (Regulation S-X, Rule 4-10, Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975) unless the disposal represents all or substantially all of a full cost pool as a discontinued operation.

As a result of the FGL Merger Agreement, the Company’s ownership interest in FGL has been classified as held for sale on the balance sheet, FGL’s operations have been classified as discontinued operations and FGL’s results of operations are reported separately for all periods presented as if the FGL Merger Agreement had occurred on September 30, 2015.

2. Pro Forma Adjustments - AAG Acquisition Transactions

(a) The Company's fiscal year end is September 30 while the AAG fiscal year end is December 31. The AAG historical financial information for the statement of operations covering the period from October 1, 2014 through May 20, 2015, the date the AAG Acquisition was completed, has been derived by adding the unaudited results for the three month period ended March 31, 2015 and the period from April 1, 2015 through May 20, 2015 to the audited results for the fiscal year ended December 31, 2014 and deducting the unaudited results for the nine months ended September 30, 2014, as follows:

	(a) Twelve months ended December 31, 2014	(b) Nine months ended September 30, 2014	(c) = (a) - (b) Three months ended December 31, 2014	(d) Three months ended March 31, 2015	(e) Period from April 1, 2015 - May 20, 2015	(c) + (d) + (e) Period from October 1, 2014 - May 20, 2015
Revenues:						
Net consumer and other product sales	\$410.0	\$341.6	\$68.4	\$119.4	\$88.0	\$275.8
Operating costs and expenses:						
Cost of consumer products and other goods sold	226.0	185.2	40.8	68.1	45.5	154.4
Selling, acquisition, operating and general expenses	92.6	74.4	18.2	18.7	46.6	83.5
Impairments and bad debt expense	7.0	—	7.0	—	—	7.0
Amortization of intangibles	47.1	34.6	12.5	12.3	6.8	31.6
Total operating costs and expenses	372.7	294.2	78.5	99.1	98.9	276.5
Operating income (loss)	37.3	47.4	(10.1)	) 20.3	(10.9)	) (0.7)
Interest expense	(71.5)	) (52.1)	) (19.4)	) (19.3)	) (46.5)	) (85.2)
Other expense, net	(1.3)	) (1.0)	) (0.3)	) (0.4)	) (0.4)	) (1.1)
(Loss) income from continuing operations before income taxes	(35.5)	) (5.7)	) (29.8)	) 0.6	(57.8)	) (87.0)
Income tax (benefit) expense	(11.0)	) (0.5)	) (10.5)	) 0.2	(1.3)	) (11.6)
Net (loss) income	(24.5)	) (5.2)	) (19.3)	) 0.4	(56.5)	) (75.4)
Less: Net (loss) income attributable to noncontrolling interest	(10.4)	) (2.2)	) (8.2)	) 0.2	(24.0)	) (32.0)
Net (loss) income attributable to controlling interest	\$(14.1)	) \$(3.0)	) \$(11.1)	) \$0.2	\$(32.5)	) \$(43.4)

(b) The Company estimates cost of sales will increase by approximately \$18.8 during the first inventory turn subsequent to the acquisition date as a result of the sale of inventory that was written-up to fair value in purchase accounting. This cost has been excluded from the pro forma adjustments as this amount is considered non-recurring.

(c) Adjustment reflects decreased depreciation expense of \$0.3 associated with the adjustment to record the AAG property, plant and equipment at fair value for the period from October 1, 2014 through May 20, 2015.

(d) Adjustment reflects decreased amortization expense of \$25.1 associated with the adjustment to record the AAG intangible assets at fair value for the period from October 1, 2014 through May 20, 2015.

(e) Adjustment reflects the reversal of \$25.5 of pre-acquisition costs incurred by AAG.

(f) Adjustment reflects the reversal of \$8.4 of pre-acquisition accelerated stock based compensation incurred by AAG in conjunction with the AAG Acquisition.

(g) Adjustment reflects the reversal of \$21.8 of acquisition and integration-related charges incurred of acquisition and integration-related charges incurred by Spectrum Brands in conjunction with the AAG Acquisition.

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(h) The transactions resulted in changes to the Company's debt structure. A substantial portion of the historical AAG debt was repaid in connection with the AAG Acquisition. These changes in the combined debt structure gave rise to interest expense adjustments that resulted in a net decrease to pro forma interest expense \$24.1 for the period from October 1, 2014 through May 20, 2015. The adjustments consist of the following:

	Assumed interest rate	Period from October 1, 2014 - May 20, 2015
New SBI 5.75% Notes (\$1,000.0)	5.750%	\$36.9
May HRG Unsecured Notes - USD (\$140.0)	7.750%	7.0
May HRG Secured Notes - USD (\$160.0)	7.875%	8.1
April HRG Secured Notes - USD (\$100.0)	7.875%	5.1
Amortization of discount on the May HRG Unsecured Notes	—	(0.2)
Amortization of premium on the May HRG Secured Notes and the April HRG Secured Notes	—	2.0
Amortization of debt issuance costs	—	1.7
Total pro forma interest expense		60.6
Less: elimination of interest expense related to prior AAG debt facilities that were repaid		(84.7)
Pro forma adjustment		\$(24.1)

(i) Adjustment reflects HRG's non-controlling interest in Spectrum Brands' pro forma decrease in income from continuing operations resulting from the transactions using a non-controlling interest factor of 42.5%.

(j) The increase in pro forma interest expense for the May HRG Unsecured Notes, the May HRG Secured Notes and the April HRG Secured Notes will not result in a net impact to HRG's current and deferred tax expense due to HRG's existing net operating loss carry forwards in the U.S., for which valuation allowances have been provided. As a result of Spectrum Brands' valuation allowance, the pro forma adjustments is solely a change in deferred income taxes offset by the change in the valuation and do not have income tax consequences.

(k) Basic and diluted earnings per share were recalculated based on 198,142,363 weighted-average common shares outstanding - basic and diluted for the year ended September 30, 2015.

3. Pro Forma Adjustments - FGL Merger

(a) As a result of the FGL Merger Agreement, the Company's ownership interest in FGL has been classified as held for sale on the condensed combined balance sheet. These adjustments represent the components of FGL's assets and liabilities included in the September 30, 2015 combined balance sheet. Such balances reflect intercompany transactions between FGL and other entities consolidated by HRG as they will remain and continue to exist following the closing of the FGL Merger. Below is a summary of the adjustments:

As of September 30, 2015	FGL Held for Sale Classification	Impact of intercompany transactions that will remain and continue to exist following the closing of the FGL Merger	Deferred tax adjustment (1)	Total adjustment due to FGL Merger Agreement
Assets:				
Investments	\$(18,831.7)	\$—	\$—	\$(18,831.7)
Cash and cash equivalents	(501.8)	—	—	(501.8)
Receivables, net	—	—	—	—
Inventories, net	—	—	—	—
Accrued investment income	(190.7)	—	—	(190.7)
Reinsurance recoverable	(2,351.9)	—	—	(2,351.9)
Deferred tax assets	(194.7)	—	328.8	134.1
Properties, including oil and gas properties, net	(14.4)	—	—	(14.4)
Goodwill	—	—	—	—
Intangibles, including DAC and VOBA, net	(1,048.6)	—	—	(1,048.6)
Other assets (including funds withheld assets)	(82.5)	1,073.9	—	991.4
Assets held for sale	23,216.3	1,769.8	—	24,986.1
Total assets	\$—	\$2,843.7	\$328.8	\$3,172.5
Liabilities:				
Insurance liabilities	\$(21,302.4)	\$1,226.8	\$—	\$(20,075.6)
Debt	(300.0)	330.7	—	30.7
Accounts payable and other current liabilities	(43.7)	1.6	—	(42.1)
Employee benefit obligations	—	—	—	—
Deferred tax liabilities	—	—	328.8	328.8
Other liabilities	(502.9)	11.0	—	(491.9)
Liabilities held for sale	22,149.0	1,273.6	—	23,422.6
Total liabilities	\$—	\$2,843.7	\$328.8	\$3,172.5

(1) Included in the deferred tax assets and deferred tax liabilities above is an adjustment of \$328.8 that represents the recognition of a deferred tax liability on the Company's investment in FGL due to its classification as held for sale. The deferred tax liability resulted in a decrease in valuation allowance on deferred tax assets based on the Company's change in judgment on realizability.

(b) As a result of the FGL Merger Agreement, FGL's operations were classified as discontinued operations and the results of continuing operations are reported separately for all periods presented. These adjustments represent the components of income attributable to FGL included in the combined statement of operations for the years ended September 30, 2015, 2014 and 2013.

- (c) This adjustment reflects non-controlling interest in FGL's pro forma net income adjustments using a non-controlling interest factor of 19.5% and 19.6% for the years ended September 30, 2015 and 2014, respectively.
- (d) Basic and diluted earnings per share were recalculated based on 198,142,363, 162,941,070 and 139,855,645 weighted-average common shares outstanding - basic and diluted for the years ended September 30, 2015, 2014 and 2013, respectively.

4. Pro Forma Adjustments - Compass Transactions

(a) This adjustment represents the decrease in cash and cash equivalents resulting from consideration received, less estimated expenses and repayment of debt (in millions):

Total cash consideration (1)	\$151.7	
Transaction expenses	(1.9)
Repayment of debt	(147.0)
Net decrease in cash	\$2.8	

(1) Excludes approximately \$1.0 of funds held in escrow as of December 1, 2015 that may be released within 150 days from the transaction close date subject to the successful satisfaction of certain terms and conditions included in the Purchase Agreement.

(b) This adjustment represents the decrease in Compass' proved oil and natural gas properties following the completion of the Compass Transactions.

(c) This adjustment represents the decrease in debt as a result of the repayment of \$147.0 under Compass' existing credit facility.

(d) This adjustment represents the decrease in royalties payable of \$5.4 following the sale of the Holly, Waskom, and Danville assets.

(e) This adjustment represents the decrease in asset retirement obligations following the sale of the Holly, Waskom, and Danville assets.

(f) These adjustments represent the elimination of oil and natural gas revenues; oil and natural gas direct operating costs; and other operating and general expenses, including the pro forma effect on depletion expense attributable to the Holly, Waskom, and Danville assets.

(g) This adjustment represents the change in impairment of oil and natural gas properties related to the pro forma effects of the removal of the Holly, Waskom, and Danville assets' operations.

(h) This adjustment represents the reduction of interest expense for the effect of the \$147.0 repayment of amounts outstanding under the Compass credit facility.

(i) This adjustment represents the change in derivative gains and losses related to the pro forma effects of the removal of the Holly, Waskom, and Danville assets' operations.

(j) This adjustment represents the estimated net impact on HRG's stockholders' equity related to the sale transaction, consisting of a gain on the sale of the Holly, Waskom, and Danville assets of \$103.1.

(k) Compass is not directly subject to federal income taxes. Instead, its taxable income or loss is allocated to its individual partners. However due to a full valuation allowance over deferred tax assets at HRG, these losses will not impact the net deferred tax balances.

(l) These adjustments reflect non-controlling interest in Compass' pro forma net income adjustments using a non-controlling interest factor of 0.5% at September 30, 2015 and 0.3% for the year ended September 30, 2015.

(m) Basic and diluted earnings per share were recalculated based on 198,142,363 weighted-average common shares outstanding - basic and diluted for the year ended September 30, 2015.

DESCRIPTION OF OTHER HRG INDEBTEDNESS

The 7.875% Notes

In December 2012, HRG issued \$700.0 million aggregate principal amount of 7.875% Senior Secured Notes due 2019 (the “7.875% Notes”) and in July 2013 HRG issued an additional \$225.0 million of the 7.875% Notes under an indenture between Wells Fargo Bank, National Association, as trustee and us, as amended by the first supplemental indenture, dated as of May 23, 2014 (as amended, the “Senior Secured Notes Indenture”). The 7.875% Notes are secured by a first priority lien on substantially all of the assets directly held by us, including stock in our direct subsidiaries (with the exception of Zap.Com Corporation) and our directly held cash and investment securities. On May 30, 2014, we exchanged \$320.6 million aggregate principal amount of the 7.875% Notes for \$350.0 million aggregate principal amount of additional Notes pursuant to an exchange offer. In April and May 2015, we issued an additional \$100.0 million and \$160.0 million, respectively, aggregate principal amount of our 7.875% Notes under the Senior Secured Notes Indenture.

We have the option to redeem the 7.875% Notes prior to January 15, 2016 at a redemption price equal to 100% of the principal amount plus a make-whole premium and accrued and unpaid interest to the date of redemption. At any time on or after January 15, 2016, we may redeem some or all of the 7.875% Notes at certain fixed redemption prices expressed as percentages of the principal amount, plus accrued and unpaid interest. At any time prior to January 15, 2016, we may redeem up to 35% of the original aggregate principal amount of the 7.875% Notes with net cash proceeds received by us from certain equity offerings at a price equal to 107.875% of the principal amount of the 7.875% Notes redeemed, plus accrued and unpaid interest, if any, to the date of redemption; provided that redemption occurs within 90 days of the closing date of such equity offering, and at least 65% of the aggregate principal amount of the 7.875% Notes remains outstanding immediately thereafter.

The Senior Secured Notes Indenture contains covenants limiting, among other things, and subject to certain qualifications and exceptions, our ability, and, in certain cases, the ability of our subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of our assets to, another person. We are also required to maintain compliance with certain financial tests, including minimum liquidity and collateral coverage ratios that are based on the fair market value of the collateral, including our equity interests in Spectrum Brands and our other subsidiaries. At September 30, 2015, we were in compliance with all covenants under the Senior Secured Notes Indenture.

This description of the 7.875% Notes is qualified in its entirety by reference to the Senior Secured Notes Indenture, a copy of which is filed as Exhibit 4.1 to HRG’s Current Report on Form 8-K filed with the SEC on December 26, 2012, the first supplemental indenture, a copy of which is filed as Exhibit 4.1 to HRG’s Current Report on Form 8-K filed with the SEC on May 23, 2014 and the Collateral Trust Agreement, a copy of which is filed as Exhibit 4.5 to HRG’s Registration Statement on Form S-4 filed with the SEC on January 28, 2011.

DESCRIPTION OF NOTES

In this Description of Notes, “HRG” refers only to HRG Group, Inc. (formerly known as “Harbinger Group Inc.”), and any successor obligor on the notes, and not to any of its subsidiaries, “notes” refers to all 7.750% Senior Notes due 2022 that have been issued and are currently outstanding and “additional notes” refers to all additional 7.750% Senior Notes due 2022 that may be issued under the Indenture (as defined below). You can find the definitions of certain terms used in this description of notes under “—Certain Definitions.”

HRG issued the notes under the indenture, dated as of January 21, 2014 (the “Indenture”) between HRG and Wells Fargo Bank, National Association, as trustee. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to Trust Indenture Act of 1939 (the “Trust Indenture Act”). As of September 30, 2015, there were \$890.0 million aggregate principal amount of notes outstanding. All notes will vote together as a single class for all purposes of the Indenture and will vote together as one class on all matters with respect to the notes.

The following is a summary of the material provisions of the Indenture. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture in its entirety because it, and not this description, defines your rights as holders of the notes. A copy of the Indenture is filed as Exhibit 4.1 to the Current Report on Form 8-K filed by HRG on January 21, 2014.

Basic Terms of Notes

The notes are:

- unsecured unsubordinated obligations of HRG, ranking equally in right of payment with all existing and future unsubordinated debt of HRG;
- effectively subordinated to all secured debt of HRG to the extent of the value of the collateral securing that debt; and
- ranked senior in right of payment to all of HRG’s and the Guarantors’ future debt that expressly provides for its subordination to the notes and the Note Guaranties.

Maturity and Interest

The notes will mature on January 15, 2022. Interest on the notes will accrue at the rate of 7.750% per annum. HRG will pay interest on the notes semi-annually in arrears on January 15 and July 15 of each year to holders of record on the immediately preceding January 1 and July 1. Interest on the notes will accrue from the most recent date to which interest has been paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. HRG will pay interest on overdue principal of the notes at a rate equal to 1.0% per annum in excess of the 7.750% per annum and will pay interest on overdue installments of interest at such higher rate, in each case to the extent lawful.

Additional Notes

Subject to the covenants described below, HRG may issue additional notes under the Indenture in an unlimited principal amount having the same terms in all respects as the notes, or in all respects except with respect to interest paid or payable on or prior to the first interest payment date after the issuance of such notes. The notes and any additional notes will be treated as a single class for all purposes under the Indenture and will vote together as one class on all matters with respect to the notes. Additional notes cannot be issued under the same CUSIP number unless the additional notes and original notes are fungible for U.S. federal income tax purposes.

Guaranties

If any Subsidiary of HRG guarantees any Debt of HRG, such Subsidiary must provide a full and unconditional Note Guaranty.

Each Note Guaranty will be limited to the maximum amount that would not render the Guarantor’s obligations subject to avoidance under applicable fraudulent conveyance provisions of the U.S. Bankruptcy Code or any comparable provision of state law. By virtue of this limitation, a Guarantor’s obligation under its Note Guaranty could be significantly less than amounts payable with respect to the notes, or a Guarantor may have effectively no obligation under its Note Guaranty. See “Risk Factors—Risks Related to the Notes—Fraudulent transfer statutes may limit your rights as a holder of the Notes.”

The Note Guaranty of a Guarantor will terminate automatically upon:

- (1) a sale, transfer or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (other than to HRG or a Subsidiary of HRG) not

prohibited by the Indenture;
(2) a Guarantor ceases to guarantee any Debt of HRG; or
(3) defeasance or discharge of the notes, as provided in “—Defeasance and Discharge.”
As of the date hereof, there are no Guarantors.

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Ranking

The notes are unsecured unsubordinated obligations of HRG, ranking equally in right of payment with all existing and future unsubordinated Debt of HRG.

As of September 30, 2015:

• HRG had no debt other than the \$864.4 million aggregate principal amount of the 7.875% Notes and the \$890.0 million aggregate principal amount of the notes.

• The 7.875% Notes are effectively senior to the notes to the extent of the value of the collateral securing the 7.875% Notes.

• Subject to the limits described under “—Certain Covenants—Limitation on Debt and Disqualified Stock” and “—Certain Covenants—Limitation on Liens,” HRG may incur additional Debt, some of which may be secured.

• The total liabilities of HRG on an unconsolidated and consolidated basis were \$1.8 billion and \$30.7 billion, respectively.

HRG is organized and intended to be operated as a holding company that owns Equity Interests of various Subsidiaries. It is not expected that future-operating Subsidiaries will guarantee the notes. Claims of creditors of non-guarantor Subsidiaries, including trade creditors, and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of HRG, including holders of the notes, and holders of minority equity interests in such Subsidiaries will have ratable claims with claims of creditors of HRG. The notes therefore will be effectively subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Subsidiaries of HRG. As of September 30, 2015, the total liabilities of Spectrum Brands were approximately \$5.7 billion, including trade payables. As of September 30, 2015, the total liabilities of FGL were approximately \$23.4 billion, including approximately \$17.8 billion in annuity contractholder funds, approximately \$3.5 billion in future policy benefits and approximately \$300.0 million of indebtedness under the FGH Notes. As of September 30, 2015, the total liabilities of HAMCO were approximately \$1.4 million and were approximately \$379.4 million when consolidated with the Asset Managers. As of September 30, 2015, the total liabilities of HGI Energy were approximately \$502.0 million. The Indenture does not limit the incurrence of Debt (or other liabilities) and Disqualified Stock of Subsidiaries that are not Guarantors. See “—Certain Covenants—Limitation on Debt and Disqualified Stock.”

HRG’s ability to pay interest on the notes is dependent upon the receipt of dividends and other distributions from its Subsidiaries. The availability of distributions from its Subsidiaries will be subject to the satisfaction of various covenants and conditions contained in the applicable Subsidiary’s existing and future financing and organizational documents, as well as applicable law, rule and regulation. See the section titled “Risk Factors—Risks Related to the Notes—We are a holding company and our only material assets are our equity interests in our operating subsidiaries and our other investments; as a result, our principal source of revenue and cash flow is distributions from our subsidiaries; our subsidiaries may be limited by law and by contract in making distributions to us.”

Optional Redemption

Except as set forth in this section, the notes are not redeemable at the option of HRG.

At any time and from time to time prior to January 15, 2017, HRG may redeem the notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount of notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the applicable redemption date.

“Applicable Premium” means, with respect to any note on any redemption date, the greater of

(i) 1.0% of the principal amount of such note; or

(ii) the excess of:

- (a) the present value at such redemption date of (i) the redemption price of such note at January 15, 2017 (such redemption price being set forth in the table appearing below), plus (ii) all required interest payments due on such note through January 15, 2017 excluding accrued but unpaid interest to the applicable redemption date, computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
- (b) the principal amount of the note.

“Treasury Rate” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date

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to January 15, 2017; provided, however, that if the period from the redemption date to January 15, 2017 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At any time and from time to time on or after January 15, 2017, HRG may redeem the notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date.

12-month period commencing	Price
January 15, 2017	105.813%
January 15, 2018	103.875%
January 15, 2019	101.938%
January 15, 2020 and thereafter	100.000%

At any time and from time to time prior to January 15, 2017, HRG may redeem notes with the net cash proceeds received by HRG from any Equity Offering at a redemption price equal to 107.750% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the notes issued under the Indenture (including additional notes); provided that

- (1) in each case the redemption takes place not later than 90 days after the closing of the related Equity Offering, and
- (2) not less than 65% of the aggregate principal amount of the notes issued under the Indenture remains outstanding immediately thereafter.

Selection and Notice

If fewer than all of the notes are being redeemed, the trustee will select the notes to be redeemed pro rata, by lot or by any other method the trustee in its sole discretion deems fair and appropriate in accordance with DTC procedures, in denominations of \$2,000 principal amount and higher integral multiples of \$1,000. Upon surrender of any note redeemed in part, the holder will receive a new note equal in principal amount to the unredeemed portion of the surrendered note. Once notice of redemption is sent to the holders, notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, notes redeemed will cease to accrue interest. Any redemption and notice thereof may, at HRG's discretion, be subject to one or more conditions precedent.

No Sinking Fund

There will be no sinking fund payments for the notes.

Open Market Purchases and Other Purchases

From time to time, HRG or its Affiliates may acquire notes through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as HRG or its Affiliates (as applicable) may determine (or as may be provided for in the Indenture), which may be more or less than the consideration for which such series of notes are being sold and may be less than the redemption price in effect and could be for cash or other consideration, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture. There can be no assurance as to which, if any, of these alternatives or combinations thereof HRG or its Affiliates may choose to pursue in the future. Any notes held by HRG or its Affiliates shall be disregarded and deemed not to be outstanding when determining whether the holders of the requisite principal amount of the outstanding notes have given, taken or concurred in any direction, waiver or consent or other action.

Certain Covenants

Set forth below are summaries of certain covenants that will be contained in the Indenture. If at any time after the Issue Date that (i) the notes have Investment Grade Ratings by each of S&P and Moody's (or, if either (or both) of S&P and Moody's have been substituted in accordance with the definition of "Rating Agencies," by each of the then applicable Rating Agencies) and (ii) no Default has occurred and is continuing under the Indenture, HRG and the Guarantors will not be subject to the covenants in the Indenture specifically listed under the following captions in this "Description of Notes" section of this prospectus (the "Suspended Covenants"):

- (1) "—Maintenance of Liquidity";

- (2) “—Limitation on Debt and Disqualified Stock”;
- (3) “—Limitation on Restricted Payments”;
- (4) “—Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries”;
- (5) “—Limitation on Asset Sales”;
- (6) “—Limitation on Transactions with Affiliates”; and

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(7) clause (3) under “—Consolidation, Merger or Sale of Assets.”

In the event that HRG and the Guarantors are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the “Reversion Date”) the condition set forth in clause (i) of the first paragraph of this section is no longer satisfied, then HRG and the Guarantors will thereafter again be subject to the Suspended Covenant with respect to future events.

On each Reversion Date, all Debt Incurred during such time as the above referenced covenants are suspended (a “Suspension Period”) prior to such Reversion Date will be deemed to be Debt Incurred pursuant to clause (8) of paragraph (b) under “—Limitation on Debt and Disqualified Stock.” For purposes of calculating the amount available to be made as Restricted Payments under clause (3) of paragraph (a) of “—Limitation on Restricted Payments,” calculations under such covenant shall be made as though such covenant had been in effect during the Suspension Period.

Restricted Payments made during the Suspension Period not otherwise permitted pursuant to paragraph (b) of the “—Limitation on Restricted Payments” covenant, or permitted under clauses (1), (10) and (13) of paragraph (b), will reduce the amount available to be made as Restricted Payments under clause (3) of paragraph (a) of such covenant. For purposes of the “—Limitation on Asset Sales” covenant, on the Reversion Date, the amount of Excess Proceeds will be reset to the amount of Excess Proceeds (as defined below) in effect as of the first day of the Suspension Period ending on such Reversion Date. Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default shall be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during a Suspension Period (or on the Reversion Date after a Suspension Period based solely on events that occurred during the Suspension Period).

There can be no assurance that the notes will ever achieve or maintain Investment Grade Ratings from the Rating Agencies.

Maintenance of Liquidity

From the Issue Date, HRG and the Guarantors shall maintain an amount in Cash Equivalents that is subject to no Liens (other than Liens under the Security Documents) in an amount equal to HRG’s obligations to pay interest on the notes and all other Debt of HRG and the Guarantors for the next six months. In the case any such Debt bears interest at a floating rate, HRG may assume that the reference interest rate in effect on the applicable date of determination will be in effect for the remainder of such period.

Limitation on Debt and Disqualified Stock

(a) Neither HRG nor any Guarantor will Incur any Debt.

(b) Notwithstanding the foregoing, HRG and, to the extent provided below, any Guarantor may Incur the following (“Permitted Debt”):

(1) Debt of HRG or any Guarantor constituting Secured Obligations; provided that, on the date of the Incurrence, after giving effect to the Incurrence and the receipt and application of the proceeds therefrom, the Collateral Coverage Ratio is not less than 2.0 to 1.0;

(2) Debt of HRG or any Guarantor owed to HRG or any Guarantor so long as such Debt continues to be owed to HRG or any Guarantor;

(3) Unsecured Debt of HRG or any Guarantor; provided that (a) if such Debt is Subordinated Debt, such Subordinated Debt has a Stated Maturity after the Stated Maturity of the notes and (b) on the date of the Incurrence, after giving effect to the Incurrence and the receipt and application of the proceeds therefrom, the Total Debt Coverage Ratio is not less than 2.0 to 1.0;

(4) Debt of HRG pursuant to the notes (other than additional notes, but including the Exchange Notes) and Debt of any Guarantor pursuant to a Note Guaranty of the notes (including additional notes and the Exchange Notes);

(5) Debt (“Permitted Refinancing Debt”) constituting an extension or renewal of, replacement of, or substitution for, or issued in exchange for, or the net proceeds of which are used to repay, redeem, repurchase, refinance or refund, including by way of defeasance (all of the foregoing, for purposes of this clause, “refinance”) then outstanding Debt in an amount not to exceed the principal amount of the Debt so refinanced, plus premiums, fees and expenses; provided that

(A) in case the Debt to be refinanced is Subordinated Debt, the new Debt, by its terms or by the terms of any agreement or instrument pursuant to which it is outstanding, is expressly made subordinate in right of payment to

the notes at least to the extent that the Debt to be refinanced is subordinated to the notes,
(B) the new Debt does not have a Stated Maturity prior to the Stated Maturity of the Debt to be refinanced, and the
Average Life of the new Debt is at least equal to the remaining Average Life of the Debt to be refinanced, and

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- (C) Debt Incurred pursuant to clauses (2), (3), (6), (7), (9), (10), (11), (12) and (13) may not be refinanced pursuant to this clause;
- (6) Hedging Agreements of HRG or any Guarantor entered into in the ordinary course of business for the purpose of managing risks associated with the business of HRG or its Subsidiaries and not for speculation;
- Debt of HRG or any Guarantor with respect to (A) letters of credit and bankers' acceptances issued in the ordinary course of business and not supporting other Debt, including letters of credit supporting performance, surety or appeal bonds, workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Debt with respect to reimbursement type obligations regarding workers' compensation claims and (B) indemnification, adjustment of purchase price, earn-out or similar obligations incurred or assumed in connection with the acquisition or disposition of any business or assets;
- (7) Debt of HRG outstanding on the Issue Date (and, for purposes of clause 5(C) not otherwise constituting Permitted Debt);
- (8) Debt of HRG or any Guarantor consisting of Guarantees of Debt of HRG or any Guarantor Incurred under any other clause of this covenant;
- (9) Debt of HRG or any Guarantor Incurred on or after the Issue Date not otherwise permitted in an aggregate principal amount at any time outstanding not to exceed \$75.0 million;
- Debt arising from endorsing instruments of deposit and from the honoring by a bank or other financial institution
- (11) of a check, draft or similar instrument drawn against insufficient funds, in each case, in the ordinary course of business; provided that such Debt is extinguished within five business days of Incurrence;
- (12) Debt of HRG or any Guarantor consisting of the financing of insurance premiums;
- (13) Contribution Debt; and
- Debt, which may include Capital Leases, Incurred on or after the Issue Date no later than 180 days after the date of purchase, or completion of construction or improvement of property, for the purpose of financing all or any part of the purchase price or cost of construction or improvement; provided that the principal amount of any Debt
- (14) Incurred pursuant to this clause at any time outstanding may not exceed (a) \$25.0 million less (b) the aggregate outstanding amount of Permitted Refinancing Debt Incurred to refinance Debt Incurred pursuant to this clause; and
- Notwithstanding any other provision of this covenant, for purposes of determining compliance with this covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that HRG or a Guarantor may Incur under this covenant. For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Debt, the U.S. dollar-equivalent principal amount of Debt denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Debt was Incurred; provided that if such Debt is Incurred to refinance other Debt denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated
- (c) restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Debt does not exceed the principal amount of such Debt being refinanced (including, for the avoidance of doubt, premium, fees and expenses). The principal amount of any Debt Incurred to refinance other Debt, if Incurred in a different currency from the Debt being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Debt is denominated that is in effect on the date of such refinancing.
- (d) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in this covenant, HRG, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and HRG will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in this covenant, and may, at any time after such Incurrence (based on circumstances existing at such time), change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in this covenant at any time. If any Contribution

Debt is redesignated as Incurred under any provision other than clause (13) of

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paragraph (b), the related issuance of Equity Interests may be included in any calculation under paragraph (a)(3)(B) of “—Limitation on Restricted Payments.”

Neither HRG nor any Guarantor may Incur any Debt that is subordinated in right of payment to other Debt of HRG or the Guarantor unless such Debt is also subordinated in right of payment to the notes or the relevant Note (e) Guaranty on substantially identical terms. This does not apply to distinctions between categories of Debt that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Debt.

Limitation on Restricted Payments

HRG will not, and, to the extent within HRG’s control, will not permit any of its Subsidiaries (including any (a) Guarantor) to, directly or indirectly (the payments and other actions described in the following clauses being collectively “Restricted Payments”):

• declare or pay any dividend or make any distribution on its Equity Interests (other than dividends or distributions paid in HRG’s Qualified Equity Interests) held by Persons other than HRG or any of its Subsidiaries;

• purchase, redeem or otherwise acquire or retire for value any Equity Interests of HRG or any direct or indirect parent of HRG held by Persons other than HRG or any of its Subsidiaries;

• repay, redeem, repurchase, defease or otherwise acquire or retire for value, or make any payment on or with respect to, any Subordinated Debt of HRG or any Guarantor except a payment of interest or principal at Stated Maturity; or

• make any Investment in any direct or indirect parent of HRG;

unless, at the time of, and after giving effect to, the proposed Restricted Payment:

- (1) no Default has occurred and is continuing,
- (2) HRG could Incur at least \$1.00 of Debt under paragraph (b) (3) under “—Limitation on Debt and Disqualified Stock,” and
- (3) the aggregate amount expended for all Restricted Payments made on or after the Issue Date would not, subject to paragraph (c), exceed the sum of
 - (A) 50% of the aggregate amount of the Consolidated Net Income (or, if the Consolidated Net Income is a loss, minus 100% of the amount of the loss) accrued on a cumulative basis during the period, taken as one accounting period, beginning with the first fiscal quarter commencing after the Issue Date and ending on the last day of HRG’s most recently completed fiscal quarter for which internal financial statements are available, plus
 - (B) subject to paragraph (c), the aggregate net cash proceeds and the fair market value of marketable securities or other property received by HRG (other than from a Subsidiary) after the Issue Date
 - (i) from the issuance and sale of its Qualified Equity Interests, including by way of issuance of its Disqualified Equity Interests or Debt to the extent since converted into Qualified Equity Interests of HRG, or
 - (ii) as a contribution to its common equity (other than Equity Interests sold to a Subsidiary), plus
 - (C) \$75.0 million.

The amount expended in any Restricted Payment, if other than in cash, will be deemed to be the fair market value of the relevant non-cash assets, as determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of the Board of Directors.

(b) The foregoing will not prohibit:

- (1) the payment of any dividend, or distribution or consummation of a redemption within 60 days after the date of declaration thereof or the giving of the redemption notice, as applicable, if, at the date of declaration or notice such payment would comply with paragraph (a);
- (2) dividends or distributions by the EXCO Joint Venture or a Subsidiary payable, on a pro rata basis or on a basis more favorable than pro rata to HRG, to all holders of any class of Capital Stock of such Person;
- (3) the repayment, redemption, repurchase, defeasance or other acquisition or retirement for value of (a) Subordinated Debt with the proceeds of, or in exchange for, Permitted Refinancing Debt

which incurrence occurs within 60 days prior to such repayment, redemption, repurchase, defeasance or other acquisition or retirement for value provided that such repayment would have complied with the provisions of the Indenture on such incurrence date; or (b) Existing Preferred Stock with the proceeds of, or in exchange for, Subordinated Debt or with the proceeds of this offering of notes or other unsecured Debt or with any other available cash, except to the extent such cash is the proceeds of any borrowing incurred after the Issue Date of Debt constituting Secured Obligations; provided, further, that in the case of this clause (b), such Subordinated Debt or other unsecured Debt does not have a Stated Maturity prior to the Stated Maturity of the notes;

(4) the purchase, redemption or other acquisition or retirement for value of Equity Interests of HRG (including the Existing Preferred Stock) or any direct or indirect parent in exchange for, or out of the proceeds of, (i) an offering (occurring within 60 days of such purchase redemption or other acquisition or retirement for value) of Qualified Equity Interests of HRG or (ii) a contribution to the common equity capital of HRG;

(5) the making of any Restricted Payment in exchange for, or out of the proceeds of (i) an offering (occurring within 60 days of such Restricted Payment) of Qualified Equity Interests of HRG or (ii) a contribution to the common equity capital of HRG;

(6) the purchase, redemption or other acquisition or retirement for value of Equity Interests of HRG held by officers, directors or employees or former officers, directors or employees (or their estates or beneficiaries under their estates), upon death, disability, retirement, severance or termination of employment or pursuant to any agreement under which the Equity Interests were issued; provided that the aggregate cash consideration paid therefor in any fiscal year, commencing with the fiscal year during which the Issue Date occurred, does not exceed an aggregate amount equal to the sum of (x) \$25.0 million and (y) the amount of Restricted Payments permitted but not made pursuant to this clause (6) in prior fiscal years commencing with the fiscal year during which the Issue Date occurred; provided that no more than \$50.0 million may be carried forward from a fiscal year to the next succeeding fiscal year such that the aggregate amount of cash consideration paid pursuant to this clause (6) in any fiscal year shall not exceed \$75.0 million;

(7) the repurchase of any Subordinated Debt at a purchase price not greater than (x) 101% of the principal amount thereof in the event of a change of control pursuant to a provision no more favorable to the holders thereof than “—Repurchase of Notes Upon a Change of Control” or (y) 100% of the principal amount thereof in the event of an Asset Sale pursuant to a provision no more favorable to the holders thereof than “—Limitation on Asset Sales”; provided that, in each case, prior to the repurchase HRG has made an Offer to Purchase and repurchased all notes issued under the Indenture that were validly tendered for payment in connection with the Offer to Purchase;

(8) Restricted Payments not otherwise permitted hereby in an aggregate amount not to exceed \$75.0 million;

(9) (a) repurchases of Equity Interests deemed to occur upon the exercise of stock options or warrants if the Equity Interests represent all or a portion of the exercise price thereof (or related withholding taxes) and (b) Restricted Payments by HRG to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Equity Interests of HRG in an aggregate amount under this clause (b) not to exceed \$1.0 million;

(10) payment of dividends or distributions on Disqualified Equity Interests of HRG or any Guarantor and payment of any redemption price or liquidation value of any Disqualified Equity Interest when due in accordance with its terms, in each case, to the extent that such Disqualified Equity Interest was permitted to be Incurred in accordance with the provisions of the Indenture; provided that no Restricted Payment may be made pursuant to this clause (10) in connection with, or pursuant to the terms of, the Existing Preferred Stock;

(11) in the case of any Subsidiary of HRG that, in the ordinary course of its business, makes Investments in private collective investment vehicles (including private collective investment vehicles other than those owned by Permitted Holders), Investments by such Subsidiary in private collective investment vehicles owned or managed by Permitted Holders;

Payments by HRG used to fund costs, expenses and fees related to (i) the Hardware Acquisition and the EXCO/HRG Closing, (ii) the 7.875% Notes and the issuance of the notes and the use of proceeds therefrom, in (12) each case as disclosed in the offering circular relating to such offering, (iii) the Spectrum Brands Acquisition or (iv) future acquisitions if such costs, expenses and fees are reasonable and customary (as determined in good faith by HRG);

(13) the payment of dividends on Qualified Equity Interests of up to 8.0% per annum of the greater of the gross proceeds received by HRG from any offering or sale of such Qualified Equity Interests after the Issue Date or the accreted value of such Equity Interests (provided that the aggregate amount of dividends paid on such Qualified Equity Interests shall not exceed the proceeds therefrom received by HRG after the Issue Date); and the purchase, redemption or other acquisition or retirement for value of Equity Interests of HRG; provided that the aggregate cash consideration paid therefor in any fiscal year, commencing with the fiscal year ended September 30, 2013, does not exceed an aggregate amount equal to the sum of (x) \$20.0 million and (y) the amount of (14) Restricted Payments permitted but not made pursuant to this clause (14) in prior fiscal years commencing with the fiscal year ended September 30, 2013; provided that no more than \$10.0 million may be carried forward from a prior fiscal year to any new fiscal year; provided, further, that the aggregate amount of cash consideration paid pursuant to this clause (14) in any fiscal year shall not exceed \$75.0 million.

provided that, in the case of clauses (6), (7), (10) and (13), no Default has occurred and is continuing or would occur as a result thereof.

Proceeds of the issuance of Qualified Equity Interests will be included under clause (3) of paragraph (a) only to the extent they are not applied as described in clause (4) or (5) of paragraph (b). Restricted Payments permitted (c) pursuant to clauses (2) through (9), (11), (12) and (14) will not be included in making the calculations under clause (3) of paragraph (a).

For purposes of determining compliance with this covenant, in the event that a proposed Restricted Payment (or portion thereof) meets the criteria of more than one of the categories of Restricted Payments described in clauses (1) through (14) above, or is entitled to be incurred pursuant to paragraph (a) of this covenant, HRG will be entitled (d) to divide, classify or re-classify (based on circumstances existing at the time of such re-classification) such Restricted Payment (or portion thereof) in any manner that complies with this covenant and such Restricted Payment will be treated as having been made pursuant to only such clause or clauses or the paragraph (a) of this covenant.

Paragraph (a) of this covenant will not prohibit the payment of dividends pursuant to Section 2(a) of the Certificate (e) of Designation of Series A and Certificate of Designation of Series A-2 governing the Existing Preferred Stock as of the Issue Date.

HRG and the Guarantors will not directly or indirectly make any Investment in LightSquared; provided that HRG and any Guarantor may acquire Equity Interests in LightSquared (i) solely in exchange for Qualified Equity (f) Interests of HRG or solely as a contribution to the common equity of HRG; or (ii) if, after giving effect to the Investment, the Cash Collateral Coverage Ratio would be at least 2.0 to 1.0.

Limitation on Liens

Neither HRG nor any Guarantor will, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind upon any of their property or assets, whether owned at the Issue Date or thereafter acquired, to secure Debt or other obligations that are pari passu with or subordinated in right of payment to the notes or Note Guaranties, if any (other than Permitted Liens), without effectively providing that the notes are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the notes or any Note Guaranty, prior to) the obligations so secured for so long as such obligations are so secured.

For purposes of determining compliance with this covenant, (A) a Lien securing an item of Debt need not be permitted solely by reference to one category of permitted Liens described in the definition of "Permitted Liens" but may be permitted in part under any combination thereof and (B) in the event that a Lien securing an item of Debt, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of one or more of the categories of permitted Liens described in the definition of "Permitted Liens," HRG shall, in its sole discretion, divide, classify or reclassify, or later divide, classify or reclassify, such Lien securing such item of Debt (or any portion thereof) in any

manner that complies with this covenant and will only be required to include the amount and type of such Lien or such item of Debt secured by such Lien in one of the clauses of the definition of "Permitted Liens" and such Lien securing such item of Debt will be treated as being Incurred or existing pursuant to only one of such clauses.

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With respect to any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt, such Lien shall also be permitted to secure any Increased Amount of such Debt provided that such Increased Amount is otherwise permitted to be Incurred. The “Increased Amount” of any Debt shall mean any increase in the amount of such Debt in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Debt with the same terms, the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock of the same class, accretion of original issue discount or liquidation preference and increases in the amount of Debt outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Debt described in subclause (7) of the definition of “Debt.”

Limitation on Sale and Leaseback Transactions

Neither HRG nor any Guarantor will enter into any Sale and Leaseback Transaction with respect to any property or asset unless HRG or the Guarantor would be entitled to

- (1) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to “—Limitation on Debt and Disqualified Stock,” and
- (2) create a Lien on such property or asset securing such Attributable Debt without equally and ratably securing the notes pursuant to “—Certain Covenants—Limitation on Liens,”

in which case, the corresponding Debt and Lien will be deemed Incurred pursuant to those provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries

Except as provided in paragraph (b), HRG will not, and, to the extent within HRG’s control, will not permit any (a) Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Subsidiary to:

- (1) pay dividends or make any other distributions on any Equity Interests of the Subsidiary owned by HRG or any other Subsidiary;
 - (2) pay any Debt or other obligation owed to HRG or any other Subsidiary;
 - (3) make loans or advances to HRG or any other Subsidiary; or
 - (4) transfer any of its property or assets to HRG or any other Subsidiary.
- (b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:
- (1) existing on the Issue Date in the Indenture or any other agreements in effect on the Issue Date, and any extensions, renewals, replacements or refinancings of any of the foregoing; provided that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;
 - (2) existing under or by reason of applicable law, rule, regulation or order; existing with respect to any Person, or to the property or assets of any Person, at the time the Person is acquired by HRG or any Subsidiary, which encumbrances or restrictions (i) are not applicable to any other Person or the property or assets of any other Person (other than Subsidiaries of such Person) and (ii) do not materially adversely
 - (3) affect HRG’s ability to make interest and principal payments on the notes, and any extensions, renewals, replacements, or refinancings of any of the foregoing; provided the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced; of the type described in clause (a)(4) arising or agreed to in the ordinary course of business (i) that restrict in a
 - (4) customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license or (ii) by virtue of any Lien on, or agreement to transfer, option or similar right (including any asset sale or stock sale agreement) with respect to any property or assets of, HRG or any Subsidiary; with respect to a Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or
 - (5) disposition of all or substantially all of the Capital Stock of, or property and assets of, the Subsidiary that is not prohibited by “—Limitation on Asset Sales”;
 - (6) contained in the terms governing any Debt of any Subsidiary if the encumbrances or restrictions are ordinary and customary for a financing of that type or would not, taken as a whole, materially adversely affect HRG’s ability to

make interest and principal payments on the notes;
(7)required pursuant to the Indenture;

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- existing pursuant to customary provisions in partnership agreements, limited liability company organizational governance documents, joint venture and other similar agreements entered into in the ordinary course of business
- (8) that restrict the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person (including, for the avoidance of doubt and without limitation, the EXCO Joint Venture);
 - (9) consisting of restrictions on cash or other deposits or net worth imposed by customers, suppliers or landlords under contracts entered into in the ordinary course of business;
 - (10) existing pursuant to purchase money and capital lease obligations for property acquired in the ordinary course of business; and
 - (11) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase or other agreement to which HRG or any of its Subsidiaries is a party entered into in the ordinary course of business; provided that such agreement prohibits the encumbrance solely of the property or assets of HRG or such Subsidiary that are the subject of such agreement, the payment rights thereunder or the proceeds thereof and does not extend to any other asset or property of HRG or such Subsidiary or the assets or property of any other Subsidiary.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock or other Preferred Stock shall not be deemed a restriction on the ability to make distributions on Equity Interests and (ii) the subordination of loans or advances made to HRG or any Subsidiary to other Debt Incurred by HRG or any such Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Repurchase of Notes upon a Change of Control

If a Change of Control occurs, each holder of notes will have the right to require HRG to repurchase all or any part (equal to \$2,000 or a higher multiple of \$1,000) of that holder's notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, HRG will offer a payment (such payment, a "Change of Control Payment") in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest thereon, to the date of purchase. Within 30 days following any Change of Control, HRG will mail, or deliver electronically, a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase notes on the date specified in such notice (the "Change of Control Payment Date"), which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered electronically, pursuant to the procedures required by the Indenture and described in such notice. HRG will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, HRG will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On or before the Change of Control Payment Date, HRG will, to the extent lawful:

- (1) accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions thereof properly tendered; and
- (3) deliver or cause to be delivered to the trustee the notes so accepted together with an Officer's Certificate stating the aggregate principal amount of notes or portions thereof being purchased by HRG.

The paying agent will promptly mail or wire transfer to each holder of notes properly tendered the Change of Control Payment for such notes, and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new note equal in principal amount to any unpurchased portion of the notes surrendered, if any. A Change of Control will generally constitute a change of control under HRG's existing debt instruments and any future credit agreements, series of Preferred Stock or other agreements to which HRG or any of its Subsidiaries becomes a party may provide that certain change of control events with respect to HRG would constitute a default under these agreements. HRG's ability to pay cash to the holders following the occurrence of a Change of Control may be limited by HRG's then existing financial resources. Moreover, the exercise by the holders of their right to require

HRG to purchase the notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on HRG. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the notes. See “Risk Factors—Risks Related to the Notes—We may be unable to repurchase the notes upon a change of control.”

HRG will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by HRG and purchases all notes validly tendered and not withdrawn under such Change of

Control Offer or (2) a notice of redemption has been given with respect to all the notes pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

Notes repurchased by HRG pursuant to a Change of Control Offer will have the status of notes issued but not outstanding or will be retired and cancelled at the option of HRG. Notes purchased by a third party pursuant to the preceding paragraph will have the status of notes issued and outstanding.

If holders of not less than 90% in aggregate principal amount of the outstanding notes validly tender and do not withdraw such notes in a Change of Control Offer and HRG, or any third party making a Change of Control Offer in lieu of HRG as described above, purchases all of the notes validly tendered and not withdrawn by such holders, HRG or such third party will have the right, upon not less than 30 nor more than 60 days’ prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest to but excluding the date of redemption.

A Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control or another event, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The provisions under the Indenture relative to HRG’s obligation to make a Change of Control Offer may be waived or modified with the written consent of the holders of a majority in principal amount of the notes.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of “all or substantially all” of the properties or assets of HRG and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the notes to require HRG to repurchase such notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of HRG and its Subsidiaries taken as a whole to another Person or group may be uncertain.

Under a Delaware Chancery Court interpretation of a change of control repurchase requirement with a continuing director provision, a board of directors may approve a slate of shareholder-nominated directors without endorsing them or while simultaneously recommending and endorsing its own slate instead. The foregoing interpretation would permit HRG’s Board of Directors to approve a slate of directors that included a majority of dissident directors nominated pursuant to a proxy contest, and the ultimate election of such directors would not constitute a “Change of Control” under the Indenture that would trigger the rights of a holder of notes to require a repurchase of the notes pursuant to this covenant.

Limitation on Asset Sales

Neither HRG nor any Guarantor will make any Asset Sale unless the following conditions are met:

- (1) The Asset Sale is for fair market value, as determined in good faith by the Board of Directors.
- (2) At least 75% of the consideration consists of Cash Equivalents received at closing or Replacement Assets. For purposes of this clause (2):
 - (A) the assumption by the purchaser, or cancellation, of Debt or other obligations (other than Subordinated Debt) of HRG or a Guarantor pursuant to a customary novation agreement or acknowledgment of such cancellation; provided, however, that such cancellation permanently retires such Debt (and in the case of a revolving credit facility, permanently reduces the commitment thereunder by such amount);
 - (B) instruments, securities, obligations or other assets received from the purchaser that are promptly, but in any event within 120 days of the closing, converted by HRG to Cash Equivalents, to the extent of the Cash Equivalents actually so received; and
 - (C) any Designated Non-cash Consideration received by HRG or any Guarantor in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (C) that is at that time outstanding, not to exceed \$25.0 million at the time of the receipt of such Designated Non-cash Consideration (with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) shall be considered Cash Equivalents received at closing.

Within 450 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Net Cash Proceeds may be used to (a) acquire all or substantially all of the assets of an operating business, a majority of the Voting Stock of another Person that thereupon becomes a Subsidiary engaged in an operating business or to make other
(3) Investments in Persons other than Permitted Holders in the ordinary course of business (collectively, “Replacement Assets”), (b) make a capital contribution to a Subsidiary, the proceeds of which are used by such Subsidiary to purchase an operating business, to make capital

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expenditures or otherwise acquire long-term assets that are to be used in an operating business or to make other Investments in Persons other than Permitted Holders in the ordinary course of business, (c) repay, repurchase or retire secured Debt of HRG or any Guarantor and, if applicable, to correspondingly reduce commitments with respect thereto and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount; and/or (d) repay, repurchase or retire the notes or pari passu Debt and, if applicable, to correspondingly reduce commitments with respect thereto and in the case of a revolving credit, permanently reduce the commitment thereunder by such amount; provided that if the Issuer shall so reduce such pari passu Debt, it will, on a ratable basis, make an Offer to Purchase in accordance with the procedures set forth below to all holders of notes to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, the pro rata principal amount of notes; provided that, in the case of clauses (a) and (b) above, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment so long as such commitment is entered into with the good faith expectation that such Net Cash Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an "Acceptable Commitment") and, in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Cash Proceeds are applied in connection therewith, another Acceptable Commitment (a "Second Commitment") is entered into within 180 days of such cancellation or termination (or, if later, within 450 days after the receipt of such Net Cash Proceeds); provided further that if any Second Commitment is later cancelled or terminated for any reason before such Net Cash Proceeds are applied, then such Net Cash Proceeds shall constitute Excess Proceeds (as defined below).

Following the entering into of a binding commitment with respect to an Asset Sale and prior to the consummation thereof, Cash Equivalents (whether or not actual Net Cash Proceeds of such Asset Sale) used for the purposes described in this clause (3) that are designated as uses in accordance with this clause (3), and not previously or subsequently so designated in respect of any other Asset Sale, shall be deemed to be Net Cash Proceeds applied in accordance with this clause (3).

The Net Cash Proceeds of an Asset Sale not applied within the time periods set forth in and pursuant to clause (3) shall constitute "Excess Proceeds." Excess Proceeds of less than \$35.0 million will be carried forward and accumulated; provided that until the aggregate amount of Excess Proceeds equals or exceeds \$35.0 million, all or (4) any portion of such Excess Proceeds may be used or invested in the manner described in clause (3) above and such invested amount shall no longer be considered Excess Proceeds. When accumulated Excess Proceeds equals or exceeds such amount, HRG must, within 30 days, make an "Offer to Purchase" notes having a principal amount equal to

(A) accumulated Excess Proceeds, multiplied by

a fraction (x) the numerator of which is equal to the outstanding principal amount of the notes and (y) the

(B) denominator of which is equal to the outstanding principal amount of the notes and all pari passu Debt owed to anyone other than HRG, a Subsidiary or any Permitted Holder similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest \$1,000.

The purchase price for the notes will be 100% of the principal amount plus accrued interest to the date of purchase. If the Offer to Purchase is for less than all of the outstanding notes and notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, HRG will purchase notes having an aggregate principal amount equal to the purchase amount on a pro rata basis, by lot or any other method that the trustee in its sole discretion deems fair and appropriate with adjustments so that only notes in multiples of \$1,000 principal amount will be purchased. Upon completion of the Offer to Purchase, Excess Proceeds will be reset at zero, and any Excess Proceeds remaining after consummation of the Offer to Purchase may be used for any purpose not otherwise prohibited by the Indenture.

An "Offer to Purchase" must be made by written offer, which will specify the principal amount of notes subject to the offer and the purchase price. The offer must specify an expiration date (the "expiration date") not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the "purchase date") not more than five business days after the expiration date. The offer will also contain instructions and materials necessary to enable holders to tender notes pursuant to the offer.

HRG will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, HRG will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the provisions of this covenant by virtue of such compliance.

Limitation on Transactions with Affiliates

HRG will not, and, to the extent within HRG's control, will not permit any Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with any Affiliate of HRG (a "Related Party Transaction"), involving payments or consideration in excess of \$5.0 million except upon fair and reasonable terms that taken as a whole are no less favorable to HRG or the Subsidiary than could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of HRG.

Any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of \$15.0 million must first be approved by a majority of the relevant Board of Directors who are disinterested in the subject matter of the transaction pursuant to a resolution of such Board of Directors. Prior to entering into any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of \$25.0 million, HRG must in addition obtain a favorable written opinion from a nationally recognized investment banking, appraisal or accounting firm as to the fairness of the transaction to HRG and its Subsidiaries from a financial point of view.

(c) The foregoing paragraphs do not apply to

- (1) any transaction between HRG and any of its Subsidiaries or between Subsidiaries of HRG; the payment, by HRG or a Subsidiary, of reasonable and customary regular fees and compensation to, and
- (2) reasonable and customary indemnification arrangements and similar payments on behalf of, directors of HRG or directors of such Subsidiary, respectively, who are not employees of HRG or such Subsidiary, respectively;
- (3) any Restricted Payments if permitted by "—Limitation on Restricted Payments"; transactions or payments, including the award of securities, pursuant to any employee, officer or director
- (4) compensation or benefit plans or arrangements by HRG or a Subsidiary entered into in the ordinary course of business, or approved by the Board of Directors of HRG or such Subsidiary, respectively; transactions pursuant to any contract or agreement in effect on the Issue Date, as amended, modified or replaced
- (5) from time to time so long as the terms of the amended, modified or new agreements, taken as a whole, are no less favorable to HRG and its Subsidiaries than those in effect on the date of the Indenture;
- (6) the entering into of a customary agreement providing registration rights, and the performance of such agreements; the issuance of Equity Interests (other than Disqualified Equity Interests) of HRG to any Person or any transaction
- (7) with an Affiliate where the only consideration paid by HRG or any Subsidiary is Equity Interests (other than Disqualified Equity Interests) of HRG or any contribution to the capital of HRG;
- (8) the entering into of any tax sharing agreement or arrangement or any other transactions undertaken in good faith for the sole purpose of improving the tax efficiency of HRG and its Subsidiaries;
 - (A) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, or transactions otherwise relating to the purchase or sale of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, (B) transactions with joint ventures entered into in
 - (9) ordinary course of business and consistent with past practice or industry norm (including, for the avoidance of doubt and without limitation, the EXCO Joint Venture) or (C) any management services or support agreement entered into on terms consistent with past practice and approved by a majority of HRG's or the relevant Subsidiary's Board of Directors (including a majority of the disinterested directors) in good faith; transactions permitted by, and complying with, the provisions of, the "Consolidation, Merger or Sale of Assets" covenant, or any merger, consolidation or reorganization of HRG or a Subsidiary with an Affiliate, solely for the purposes of reincorporating HRG or a Subsidiary in a new jurisdiction;
 - (a) transactions between HRG or any of its Subsidiaries and any Person that is an Affiliate solely because one or more of its directors is also a director of HRG or any of its Subsidiaries; provided that such director abstains from
 - (11) voting as a director of HRG or a Subsidiary on any matter involving such other Person or (b) transactions entered into with any of HRG's or its

Subsidiaries or Affiliates for shared services, facilities and/or employee arrangements entered into on commercially reasonable terms (as determined in good faith by HRG);

- (12) Investments permitted pursuant to clause (11) of “—Limitation on Restricted Payments” on commercially reasonable terms (as determined in good faith by HRG);
- (13) payments by HRG or any Subsidiary to any Affiliate for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments are on arms’-length terms and are approved by a majority of the members of the Board of Directors (including a majority of the disinterested directors) in good faith;
- (14) any transaction pursuant to which any Permitted Holder provides HRG and/or its Subsidiaries, at cost, with services, including services to be purchased from third-party providers, such as legal and accounting, tax, consulting, financial advisory, corporate governance, insurance coverage and other services, which transaction is approved by a majority of the members of the Board of Directors (including a majority of the disinterested directors) in good faith;
- (15) the contribution of Equity Interests of Spectrum Brands to HRG or any Subsidiary by a Permitted Holder; the entering into of customary investment management contracts between a Permitted Holder and any Subsidiary of HRG that, in the ordinary course of its business, makes Investments in private collective investment vehicles
- (16) (including private collective investment vehicles other than those owned by Permitted Holders), which investment management contracts are entered into on commercially reasonable terms and approved by a majority of the members of the Board of Directors (including a majority of the disinterested directors) in good faith; transactions in which HRG or any Subsidiary, as the case may be, delivers to the Trustee a letter from an
- (17) independent accounting, appraisal or investment banking firm of national standing stating that such transaction is fair to HRG or such Subsidiary from a financial point of view or meets the requirements of clause (a) above; with respect to transactions involving Spectrum Brands, Inc., any transaction that is permitted by the covenant,
- (18) “Limitation on Transactions with Affiliates” in the indenture governing Spectrum Brands, Inc.’s 6.375% Senior Notes due 2020 and 6.625% Senior Notes due 2022; and
- (19) with respect to transactions involving Fidelity & Guaranty Life Holdings, Inc., any transaction that is permitted by the covenant, “Limitation on Transactions with Affiliates” in the indenture governing the FGH Notes.

Financial Reports

Whether or not HRG is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, HRG (a) must provide the trustee and noteholders with, or electronically file with the SEC, within the time periods specified in the SEC’s rules and regulations

- (1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if HRG were required to file such reports, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and, with respect to annual information only, a report thereon by HRG’s certified independent accountants, and
- (2) all current reports that would be required to be filed with the SEC on Form 8-K if HRG were required to file such reports.

In addition, whether or not required by the SEC, HRG will, if the SEC will accept the filing, file a copy of all of the information and reports referred to in clauses (1) and (2) with the SEC for public availability within the time periods specified in the SEC’s rules and regulations. In addition, HRG will make the information and reports available to securities analysts and prospective investors upon request.

For so long as any of the notes remain outstanding and constitute “restricted securities” under Rule 144, HRG will furnish to the holders of the notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d) (4) under the Securities Act.

Any and all Defaults or Events of Default arising from a failure to furnish or file in a timely manner a report required by this covenant shall be deemed cured (and HRG shall be deemed to be in compliance with this covenant) upon furnishing or filing such report or certification as contemplated by this covenant (but without regard to the date on which such report or certification is so furnished or filed); provided that such cure shall not otherwise affect the rights of the holders under “Default and Remedies” if

the principal, premium, if any, and accrued interest (including Additional Interest, if any), have been accelerated in accordance with the terms of the Indenture and such acceleration has not been rescinded or cancelled prior to such cure.

Any subsequent restatement of financial statements shall have no retroactive effect for purposes of calculations previously made pursuant to the covenants contained in the Indenture.

Reports to Trustee

HRG will deliver to the trustee:

- (1) within 120 days after the end of each fiscal year a certificate stating that HRG has fulfilled its obligations under the Indenture or, if there has been a Default, specifying the Default and its nature and status; and
- (2) as soon as reasonably possible and in any event within 30 days after HRG becomes aware or should reasonably become aware of the occurrence of a Default, an Officer's Certificate setting forth the details of the Default, and the action which HRG proposes to take with respect thereto.

No Investment Company Registration

Neither HRG nor any Guarantor will register, or be required to register, as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

Consolidation, Merger or Sale of Assets

HRG

(a) HRG will not

consolidate with or merge with or into any Person,

sell, convey, transfer or otherwise dispose of all or substantially all of its assets as an entirety or substantially an entirety, in one transaction or a series of related transactions, to any Person, or

permit any Person to merge with or into HRG,

unless:

- (1) either (x) HRG is the continuing Person or (y) the resulting, surviving or transferee Person is a corporation organized and validly existing under the laws of the United States of America or any jurisdiction thereof and expressly assumes by supplemental indenture all of the obligations of HRG under the Indenture and the notes and the registration rights agreement;
- (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; immediately after giving effect to the transaction on a pro forma basis, (x) HRG or the resulting surviving or transferee Person would be in compliance with the covenant set forth under "—Certain Covenants—Maintenance of Liquidity" and (y) HRG could Incur at least \$1.00 of Debt under paragraph (b) (3) under "—Limitation on Debt and Disqualified Stock"; and
- (3) HRG delivers to the trustee an Officer's Certificate and an opinion of counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the Indenture; provided, that clauses (2) and (3) do not apply (i) to the consolidation or merger of HRG with or into a Wholly Owned Subsidiary or the consolidation or merger of a Wholly Owned Subsidiary with or into HRG or (ii) if, in the good faith determination of the Board of Directors of HRG, whose determination is evidenced by a Resolution of HRG's Board of Directors, the sole purpose of the transaction is to change the jurisdiction of incorporation of HRG.

(b) HRG shall not lease all or substantially all of its assets, whether in one transaction or a series of transactions, to one or more other Persons.

The foregoing clauses (a) and (b) shall not apply to (i) any transfer of assets by HRG to any Guarantor, (ii) any transfer of assets among Guarantors or (iii) any transfer of assets by a Subsidiary that is not a Guarantor to (x) another Subsidiary that is not a Guarantor or (y) HRG or any Guarantor.

Upon the consummation of any transaction effected in accordance with these provisions, if HRG is not the continuing Person, the resulting, surviving or transferee Person will succeed to, and be substituted for, and may exercise every right and power of, HRG under the Indenture and the notes with the same effect as if such successor Person had been named as HRG in the Indenture. Upon such substitution, except in the case of a sale, conveyance, transfer or disposition of less than all its assets, HRG will be released from its obligations under the Indenture and the notes.

Guarantors

No Guarantor may:

- consolidate with or merge with or into any Person;

sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

permit any Person to merge with or into the Guarantor,

unless:

- (A) the other Person is HRG or any Subsidiary that is a Guarantor or becomes a Guarantor concurrently with the transaction; or
 - (1) either (x) the Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Guarantor under its Note Guaranty; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or
- (B) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to HRG or a Subsidiary) otherwise permitted by the Indenture.

Default and Remedies

Events of Default

An “Event of Default” occurs if

- (1) HRG defaults in the payment of the principal of any note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise (other than pursuant to an Offer to Purchase);
- (2) HRG defaults in the payment of interest (including any Additional Interest) on any note when the same becomes due and payable, and the default continues for a period of 30 days;
HRG fails to make an Offer to Purchase or thereafter accept and pay for notes tendered when and as required
- (3) pursuant to “—Certain Covenants—Repurchase of Notes Upon a Change of Control” or “—Certain Covenants—Limitation of Asset Sales,” or HRG or any Guarantor fails to comply with “—Consolidation, Merger or Sale of Assets”;
HRG defaults in the performance of or breaches the covenant set forth under “—Certain Covenants—Maintenance of Liquidity” and such default or breach is not cured within 15 days after the date of such default under “—Certain Covenants—Maintenance of Liquidity” (it being understood that the date of default in the case of the covenant tested at the end of a fiscal period is the last day of such fiscal period);
- (4) HRG defaults in the performance of or breaches any other covenant or agreement of HRG in the Indenture or under
- (5) the notes and the default or breach continues for a period of 60 consecutive days after written notice to HRG by the trustee or to HRG and the trustee by the holders of 25% or more in aggregate principal amount of the notes; the failure by HRG or any Significant Subsidiary to pay any Debt (other than intercompany Debt) within any
- (6) applicable grace period after final maturity or the acceleration of any such Debt by the holders thereof because of a default, in each case, if the total amount of such Debt unpaid or accelerated exceeds \$50.0 million; one or more final judgments or orders for the payment of money are rendered against HRG or any of its Significant Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the
- (7) final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed \$50.0 million (in excess of amounts which HRG’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (8) certain bankruptcy defaults occur with respect to HRG or any Significant Subsidiary; or
any Note Guaranty of a Significant Subsidiary ceases to be in full force and effect, other than in accordance the
- (9) terms of the Indenture, or a Guarantor that is a Significant Subsidiary denies or disaffirms its obligations under its Note Guaranty.

Consequences of an Event of Default

If an Event of Default, other than a bankruptcy default with respect to HRG, occurs and is continuing under the Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding, by written notice to HRG (and to the trustee if the notice is given by the holders), may, and the trustee at the request of such holders shall, declare the principal of and accrued interest (including Additional Interest, if any) on the notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs with respect to HRG, the principal of and accrued interest on the notes then outstanding will become immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The holders of a majority in principal amount of the outstanding notes by written notice to HRG and to the trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by the declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided in “—Consequences of an Event of Default” or “—Amendments and Waivers—Amendments with Consent of Holders,” the holders of a majority in principal amount of the outstanding notes may, by notice to the trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

In the event of a declaration of acceleration of the notes because an Event of Default described in clause (6) under “Events of Default” has occurred and is continuing, the declaration of acceleration of the notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured, or waived by the holders of the Debt, or the Debt that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the notes that became due solely because of the acceleration of the notes, have been cured or waived.

The holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the notes, unless:

- (1) the holder has previously given to the trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in aggregate principal amount of outstanding notes have made written request to the trustee to institute proceedings in respect of the Event of Default in its own name as trustee under the Indenture;
- (3) holders have offered to the trustee indemnity reasonably satisfactory to the trustee against any costs, liabilities or expenses to be incurred in compliance with such request;
- (4) the trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding notes have not given the trustee a direction that is inconsistent with such written request.

Notwithstanding anything to the contrary, the right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturities thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the consent of that holder.

If any Default occurs and is continuing and is known to the trustee, the trustee will send notice of the Default to each holder within 90 days after it occurs, unless the Default has been cured; provided that, except in the case of a default

in the payment of the principal of or interest on any note, the trustee may withhold the notice if and so long as the trustee in good faith determines that withholding the notice is in the interest of the holders.

No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders

No director, officer, employee, incorporator, member or stockholder of HRG or any Guarantor, as such, will have any liability for any obligations of HRG or such Guarantor under the notes, any Note Guaranty or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. This waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Amendments and Waivers

Amendments Without Consent of Holders

HRG and the trustee may amend or supplement the Indenture and the notes without notice to or the consent of any noteholder

- (1) to cure any ambiguity, defect or inconsistency in the Indenture or the notes;
- (2) to comply with “—Consolidation, Merger or Sale of Assets”;
- (3) to comply with any requirements of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act;
- (4) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (5) to provide for uncertificated notes in addition to or in place of certificated notes; provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code or any successor provision;
- (6) to provide for any Guarantee of the notes, to secure the notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the notes when such release, termination or discharge is permitted by the Indenture;
- (7) to provide for or confirm the issuance of additional notes;
- (8) to make any other change that does not materially and adversely affect the rights of any holder; or
- (9) to conform any provision to the “Description of Notes,” in the January Offering Circular, as certified by an Officer’s Certificate.

Amendments With Consent of Holders

Except as otherwise provided in “—Default and Remedies—Consequences of an Event of Default” or paragraph (b), HRG and the trustee may amend the Indenture and the notes with the written consent of the holders of a majority in principal amount of the outstanding notes and the holders of a majority in principal amount of the outstanding notes may waive future compliance by HRG with any provision of the Indenture or the notes.

- (a) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not
 - (1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any note,
 - (2) reduce the rate of or change the Stated Maturity of any interest payment on any note,
 - (3) reduce the amount payable upon the redemption of any note or change the time of any mandatory redemption or, in respect of an optional redemption, the times at which any note may be redeemed,
 - (4) after the time an Offer to Purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder,
 - (5) make any note payable in money other than that stated in the note,
 - (6) impair the right of any holder of notes to receive any principal payment or interest payment on such holder’s notes, on or after the Stat