HRG GROUP, INC.
Form 10-Q
May 09, 2016

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

Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-4219

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

Delaware	74-1339132
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 Park Avenue, 29th Floor New York, NY	10022
(Address of principal executive offices)	(Zip Code)

(212) 906-8555
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x or No ¨.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x or No ¨.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer ¨
Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ or No x
There were 200,694,218 shares of the registrant's common stock outstanding as of May 5, 2016.

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PART I: FINANCIAL INFORMATION
Item 1. Financial Statements
HRG GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 2016 (Unaudited)	September 30, 2015 (As Adjusted)
ASSETS		
Investments	$ 139.3	$ 278.9
Cash and cash equivalents	465.6	695.2
Funds withheld receivables	1,679.4	1,710.1
Receivables, net	662.3	632.9
Inventories, net	924.4	780.8
Deferred tax assets	299.8	51.2
Properties, including oil and natural gas properties, net	664.7	798.4
Goodwill	2,494.1	2,487.4
Intangibles	2,432.4	2,480.3
Other assets	149.1	134.3
Assets of business held for sale	25,544.0	24,984.5
Total assets	$ 35,455.1	$ 35,034.0
LIABILITIES AND EQUITY		
Insurance reserves	$ 1,824.8	$ 1,856.0
Debt	6,232.0	6,310.5
Accounts payable and other current liabilities	847.5	1,095.6
Employee benefit obligations	87.6	92.9
Deferred tax liabilities	895.6	574.5
Other liabilities	71.6	95.5
Liabilities of business held for sale	23,988.1	23,420.9
Total liabilities	33,947.2	33,445.9
Commitments and contingencies		
HRG Group, Inc. shareholders' equity:		
Common stock	2.0	2.0
Additional paid-in capital	1,437.7	1,458.5
Accumulated deficit	(901.8)	(833.1)
Accumulated other comprehensive loss	(72.8)	(40.7)
Total HRG Group, Inc. shareholders' equity	465.1	586.7
Noncontrolling interest	1,042.8	1,001.4
Total shareholders' equity	1,507.9	1,588.1
Total liabilities and equity	$ 35,455.1	$ 35,034.0

See accompanying notes to condensed consolidated financial statements.

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HRG GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Revenues:				
Net consumer and other product sales	$1,209.6	$1,086.5	$2,428.4	$2,175.3
Oil and natural gas	9.5	26.0	26.3	60.3
Net investment income	15.5	19.5	37.0	43.9
Net investment gains	33.1	9.7	7.2	4.8
Insurance and investment product fees and other	1.8	2.1	4.1	3.2
Total revenues	1,269.5	1,143.8	2,503.0	2,287.5
Operating costs and expenses:				
Cost of consumer products and other goods sold	746.8	707.0	1,524.9	1,419.0
Oil and natural gas direct operating costs	9.2	23.3	26.3	43.8
Benefits and other changes in policy reserves	35.7	30.6	43.8	50.3
Selling, acquisition, operating and general expenses	311.0	324.2	619.1	660.4
Impairments and bad debt expense	27.6	214.6	90.8	464.4
Amortization of intangibles	23.4	21.2	47.0	41.7
Total operating costs and expenses	1,153.7	1,320.9	2,351.9	2,679.6
Operating income (loss)	115.8	(177.1)	151.1	(392.1)
Interest expense	(95.8)	(81.1)	(193.3)	(157.5)
Gain on sale of oil and gas properties	—	—	105.6	—
Gain upon gaining control of equity method investment	—	—	—	141.2
Other income, net	0.5	14.1	1.6	46.9
Income (loss) from continuing operations before income taxes	20.5	(244.1)	65.0	(361.5)
Income tax expense (benefit)	8.9	(0.8)	10.8	5.2
Net income (loss) from continuing operations	11.6	(243.3)	54.2	(366.7)
(Loss) income from discontinued operations, net of tax	(13.1)	5.8	(48.7)	22.8
Net (loss) income	(1.5)	(237.5)	5.5	(343.9)
Less: Net income (loss) attributable to noncontrolling interest	33.3	(9.2)	74.2	(5.8)
Net loss attributable to controlling interest	$(34.8)	$(228.3)	$(68.7)	$(338.1)
Amounts attributable to controlling interest:				
Net loss from continuing operations	$(19.9)	$(236.9)	$(8.8)	$(360.4)
Net (loss) income from discontinued operations	(14.9)	8.6	(59.9)	22.3
Net loss attributable to controlling interest	$(34.8)	$(228.3)	$(68.7)	$(338.1)
Net loss per common share attributable to controlling interest:				
Basic loss from continuing operation	$(0.10)	$(1.20)	$(0.05)	$(1.82)
Basic (loss) income from discontinued operations	(0.08)	0.04	(0.30)	0.11
Basic	$(0.18)	$(1.16)	$(0.35)	$(1.71)
Diluted loss from continuing operation	$(0.10)	$(1.20)	$(0.05)	$(1.82)
Diluted (loss) income from discontinued operations	(0.08)	0.04	(0.30)	0.11
Diluted	$(0.18)	$(1.16)	$(0.35)	$(1.71)

See accompanying notes to condensed consolidated financial statements.

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HRG GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
	(Unaudited)		(Unaudited)	
Net (loss) income	$(1.5)	$(237.5)	$5.5	$(343.9)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	28.2	(43.6)	7.7	(78.1)
Net unrealized (loss) gain on derivative instruments				
Changes in derivative instruments before reclassification adjustment	(5.4)	9.3	(0.8)	17.1
Net reclassification adjustment for gains included in net income	(0.7)	(7.0)	(0.9)	(11.8)
Changes in derivative instruments after reclassification adjustment	(6.1)	2.3	(1.7)	5.3
Changes in deferred income tax asset/liability	2.4	(0.9)	1.5	(0.9)
Deferred tax valuation allowance adjustments	0.8	—	1.0	(1.0)
Net unrealized (loss) gain on hedging derivative instruments	(2.9)	1.4	0.8	3.4
Actuarial adjustments to pension plans				
Changes in actuarial adjustments before reclassification adjustment	(1.3)	2.8	(0.5)	3.7
Net reclassification adjustment for losses included in cost of goods sold	0.4	0.1	0.7	0.3
Net reclassification adjustment for losses included in selling and general and administrative expenses	0.2	0.3	0.5	0.5
Net actuarial adjustments to pension plans	(0.7)	3.2	0.7	4.5
Changes in deferred income tax asset/liability	0.1	(0.8)	(0.2)	(1.1)
Net actuarial adjustments to pension plans	(0.6)	2.4	0.5	3.4
Unrealized investment gains (losses):				
Changes in unrealized investment gains (losses) before reclassification adjustment	252.1	110.3	(123.8)	102.3
Net reclassification adjustment for (gains) losses included in net income	(6.8)	58.0	0.3	62.1
Changes in unrealized investment gains (losses) after reclassification adjustment	245.3	168.3	(123.5)	164.4
Adjustments to intangible assets	(79.2)	(71.0)	56.1	(70.0)
Changes in deferred income tax asset/liability	(58.1)	(34.9)	22.1	(34.3)
Net unrealized gains (losses) on investments	108.0	62.4	(45.3)	60.1
Net change to derive comprehensive income (loss) for the period	132.7	22.6	(36.3)	(11.2)
Comprehensive income (loss)	131.2	(214.9)	(30.8)	(355.1)
Less: Comprehensive income (loss) attributable to the noncontrolling interest:				
Net income (loss)	33.3	(9.2)	74.2	(5.8)
Other comprehensive income (loss)	31.1	(4.4)	(5.0)	(18.3)
Comprehensive income (loss) attributable to the noncontrolling interest	64.4	(13.6)	69.2	(24.1)
Comprehensive income (loss) attributable to the controlling interest	$66.8	$(201.3)	$(100.0)	$(331.0)

See accompanying notes to condensed consolidated financial statements.

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HRG GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Six months ended March 31,	
	2016	2015
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$5.5	$(343.9)
(Loss) income from discontinued operations, net of tax	(48.7)	22.8
Net income (loss) from continuing operations	54.2	(366.7)
Adjustments to reconcile net income (loss) to operating cash flows from continuing operations:		
Depreciation of properties	55.7	64.9
Amortization of intangibles	47.0	41.7
Impairment of intangible assets and goodwill	—	60.2
Impairment of oil and gas properties	75.6	336.6
Loan provision and bad debt expense	15.1	67.9
Stock-based compensation	40.0	34.0
Amortization of debt issuance costs	7.1	7.3
Amortization of debt discount	0.7	2.4
Deferred income taxes	(11.7)	(35.3)
Gain on disposal of oil and gas properties	(105.6)	—
Write-down of assets of business held for sale to fair value less cost to sell	23.5	—
Gain upon gaining control of equity method investment	—	(141.2)
Interest credited/index credits to contractholder account balances	18.2	23.9
Net recognized losses (gains) on investments and derivatives	16.3	(42.8)
Charges assessed to contractholders for mortality and administration	(0.7)	(0.7)
Deferred policy acquisition costs	—	(2.9)
Non-cash increase to cost of goods sold due to acquisition inventory step up	—	3.0
Non-cash restructuring and related charges	—	7.4
Changes in operating assets and liabilities:	(420.4)	(361.2)
Net change in cash due to continuing operating activities	(185.0)	(301.5)
Net change in cash due to discontinued operating activities	168.5	31.4
Net change in cash due to operating activities	(16.5)	(270.1)
Cash flows from investing activities:		
Proceeds from investments sold, matured or repaid	52.5	60.5
Cost of investments acquired	(0.3)	(1.6)
Acquisitions, net of cash acquired	—	(421.5)
Net asset-based loan repayments	74.7	58.6
Capital expenditures	(42.3)	(42.1)
Proceeds from sales of assets	152.6	1.2
Other investing activities, net	(0.7)	(0.6)
Net change in cash due to continuing investing activities	236.5	(345.5)
Net change in cash due to discontinued investing activities	(565.3)	(493.8)
Net change in cash due to investing activities	(328.8)	(839.3)
Cash flows from financing activities:		
Proceeds from issuance of new debt	—	434.9
Repayment of debt, including tender and call premiums	(126.4)	(18.8)
Revolving credit facility activity	8.0	54.3

Debt issuance costs	(1.6)	(8.0)
Purchases of subsidiary stock, net	(49.6)	(31.6)
Contractholder account deposits	2.4	40.1
Contractholder account withdrawals	(71.9)	(71.2)
Dividend paid by subsidiary to noncontrolling interest	(18.2)	(14.1)
Share based award tax withholding payments	(27.3)	(19.1)
Common stock repurchased	—	(22.2)
Other financing activities, net	3.8	2.1
Net change in cash due to continuing financing activities	(280.8)	346.4
Net change in cash due to discontinued financing activities	391.3	734.8
Net change in cash due to financing activities	110.5	1,081.2
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(11.9)
Net change in cash and cash equivalents	(235.1)	(40.1)
Net change in cash and cash equivalents in discontinued operations	(5.5)	272.4
Net change in cash and cash equivalents in continuing operations	(229.6)	(312.5)
Cash and cash equivalents at beginning of period	695.2	742.8
Cash and cash equivalents at end of period	$465.6	$430.3

See accompanying notes to condensed consolidated financial statements.

HRG GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in millions, except per share and unit measures or as otherwise specified)

(1) Description of Business

HRG Group, Inc. ("HRG" and collectively with its respective subsidiaries, the "Company") is a diversified holding company focused on owning businesses that the Company believes can, in the long term, generate sustainable free cash flow or attractive returns on investment. HRG's shares of common stock trade on the New York Stock Exchange ("NYSE") under the symbol "HRG."

The Company's reportable business segments are organized in a manner that reflects how HRG's management views those business activities. Accordingly, the Company currently operates its business in four reporting segments: (i) Consumer Products, (ii) Insurance, (iii) Energy, and (iv) Asset Management. For the results of operations by segment, and other segment data, see Note 15, Segment Data.

Consumer Products Segment

The Consumer Products segment represents the Company's 57.8% controlling interest in Spectrum Brands Holdings, Inc. ("Spectrum Brands"). Spectrum Brands is a diversified global branded consumer products company with positions in seven major product categories: consumer batteries, small appliances, global pet supplies, home and garden control products, personal care products, hardware and home improvement products and global auto care.

Insurance Segment

As of March 31, 2016, the Company's insurance operations were conducted through Front Street Re (Delaware) Ltd., ("Front Street") and its Bermuda and Cayman-based wholly-owned life and annuity reinsurers, Front Street Re Ltd. ("Front Street Bermuda") and Front Street Re (Cayman) Ltd. ("Front Street Cayman"), respectively.

The Company also owns 80.4% of Fidelity & Guaranty Life, ("FGL"). Through its wholly-owned subsidiaries, Fidelity & Guaranty Life Insurance Company ("FGL Insurance") and Fidelity & Guaranty Life Insurance Company of New York, FGL is a provider of various types of fixed annuities and life insurance products in the U.S.

As discussed further in Note 4, Divestitures, on November 8, 2015, Anbang Insurance Group Co., Ltd., a joint-stock insurance company established in the People's Republic of China ("Anbang"), AB Infinity Holding, Inc., a wholly-owned subsidiary of Anbang ("AB Infinity"), and AB Merger Sub, Inc., a wholly-owned subsidiary of AB Infinity ("Merger Sub"), entered into a definitive merger agreement (the "FGL Merger Agreement" and such merger, the "FGL Merger") to acquire FGL for $26.80 per share. As a result of the FGL Merger Agreement, as of March 31, 2016, the Company's ownership interest in FGL has been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and FGL's operations were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the accompanying Condensed Consolidated Statements of Cash Flows and reported separately for all periods presented. Prior to the transaction, FGL was included in the Company's Insurance segment. As a result of classifying FGL as held for sale, all segmented information has been adjusted to exclude FGL from the Insurance segment. See Note 4, Divestitures.

Energy Segment

The Energy segment represents the Company's wholly-owned subsidiary, HGI Energy Holdings, LLC ("HGI Energy") and HGI Energy's wholly-owned subsidiary, Compass Production GP, LLC ("Compass GP") and its respective subsidiaries (collectively, "Compass"). Compass is an owner and operator of conventional oil and natural gas properties in East Texas and North Louisiana. Given the inherent decline in the production potential of its existing asset base, Compass' indebtedness and the continued declines in commodity prices, Compass may also pursue a variety of strategies to generate cash flows and reduce its leverage, including pursuing dispositions, acquisitions, other strategic transactions and the issuance of debt and equity securities.

On December 1, 2015, Compass completed the sale of its oil and gas interests located in the Holly, Waskom and Danville Fields in East Texas and North Louisiana (the "Compass Asset Sale"). At closing, proceeds from the transaction, which were approximately $147.5, less estimated expenses of $1.9, were used primarily to reduce borrowings under Compass' existing credit facility (the "Compass Credit Agreement"). For the six months ended March

31, 2016, Compass received an additional $4.5 as a result of resolving certain title and consent matters in connection with the Compass Asset Sale.
During the six months ended March 31, 2016, Compass reduced its borrowing under the Compass Credit Agreement from $327.0 down to $160.0, a reduction of $167.0.

Asset Management Segment
The Asset Management segment represents the Company's ownership of Salus Capital Partners, LLC ("Salus"), an asset based lender, CorAmerica Capital, LLC ("CorAmerica"), a commercial real estate lender, and Energy & Infrastructure Capital, LLC ("EIC"), a debt capital investment manager focused on direct lending to companies in the North America energy and infrastructure sectors.

(2) Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements
Basis of Presentation
The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation. These reclassifications and combinations had no effect on previously reported net loss attributable to controlling interest or accumulated deficit. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2015, filed with the SEC on November 20, 2015 (the "Form 10-K"). The results of operations for the six months ended March 31, 2016 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending September 30, 2016.
The Company's fiscal year ends on September 30 and the quarters end on the last calendar day of the months of December, March and June. The Company's significant subsidiary, Spectrum Brands' fiscal year ends September 30 and its interim fiscal quarters end every thirteenth Sunday, except for its first fiscal quarter which may end on the fourteenth Sunday following September 30. The Company does not adjust for the difference in fiscal periods between Spectrum Brands and itself, as such difference would be less than 93 days, pursuant to Regulation S-X Rule 3A-02.
At March 31, 2016, the non-controlling interest component of total equity primarily represents the 42.2% share of Spectrum Brands and the 19.6% of FGL not owned by HRG.
Assets held for sale and discontinued operations
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 Accounting Standard Codification ("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 less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior balance sheets in the period in which the business is classified as held for sale. Transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and balances 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 and used in those financial statements when issued or when available to be issued.
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 Accounting Standards Update ("ASU") No. 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 "(Loss) income from discontinued operations, net of tax" in the

accompanying Condensed 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. Transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and balances held for sale.

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. SEC (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.

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Adoption of Recent Accounting Pronouncements

Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported in the accompanying Condensed Consolidated Balance Sheets as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is effective for annual periods and interim periods within those annual periods beginning after March 31, 2016 and early adoption is permitted. The Company elected to early adopt ASU 2015-03 effective March 31, 2016. The Company applied the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented was adjusted to reflect the period-specific effects of applying the new guidance. The reclassification of unamortized debt issuance costs resulted in reductions in other assets and debt of $102.9 as of September 30, 2015. Other than this reclassification, the adoption of this guidance did not have an impact in the Company's Condensed Consolidated Financial Statements.

Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). This ASU simplifies the presentation of provisional amounts recognized in a business combination during the measurement period (one year from the date of acquisition). Whereas the prior guidance required retrospective adjustment of prior periods, this ASU eliminates this requirement. The Company adopted ASU 2015-16 effective March 31, 2016, resulting in the recognition of adjustments to goodwill of $2.6 during the six months ended March 31, 2016 related to the acquisition of Armored AutoGroup Parent Inc. See Note 8, Goodwill and Intangibles for adjustments to goodwill.

Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires that the presentation of deferred tax assets and liabilities be classified as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. During the six months ended March 31, 2016, the Company elected to retrospectively adopt ASU 2015-17, resulting in a reclassification reducing both deferred tax assets and deferred tax liabilities by $39.1 in the accompanying Condensed Consolidated Balance Sheets at September 30, 2015.

Oil and natural gas properties

Ceiling Test

Pursuant to Rule 4-10(c)(4) of Regulation S-X, Compass is required to compute its ceiling test using the simple average first day of the month spot price for the trailing 12 month period for oil and natural gas at the end of each fiscal quarter. The ceiling test involves comparing the net book value of the full cost pool, after taxes, to the full cost ceiling limitation defined below. In the event the full cost ceiling limitation is less than the full cost pool, Compass is required to record a ceiling test impairment of its oil and natural gas properties. The full cost ceiling limitation is computed as the sum of the present value of estimated future net revenues from Compass' proved reserves by applying the average price as prescribed by the SEC Release No. 33-8995, less estimated future expenditures (based on current costs) to develop and produce the proved reserves, discounted at 10%, plus the cost of properties not being amortized and the lower of cost or estimated fair value of unproved properties included in the costs being amortized, net of income tax effects.

The ceiling test is computed using the simple average first day of the month spot price for the trailing 12 month period using the first day of each month. As of March 31, 2016, the trailing 12 month period month reference prices were $2.40 per Million British Thermal Units ("Mmbtu") for natural gas at Henry Hub ("HH"), and $46.26 per barrel ("Bbl") of oil for West Texas Intermediate ("WTI") at Cushing, Oklahoma. Each of the reference prices for oil and natural gas are further adjusted for quality factors and regional differentials to derive estimated future net revenues. The price used for natural gas liquids was $16.79 per Bbl and was based on the trailing 12 month period month average of realized prices. Under full cost accounting rules, any ceiling test impairments of oil and natural gas properties may not be reversed in subsequent periods. Since Compass does not designate its derivative financial instruments as hedging instruments, Compass is not allowed to use the impacts of the derivative financial instruments in the ceiling test

computations.
During the three and six months ended March 31, 2016, Compass recognized impairments of $21.2 and $75.6, respectively, to its proved oil and natural gas properties due to the continued decline in oil and natural gas prices.
For the three months ended March 31, 2015, Compass recognized impairments to its proved oil and natural gas properties of $146.6 primarily due to a decline in oil and natural gas prices. During the six months ended March 31, 2015, Compass recognized impairments of $336.6 to its proved oil and natural gas properties due to the sharp decline in oil and natural gas prices, as well as the acquisition by HGI Energy of EXCO Resources, Inc.'s ("EXCO") interest in Compass, which triggered the remeasurement of the Company's initial basis in Compass at fair value which increased Compass' full cost pool. The purchase price for the acquisition

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was based on both the income and market approach models which incorporate, among other things, market prices based on the New York Mercantile Exchange ("NYMEX") futures as of the acquisition date, which the Company believes reflects an independent proxy point for determining fair value. The ceiling test, however, requires companies using the full cost accounting method to price period-ending proved reserves using the simple average first day of the month spot price for the trailing 12 month period, which may not be indicative of actual market values. As a result, Compass' full cost pool exceeded its ceiling test limitation at March 31, 2015 resulting in impairment.
As a result of the continued decline in oil and natural gas prices, Compass expects to incur additional impairments to its oil and natural gas properties in fiscal year 2016 if prices do not increase. The possibility and amount of any future impairment is difficult to predict, and will depend, in part, upon future oil and natural gas prices to be utilized in the ceiling test, estimates of proved reserves and future capital expenditures and operating costs.
The ceiling test calculation and impairment evaluation are based upon estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves, in projecting the future rates of production and in the timing of development activities. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil, natural gas and natural gas liquids that are ultimately recovered.
Insurance Subsidiary Financial Information and Regulatory Matters
FGL Insurance's statutory carrying value of Raven Reinsurance Company ("Raven Re"), its wholly-owned subsidiary, reflects the effect of permitted practices Raven Re received to treat the available amount of a letter of credit as an admitted asset which increased Raven Re's statutory capital and surplus by $213.8 and $226.3 at March 31, 2016 and September 30, 2015, respectively. Raven Re is also permitted to follow Iowa prescribed statutory accounting practice for its reserves on reinsurance assumed from FGL Insurance which increased Raven Re's statutory capital and surplus by $2.8 and $2.5 at March 31, 2016 and September 30, 2015, respectively. Without such permitted statutory accounting practices, Raven Re's statutory capital and surplus would be negative $7.2 and negative $33.1 as of March 31, 2016 and September 30, 2015, respectively, and its risk-based capital would fall below the minimum regulatory requirements. The letter of credit facility is collateralized by debt securities rated by the National Association of Insurance Commissioners ("NAIC") as "NAIC-1." If the permitted practice was revoked, the letter of credit could be replaced by the collateral assets with Nomura Bank International plc's consent. FGL Insurance's carrying value of Raven Re at March 31, 2016 and September 30, 2015 was $209.4 and $195.6, respectively.
On November 1, 2013, FGL Insurance re-domesticated from Maryland to Iowa. After re-domestication, FGL Insurance elected to apply Iowa-prescribed accounting practices that permit Iowa-domiciled insurers to report equity call options used to economically hedge fixed indexed annuity ("FIA") index credits at amortized cost for statutory accounting purposes and to calculate FIA statutory reserves such that index credit returns will be included in the reserve only after crediting to the annuity contract. This resulted in a $41.6 increase to statutory capital and surplus at March 31, 2016.

(3) Significant Risks and Uncertainties
Use of Estimates and Assumptions
The preparation of the Company's Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.
Concentrations of Investments
As of March 31, 2016 and September 30, 2015, the Company's most significant investment in one industry was the Company's asset-based loan in the electronics industry with a carrying value of $45.4, or 32.6%, and $45.9, or 16.5%, of the Company's investments portfolio, respectively. No investment in a single issuer exceeded 10% of the Company's stockholders' equity as of March 31, 2016 and September 30, 2015.
Concentration of Securities Included in Funds Withheld Receivables

As of March 31, 2016 and September 30, 2015, Front Street’s most significant exposure related to the securities underlying the funds withheld receivables was to the financial sector and the energy, mining and metals industries. As of March 31, 2016 and September 30, 2015, the carrying value of the fixed maturity securities in the financial sector was $258.1, or 15.4%, and $269.7, or 15.8%, respectively, of Front Street’s funds withheld receivables. At March 31, 2016 and September 30, 2015, the holdings in this sector included investments in 105 and 107 different issuers, respectively, with the top ten investments accounting for 42.8% and 41.0%, respectively, of the total holdings in this sector.

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As of March 31, 2016 and September 30, 2015, the carrying value of the fixed maturity securities in the energy, mining and metals industries was $194.9, or 11.6%, and $236.6, or 13.8%, respectively, of Front Street's funds withheld receivables. At March 31, 2016 and September 30, 2015, the holdings in these industries included investments in 93 and 98 different issuers, respectively, with the top ten investments accounting for 39.7% and 39.7%, respectively, of the total holdings in these industries.

There were no holdings in a single issuer included in the funds withheld receivables that exceeded 10% of the Company's stockholders' equity as of March 31, 2016 and September 30, 2015.

Concentrations of Financial and Capital Markets Risk

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company's results of operations, financial condition and liquidity. The Company expects to continue to face challenges and uncertainties that could adversely affect its results of operations and financial condition.

The Company's exposure to interest rate risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will increase the net unrealized loss position of Front Street's funds withheld receivables and, if long-term interest rates rise dramatically within a six to twelve month time period, certain of the Front Street's reinsured products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring Front Street to liquidate assets in an unrealized loss position. This risk is mitigated to some extent by the high level of surrender charge protection provided by the products reinsured by Front Street.

Receivables

The allowance for uncollectible receivables as of March 31, 2016 and September 30, 2015 was $47.6 and $44.0, respectively. The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represents approximately 13.0% and 12.7% of the Company's "Receivables, net" in the accompanying Condensed Consolidated Balance Sheets at March 31, 2016 and September 30, 2015, respectively.

(4) Divestitures

FGL Merger Agreement

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 canceled and converted automatically into the right to receive $26.80 per share 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 canceled 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 appraisal rights under Delaware law are properly exercised and not withdrawn. The completion of the FGL Merger is subject to the satisfaction of a number of closing conditions, including the receipt of regulatory approvals from the Iowa Insurance Division, New York Department of Financial Services, Vermont Department of Financial Regulation, China Insurance Regulatory Commission, and the Committee on Foreign Investment in the United States ("CFIUS"). On November 25, 2015, FGL obtained the requisite approval for the FGL Merger from the Vermont Department of Financial Regulation. On March 14, 2016, FGL received notification from CFIUS that it had concluded all action under Section 721 of the Defense Production Act of 1950, as amended, and determined that there are no unresolved national security concerns with respect to the FGL Merger. In the event that the FGL Merger Agreement is terminated, under specified circumstances, FGL may be required to pay a termination fee to Anbang and its subsidiaries of $51.5.

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At March 31, 2016, the Company determined that as a result of the FGL Merger Agreement, the Company's ownership interest in FGL met the criteria established by ASC 360 to classify it as held for sale. The following table summarizes the major categories of assets and liabilities classified as held for sale in the accompanying Condensed Consolidated Balance Sheets at March 31, 2016 and September 30, 2015:

	March 31, 2016	September 30, 2015
Assets		
Investments, including loans and receivables from affiliates	$19,697.1	$ 19,206.7
Cash and cash equivalents	496.4	501.8
Accrued investment income	208.5	191.2
Reinsurance recoverable	3,511.7	3,578.7
Deferred tax assets	191.0	194.7
Properties	15.9	14.4
Deferred acquisition costs and value of business acquired, net	1,234.3	1,048.6
Other assets	212.6	248.4
Write-down of assets of business held for sale to fair value less cost to sell	(23.5)	—
Total assets held for sale	$25,544.0	$ 24,984.5
Liabilities		
Insurance reserves	$23,018.8	$ 22,560.1
Debt	300.0	298.3
Accounts payable and other current liabilities	46.4	43.7
Other liabilities	622.9	518.8
Total liabilities held for sale	$23,988.1	$ 23,420.9

The balances included in the accompanying Condensed Consolidated Balance Sheets and in the table above reflect transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the closing of the FGL Merger. Such transactions are not eliminated to appropriately reflect the continuing operations and balances held for sale. As a result, adjustments to the carrying value of certain intercompany assets recorded by FGL, were reversed upon consolidation in the Company's Condensed Consolidated Financial Statements. Below is a summary of the impact of such intercompany balances in the accompanying Condensed Consolidated Balance Sheets:

	March 31, 2016	September 30, 2015
Assets		
Funds withheld receivable	$ 993.0	$ 1,058.0
Other assets	15.6	15.9
Assets of business held for sale	1,618.7	1,769.8
Total assets	$ 2,627.3	$ 2,843.7
Liabilities		
Insurance reserves	$ 1,170.8	$ 1,226.8
Debt	217.5	330.7
Accounts payable and other current liabilities	1.1	1.6
Other liabilities	12.7	11.0
Liabilities of business held for sale	1,225.2	1,273.6
Total liabilities	$ 2,627.3	$ 2,843.7

The carrying value of the Company's interest in FGL was higher than the fair value less cost to sell based on the sales price at March 31, 2016 and as a result, the Company recorded a write-down of assets of business held for sale of $23.5 for the three and six months ended March 31, 2016.

In accordance with ASU 2014-08, the Company has determined that the FGL Merger Agreement represented a strategic shift for the Company and, accordingly, has presented the results of operations for FGL as discontinued

operations in the accompanying Condensed Consolidated Statements of Operations.

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The following table summarizes the components of Net (loss) income from discontinued operations in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2016 and 2015:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Revenues:				
Insurance premiums	$16.2	$14.2	$31.6	$25.8
Net investment income (a)	226.7	207.6	448.9	416.0
Net investment (losses) gains	(41.7)	(33.4)	24.5	25.1
Insurance and investment product fees and other	31.7	22.1	60.5	41.9
Total revenues	232.9	210.5	565.5	508.8
Operating costs and expenses:				
Benefits and other changes in policy reserves	188.1	171.9	369.0	395.6
Selling, acquisition, operating and general expenses	27.1	28.3	55.3	57.5
Impairments and bad debt expense	1.3	(0.4)	1.3	0.1
Amortization of intangibles	0.4	(3.0)	33.9	8.3
Total operating costs and expenses	216.9	196.8	459.5	461.5
Operating income	16.0	13.7	106.0	47.3
Interest expense	(5.9)	(5.9)	(11.8)	(11.8)
Other income (expense), net	2.5	(5.0)	2.5	(5.0)
Write-down of assets of business held for sale to fair value less cost to sell	(23.5)	—	(23.5)	—
Net (loss) income before income taxes	(10.9)	2.8	73.2	30.5
Income tax expense (benefit) (b)	2.2	(3.0)	121.9	7.7
Net (loss) income	(13.1)	5.8	(48.7)	22.8
Less: net income (loss) attributable to noncontrolling interest	1.8	(2.8)	11.2	0.5
Net (loss) income - attributable to controlling interest	$(14.9)	$8.6	$(59.9)	$22.3

(a) Included in the net investment income attributable to FGL is interest income of $1.2 and $0.6 for the three months ended March 31, 2016 and 2015, respectively and $2.3 and $2.3 for the six months ended March 31, 2016 and 2015, respectively, on debt instruments issued by entities consolidated by HRG as they will continue to exist following the closing of the FGL Merger. The corresponding interest expense is recorded in continuing operations in the accompanying Condensed Consolidated Statements of Operations.

(b) Included in the income tax expense for the six months ended March 31, 2016 was a $90.9 of net income tax expense related to the establishment of a deferred tax liability of $328.6 at March 31, 2016 as a result of classifying the Company’s ownership interest in FGL as held for sale. The deferred tax liability was partially offset by a $237.7 reduction of valuation allowance on HRG’s net operating and capital loss carryforwards expected to offset the FGL taxable gain at March 31, 2016. The remaining liability is expected to be offset by current year losses recognized in Continuing Operations except for $13.0 of estimated alternative minimum taxes.

Compass Asset Sale

As discussed in Note 1, Description of Business, on December 1, 2015, Compass completed the sale of its oil and gas interests located in the Holly, Waskom and Danville Fields in East Texas and North Louisiana. At closing, proceeds from the transaction, approximately $147.5, less estimated expenses of $1.9, were used primarily to reduce borrowings under the Compass Credit Agreement. Following the closing, pursuant to terms of the transaction agreement, Compass received an additional $4.5 in connection with resolving certain title and consent matters during the six months ended March 31, 2016. The Company accounted for the sale in accordance with ASC Topic 932, Property, Plant and Equipment: Extractive Activities - Oil and Gas and recorded a gain on sale of oil and natural gas assets of $105.6 for the six months ended March 31, 2016. The Holly, Waskom and Danville Fields did not represent all or substantially all of Compass full-cost method assets and, as a result, the operations associated with these assets

were presented as continuing operations in the accompanying Condensed Consolidated Statements of Operations.

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(5) Investments

The Company’s consolidated investments are summarized as follows:

	March 31, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Asset-based loans	$136.8	$ —	$ —	$136.8	$ 136.8
Other invested assets	2.5	—	—	2.5	2.5
Total Investments	$139.3	$ —	$ —	$139.3	$ 139.3

	September 30, 2015 (As Adjusted)				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Corporate fixed-maturity securities, available-for-sale	$14.1	$ —	$ —	$14.1	$ 14.1
Equity securities - held for trading	18.7	14.1	—	32.8	32.8
Asset-based loans	226.7	—	—	226.7	226.7
Other invested assets	5.3	—	—	5.3	5.3
Total Investments	$264.8	$ 14.1	$ —	$278.9	$ 278.9

Asset-based Loans

As of March 31, 2016 and September 30, 2015, the Company’s portfolio of asset-based loans receivable originated by Salus and its co-lender Front Street consisted of the following:

	March 31, 2016	September 30, 2015 (As Adjusted)
Asset-based loans, net of deferred fees, by major industry:		
Apparel	$ 50.3	$ 66.0
Electronics	45.4	45.9
Jewelry	35.6	36.9
Manufacturing	29.9	32.7
Other	23.4	93.1
Total asset-based loans	184.6	274.6
Less: Allowance for credit losses	47.8	47.9
Total asset-based loans, net	$ 136.8	$ 226.7

The Company establishes its allowance for credit losses through a provision for credit losses based on Salus’ evaluation of the credit quality of its loan portfolio. The following table presents the activity in its allowance for credit losses for the three and six months ended March 31, 2016 and 2015:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Allowance for credit losses:				
Balance at beginning of period	$43.7	$5.3	$47.9	$5.5
Provision for credit losses	6.7	68.5	15.1	68.3
Charge-offs	(2.6)	(51.1)	(15.2)	(51.1)
Balance at end of period	$47.8	$22.7	$47.8	$22.7

Credit Quality Indicators

Salus monitors credit quality as indicated by various factors and utilizes such information in its evaluation of the adequacy of the allowance for credit losses. As of March 31, 2016 and September 30, 2015, there were ten and nine

loans with a net carrying value of $104.0 and $79.8, respectively, considered delinquent by Salus and placed on non-accrual status. It is Salus' policy to discontinue accruing interest when there is a reasonable doubt as to collectability in the normal course of business. Nonaccrual loans are

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considered impaired for reporting purposes and are individually evaluated for impairment.
During the three and six months ended March 31, 2016, the Company recognized charge-offs of $2.6 and $15.2, respectively. For the three and six months ended March 31, 2016, the Company recorded net increases (decreases) in the allowance for credit losses of $4.1 and $(0.1), respectively, for a total provision for credit losses of $6.7 and $15.1, respectively. The internal risk rating of two and four delinquent loans was categorized as doubtful during the three and six months ended March 31, 2016, respectively. Salus has assessed the adequacy of its allowance for credit losses and believes the level of allowance for credit losses to be adequate to mitigate inherent losses in the portfolio.
During the three and six months ended March 31, 2015, the Company recognized charge-offs of $51.1. For the three and six months ended March 31, 2015, the Company also recorded net decreases in the allowance for credit losses of $17.4 and $17.2, respectively, for a total provision for credit losses of $68.5 and $68.3, respectively. The internal risk rating of one delinquent loan was categorized as doubtful during the three and six months ended March 31, 2015.
During the fiscal year ended September 30, 2015, the bankruptcy court overseeing the Chapter 11 proceedings of RadioShack Corp. (“RadioShack”) approved the sale of 1,743 of the company’s stores to General Wireless Inc., an affiliate of Standard General LP. Salus was the lender under RadioShack’s $250.0 term loan placed in December 2013 with a net exposure to Salus and Front Street of $93.0 and $7.0, respectively, after giving effect to a $50.0 participation by FGL and a non-qualifying participation of $100.0 held by a third party. During the fiscal year ended September 30, 2015, the $100.0 held by a third party was repaid in full because this third party had the right of first out in the case of a bankruptcy under an intercreditor agreement with Salus. During the six months ended March 31, 2015, the Company recognized charge-offs of $51.1, excluding any charge-offs related to FGL’s participations which are included in “(Loss) income from discontinued operations, net of tax” in the accompanying Condensed Consolidated Statements of Operations; and an additional net increase in the provision of credit losses of $17.2 related to the loan with RadioShack. No additional changes to the provision for credit losses were recorded during the three and six months ended March 31, 2016. The extent to which Salus and Front Street will be able to recover amounts owed to them by RadioShack is dependent on a number of factors, including ongoing litigation. There can be no assurance of the amount that Salus and its affiliates will recover from the RadioShack loan.

	Internal Risk Rating				
	Pass	Special Mention	Substandard	Doubtful	Total
March 31, 2016	$12.1	$ 33.0	$ 17.1	$ 122.4	$184.6
September 30, 2015 (As Adjusted)	$69.0	$ 32.4	$ 74.0	$ 99.2	$274.6

(6) Derivatives
The fair value of outstanding derivatives recorded in the accompanying Condensed Consolidated Balance Sheets were as follows:

Asset Derivatives	Classification	March 31, 2016	September 30, 2015 (As Adjusted)
Derivatives designated as hedging instruments:			
Foreign exchange contracts	Receivables, net	$ 2.3	$ 5.2
Commodity swaps	Receivables, net	0.2	—
Commodity swaps	Other assets	0.1	—
Foreign exchange contracts	Other assets	0.1	0.4
Total asset derivatives designated as hedging instruments		2.7	5.6
Derivatives not designated as hedging instruments:			
Call options	Funds withheld receivables	7.6	5.4
Call options	Other assets	2.5	1.0
Commodity contracts	Receivables, net	1.4	7.9
Foreign exchange contracts	Receivables, net	1.0	0.4
Total asset derivatives		$ 15.2	$ 20.3

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Liability Derivatives	Classification	March 31, 2016	September 30, 2015 (As Adjusted)
Derivatives designated as hedging instruments:			
Interest rate swaps	Accounts payable and other current liabilities	$ 1.3	$ 1.4
Interest rate swaps	Other liabilities	0.8	1.2
Commodity swaps	Accounts payable and other current liabilities	1.8	4.7
Commodity swaps	Other liabilities	0.2	0.8
Foreign exchange contracts	Accounts payable and other current liabilities	4.2	1.5
Foreign exchange contracts	Other liabilities	0.3	—
Total liability derivatives designated as hedging instruments		8.6	9.6
Derivatives not designated as hedging instruments:			
Embedded derivatives in Front Street's assumed FIA business	Insurance reserves	136.5	142.3
Foreign exchange	Accounts payable and other current liabilities	0.8	0.1
Commodity contracts	Accounts payable and other current liabilities	—	0.1
Total liability derivatives		$ 145.9	$ 152.1

For derivative instruments that are used to economically hedge the fair value of Spectrum Brands' third party and intercompany foreign currency payments, commodity purchases and interest rate payments, the gain (loss) associated with the derivative contract is recognized in earnings in the period of change. The Company recognizes all derivative instruments as assets or liabilities in the accompanying Condensed Consolidated Balance Sheets at fair value.
The following table summarizes the impact of the effective portions of cash flow hedges and the gains and losses recognized in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2016 and 2015:

		Three months ended March 31,			
		2016		2015	
	Classification	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings
Interest rate swaps	Interest expense	$(0.6)	$ (0.5)	$(1.4)	$ (0.5)
Commodity swaps	Cost of consumer products and other goods sold	1.8	(1.6)	(0.5)	(0.1)
Foreign exchange contracts	Net consumer and other product sales	—	—	(0.1)	—
Foreign exchange contracts	Cost of consumer products and other goods sold	(6.6)	2.8	11.3	7.6
		$(5.4)	$ 0.7	$9.3	$ 7.0

		Six months ended March 31,			
		2016		2015	
	Classification	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings
Interest rate swaps	Interest expense	$(0.3)	$ (1.0)	$(2.0)	$ (0.9)

Commodity swaps	Cost of consumer products and other goods sold	0.8	(3.0)	(1.7)	0.3
Foreign exchange contracts	Net consumer and other product sales	(0.1)	—	—	—
Foreign exchange contracts	Cost of consumer products and other goods sold	(1.2)	4.9	20.8	12.4
		$(0.8)	$ 0.9	$17.1	$ 11.8

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During the three and six months ended March 31, 2016 and 2015, the Company recognized the following gains and losses on its derivatives:

Classification	Derivatives Not Designated as Hedging Instruments	Three months ended March 31,		Six months ended March 31,	
		2016	2015	2016	2015
Revenues:					
Net investment gains	Call options	$(1.4)	$(0.5)	$0.5	$2.2
Other income and expense:					
Benefits and other changes in policy reserves	Embedded derivatives in Front Street's assumed FIA business	$3.4	$1.1	$5.8	$(5.1)
Other income, net	Oil and natural gas commodity contracts	0.8	5.3	2.5	24.0
	Foreign exchange contracts	2.9	(5.7)	0.8	(7.4)

Additional Disclosures

Call options. Derivative financial instruments included within or outside of the funds withheld receivables at fair value in the accompanying Condensed Consolidated Balance Sheets are in the form of call options receivable to Front Street. Front Street hedges exposure to product related equity market risk by entering into derivative transactions. These options hedge Front Street’s share of the FIA index credit. The change in fair value is recognized within “Net investment gains” in the accompanying Condensed Consolidated Statements of Operations.

Embedded derivatives in Front Street's assumed FIA business. Front Street has assumed FIA contracts that permit the holder to elect an interest rate return or an equity index linked component, where interest credited to the contracts is linked to the performance of various equity indices, primarily the Standard & Poor’s Ratings Services (“S&P”) 500 Index. This feature represents an embedded derivative under U.S. GAAP. The FIA embedded derivative is valued at fair value and included in the “Insurance reserves” in the accompanying Condensed Consolidated Balance Sheets with changes in fair value included as a component of “Benefits and other changes in policy reserves” in the accompanying Condensed Consolidated Statements of Operations.

Interest Rate Swaps. When it deems appropriate, Spectrum Brands has used interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated other comprehensive loss (“AOCI”) and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counterparties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest from the underlying debt to which the swap is designated. As of March 31, 2016 and September 30, 2015, Spectrum Brands had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads, at 1.36% for a notional principal amount of $300.0 through April 2017. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $0.8, net of tax. Spectrum Brands’ interest rate swaps at March 31, 2016 and September 30, 2015 were as follows:

	March 31, 2016		September 30, 2015	
	Notional	Remaining Years	Notional	Remaining Years
Interest rate swaps - fixed	$ 300.0	1	$ 300.0	1.5

Foreign exchange contracts - cash flow hedges. Spectrum Brands periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require Spectrum Brands to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Mexican Pesos, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange rates related to sales of product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related cash flow hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related cash flow hedge is reclassified as an adjustment to “Net consumer and other

product sales" or "Cost of consumer products and other goods sold", respectively, in the accompanying Condensed Consolidated Statements of Operations. At March 31, 2016, Spectrum Brands had a series of foreign exchange derivative contracts outstanding through September 2017. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $0.6, net of tax. At March 31, 2016 and September 30, 2015, Spectrum Brands had foreign exchange derivative contracts designated as cash flow hedges with a notional value of $252.8 and $300.6, respectively.
Commodity swaps - cash flow hedges. Spectrum Brands is exposed to risk from fluctuating prices for raw materials, specifically zinc and brass used in its manufacturing processes. Spectrum Brands hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge

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contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At March 31, 2016, Spectrum Brands had a series of zinc and brass swap contracts outstanding through September 2017. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $0.8, net of tax. Spectrum Brands had the following commodity swap contracts outstanding as of March 31, 2016 and September 30, 2015:

	March 31, 2016		September 30, 2015	
	Notional	Contract Value	Notional	Contract Value
Zinc swap contracts (tons)	9.4	$ 18.0	10.8	$ 22.2
Brass swap contracts (tons)	1.0	4.4	1.8	8.5

Foreign exchange contracts - not designated as hedges for accounting purposes. Spectrum Brands periodically enters into forward and swap foreign exchange contracts to economically hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require Spectrum Brands to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Balance Sheets. The gain or loss on the foreign exchange contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At March 31, 2016, Spectrum Brands had a series of foreign exchange derivative contracts outstanding through May 2016. At March 31, 2016 and September 30, 2015, Spectrum Brands had $262.4 and $126.8, respectively, of notional value for such foreign exchange derivative contracts outstanding.
Commodity Swaps - not designated as hedges for accounting purposes. Spectrum Brands periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. Spectrum Brands hedges a portion of the risk associated with these materials through the use of commodity swaps. The commodity swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The unrecognized changes in fair value of the commodity swap contracts are adjusted through earnings when the realized gains or losses affect earnings upon settlement of the commodity swap contracts. The commodity swap contracts effectively fix the floating price on a specified quantity of silver through a specified date. At March 31, 2016, Spectrum Brands had a series of commodity swaps outstanding through August 2016. Spectrum Brands had the following commodity swap contracts outstanding as of March 31, 2016 and September 30, 2015:

	March 31, 2016		September 30, 2015	
	Notional	Contract Value	Notional	Contract Value
Silver (troy oz.)	10	$ 0.2	25	$ 0.4

Oil and natural gas commodity contracts. Compass' natural gas and oil commodity contracts are comprised of swap contracts, collars and three-way collars ("Derivative Financial Instruments"). Swap contracts allow Compass to receive a fixed price and pay a floating market price to the counterparty for the hedged commodity. A three-way collar is a combination of options including a sold call, a purchased put and a sold put. A three-way collar allows Compass to participate in the upside of commodity prices to the ceiling of the call option and provides Compass with partial downside protection through the combination of the put options.
Compass' primary objective in entering into Derivative Financial Instruments is to manage its exposure to commodity price fluctuations, protect its returns on investments and achieve a more predictable cash flow in connection with its operations. These transactions limit exposure to declines in commodity prices, but also limit the benefits Compass would realize if commodity prices increase. When prices for oil and natural gas are volatile, a significant portion of the effect of its Derivative Financial Instruments management activities consists of non-cash income or expense due to changes in the fair value of its Derivative Financial Instruments. Cash losses or gains only arise from payments made

or received on monthly settlements of contracts or if Compass terminates a contract prior to its expiration. Compass does not designate its Derivative Financial Instruments as hedging instruments for financial reporting purposes and, as a result, Compass recognizes the change in the respective Derivative Financial Instruments' fair value in earnings. Settlements in the normal course of maturities of Derivative Financial Instruments result in cash receipts from, or cash disbursements to, Compass' derivative contract counterparties. Changes in the fair value of Compass' Derivative Financial Instruments, which includes both cash and non-cash changes in fair value, are included in "Net investment gains" in the accompanying Condensed Consolidated Statements of Operations with a corresponding increase or decrease in the Condensed Consolidated Balance Sheets fair value amounts.

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The following table presents Compass' volumes and fair value of the oil and natural gas Derivative Financial Instruments as of March 31, 2016 (presented on a calendar-year basis):

	Volume Mmbtus/Mbbls	Weighted average strike price per Mmbtu/Bbl	Fair Value at March 31, 2016
Natural gas two-way collars (April - December 2016)	2,750		$ 0.3
Short call		$ 2.77	
Long put		2.15	
Total natural gas	2,750		0.3
Oil three-way collars (April - December 2016)	138		1.1
Short call		$ 76.00	
Long put		56.00	
Short Put		42.00	
Total oil	138		1.1
Total oil and natural gas Derivative Financial Instruments			$ 1.4

At September 30, 2015, Compass had outstanding Derivative Financial Instruments to mitigate price volatility covering 3,380 Billion British Thermal Units ("Mmbtus") of natural gas and 273 Thousand Barrels ("Mbbls") of oil. At March 31, 2016, the average forward NYMEX oil prices per Bbl for the next 12 months was $41.46, and the average forward NYMEX natural gas prices per Mmbtu for the next 12 months was $2.38. Compass' Derivative Financial Instruments covered approximately 20% and 44% of production volumes for the three and six months ended March 31, 2016, respectively, and 38% and 55% of production volumes for the three and six months ended March 31, 2015, respectively.

Credit Risk

Spectrum Brands is exposed to the risk of default by the counterparties with which Spectrum Brands transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. Spectrum Brands monitors counterparty credit risk on an individual basis by periodically assessing each such counterparty's credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. Spectrum Brands considers these exposures when measuring its credit reserve on its derivative assets, which was insignificant as of March 31, 2016 and September 30, 2015.

Spectrum Brands' standard contracts do not contain credit risk related contingent features whereby Spectrum Brands would be required to post additional cash collateral as a result of a credit event. However, Spectrum Brands is typically required to post collateral in the normal course of business to offset its liability positions. As of March 31, 2016 and September 30, 2015, there was $0.5 and $3.5, respectively, of posted cash collateral related to such liability positions. In addition, as of March 31, 2016 and September 30, 2015, Spectrum Brands had no posted standby letters of credit related to such liability positions. The cash collateral is included in "Receivables, net" within the accompanying Condensed Consolidated Balance Sheets.

Compass places Derivative Financial Instruments with the financial institutions that are lenders under the Compass Credit Agreement that it believes have high quality credit ratings. To mitigate risk of loss due to default, Compass has entered into master netting agreements with its counterparties on its Derivative Financial Instruments that allow it to offset its asset position with its liability position in the event of a default by the counterparty.

Front Street is exposed to credit risk in the event of non-performance by its counterparties on call options. Front Street seeks to reduce the risk associated with such agreements by purchasing such options from large, well-established financial institutions, but there can be no assurance that Front Street will not suffer losses in the event of counterparty non-performance. No collateral was posted by its counterparties; accordingly, the maximum amount of loss due to

credit risk that Front Street would incur if parties to the call options failed completely to perform according to the terms of the contracts is $2.5.

Earnings from FIA reinsurance are primarily generated from the excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging the risk on FIA policies, known as the net investment spread. With respect to FIAs, the cost of hedging the risk includes the expenses incurred to fund the annual index credits. Proceeds received upon expiration or early termination of call options purchased to fund annual index credits are recorded as part of the fair value changes associated with reinsurance contracts in the accompanying Condensed Consolidated Statements of Operations, and are largely offset by an expense for index credits earned on annuity contractholder fund balances.

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(7) Fair Value of Financial Instruments

The Company's consolidated assets and liabilities measured at fair value are summarized according to the hierarchy previously described as follows:

	March 31, 2016				September 30, 2015 (As Adjusted)			
	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Assets								
Derivatives:								
Call options	$—	$10.1	$—	$10.1	$—	$6.4	$—	$6.4
Foreign exchange contracts	—	3.4	—	3.4	—	6.0	—	6.0
Commodity contracts	—	1.7	—	1.7	—	7.9	—	7.9
Corporate fixed maturity securities AFS	—	—	—	—	—	—	14.1	14.1
Equity securities - trading	—	—	—	—	32.8	—	—	32.8
Other invested assets	—	—	—	—	—	—	2.8	2.8
Funds withheld receivables	73.9	1,531.6	73.9	1,679.4	45.8	1,579.9	84.4	1,710.1
Total financial assets	$73.9	$1,546.8	$73.9	$1,694.6	$78.6	$1,600.2	$101.3	$1,780.1
Liabilities								
Front Street future policyholder benefit liability	$—	$—	$654.0	$654.0	$—	$—	$629.2	$629.2
Derivatives:								
Embedded derivatives in Front Street's assumed FIA business	—	—	136.5	136.5	—	—	142.3	142.3
Commodity contracts	—	2.0	—	2.0	—	5.6	—	5.6
Interest rate contracts	—	2.1	—	2.1	—	2.6	—	2.6
Foreign exchange contracts	—	5.3	—	5.3	—	1.6	—	1.6
Total financial liabilities	$—	$9.4	$790.5	$799.9	$—	$9.8	$771.5	$781.3

Valuation Methodologies

Fixed Maturity Securities, Equity Securities and Other Invested Assets

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity or equity security, and the Company will then consistently apply the valuation methodology to measure the security's fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include a third-party pricing service, independent broker quotations or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met. For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices. The Company did not adjust prices received from third parties as of September 30, 2015. However, the Company does analyze the third-party valuation methodologies and its related inputs to perform assessments to determine the appropriate level within the fair value hierarchy.

Funds Withheld Receivables and Future Policyholder Benefits Liability

Front Street elected to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and future policyholder benefits reserve related to its assumed reinsurance. Front Street measures fair value of the funds withheld receivables based on the fair values of the securities in the underlying funds withheld portfolio held by the cedant. The non-funds withheld assets held by Front Street, backing the future policyholder benefits reserve,

are measured at fair value. Policy loans included in the funds withheld receivables are measured at fair value, which approximates amortized cost.
Front Street uses a discounted cash flows approach to measure the fair value of the future policyholder benefits reserve. The cash flows associated with future policy premiums and benefits are generated using best estimate assumptions (plus a risk margin, where applicable) and are consistent with market prices, where available. Risk margins are typically applied to non-observable,

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non-hedgeable market inputs such as mortality, morbidity, lapse, discount rate for non-performance risk, discount rate for risk margin, surrenders, etc. Mortality relates to the occurrence of death. Mortality assumptions are based upon the experience of the cedant as well as past and emerging industry experience, when available. Morbidity relates to the occurrence of a claim status and is a key assumption for the long term care business. Morbidity assumptions are based upon the experience of the cedant as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type. Assumptions are also made for future mortality and morbidity improvements.

Front Street determines the discount rate based on the market yields on the underlying assets backing the liabilities plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of Front Street. Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future conditions. As of December 31, 2015, Front Street began discounting the liability cash flows by using the market yields on the underlying assets backing the liabilities plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of Front Street. In prior periods, the discount rate was based on risk free rates plus non-performance spreads plus a risk margin and a factor to reflect own credit risk. The change in discount rate methodology reduced the fair value of the Front Street future policyholder benefit liability by $7.0 at December 31, 2015.

Derivatives

The fair values of the embedded derivatives in Front Street's assumed FIA business are derived using market indices, pricing assumptions and historical data. The significant unobservable inputs used in the fair value measurement of the embedded derivatives in Front Street's assumed FIA business are market value of option, interest swap rates, mortality multiplier, surrender rates, and non-performance spread. The mortality multiplier at March 31, 2016 and September 30, 2015 was applied to the Annuity 2000 mortality tables. Significant increases (decreases) in the market value of option in isolation would result in a higher or lower, respectively, fair value measurement. Significant increases or decreases in interest swap rates, mortality multiplier, surrender rates, or non-performance spread in isolation would result in a lower or higher, respectively, fair value measurement. Generally, a change in any one unobservable input would not result in a change in any other unobservable input.

Compass evaluates derivative assets and liabilities in accordance with master netting agreements with the derivative counterparties, and reports them on a gross or net basis in the accompanying Condensed Consolidated Balance Sheets as determined by the nature of the trade with the counterparty. Net derivative asset values are determined primarily by quoted futures prices and utilization of the risk-free rate curves and net derivative liabilities are determined by utilization of the risk-free rate curve. The risk-free rates of Compass' counterparties are based on the London Interbank Offered Rate ("LIBOR") curve as of the end of the reporting period. Compass' oil derivatives are swap contracts for notional Bbls of oil at fixed NYMEX WTI oil prices. The asset and liability values attributable to oil derivatives as of the end of the reporting period are based on (i) the contracted notional volumes, (ii) independent active NYMEX futures price quotes for WTI oil, and (iii) the applicable risk-free rate curve, as described above. Compass' natural gas derivatives are swap contracts and three-way collar contracts for notional Mmbtus of natural gas at posted price indexes, including NYMEX HH swap contracts. The asset and liability values attributable to natural gas derivatives as of the end of the reporting period are based on (i) the contracted notional volumes, (ii) independent active NYMEX futures price quotes for HH for natural gas swaps, (iii) the applicable risk-free rate curve, as described above, and (iv) the implied rate of volatility inherent in the option contracts.

Spectrum Brands' derivative assets and liabilities are valued on a recurring basis using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities, which are generally based on quoted or observed market prices and classified as Level 2. The fair value of certain derivatives is estimated using pricing models based on contracts with similar terms and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of Spectrum Brands' derivative

assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance which is calculated based on the probability of default by Spectrum Brands, it adjusts its derivative liabilities to reflect the price at which a potential market participant would be willing to assume Spectrum Brands' liabilities.

The Company has not changed its valuation techniques in measuring the fair value of any derivative assets and liabilities during the quarter.

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Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value as of March 31, 2016 and September 30, 2015 (as adjusted) were as follows:

Assets	Fair Value at March 31, 2016	September 30, 2015	Valuation Technique	Unobservable Input(s)	Range (Weighted average) March 31, 2016	September 30, 2015
Corporate fixed maturity securities AFS	$—	$ 14.1	Broker-quoted	Offered quotes	—%	83%
Other invested assets	—	2.8	Discounted Cash Flow	Probability of collection	—%	50%
				Discount rate	—%	10%
Funds withheld receivables:						
Fixed maturity and equity securities AFS	34.0	39.5	Matrix pricing	Quoted prices	100% - 122% (111%)	100% - 122% (112%)
Fixed maturity securities AFS	15.1	19.5	Discounted Cash Flow	Discount rate	6% - 13% (7%)	6% - 12% (8%)
Fixed maturity securities AFS	11.4	6.7	Broker-quoted	Offered quotes	94% - 107% (99%)	99% - 103% (101%)
Loan participations	4.7	9.7	Market pricing	Offered quotes	100%	100%
Policy loans	8.7	9.0	Loan value	Not applicable	100%	100%
Total	$73.9	$ 101.3				
Liabilities						
Front Street future policyholder benefit liability	$654.0	$ 629.2	Discounted cash flow	Non-performance risk spread	0.29% - 0.43%	0.16% - 0.46%
				Risk margin to reflect uncertainty	0.50% - 1.00%	0.50% - 1.00%
Embedded derivatives in Front Street's assumed FIA business	136.5	142.3	Discounted cash flow	Market value of option	0% - 24% (1%)	0% - 32% (1%)
				SWAP rates	1% - 2% (1%)	2%
				Mortality multiplier	80%	80%
				Surrender rates	0.50% - 75% (13%)	0.50% - 75% (13%)
				Non-performance risk spread	0.25%	0.25%
Total	$790.5	$ 771.5				

The significant unobservable inputs used in the fair value measurement of the Front Street future policyholder benefit liability are non-performance risk spread and risk spread to reflect uncertainty. Significant increases (decreases) in non-performance risk spread and risk margin to reflect uncertainty would result in a lower (higher) fair value measurement.

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The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for the three and six months ended March 31, 2016 and 2015. The gains and losses below may include changes in fair value due in part to observable inputs that are a component of the valuation methodology.

Three months ended March 31, 2016

	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Total Gains (Losses) Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Assets								
Funds withheld receivables	$74.8	$(0.3)	$ —	$ 3.0	$(3.1)	$ (0.5)	$ —	$73.9
Total assets at fair value	$74.8	$(0.3)	$ —	$ 3.0	$(3.1)	$ (0.5)	$ —	$73.9

	Balance at Beginning of Period	Total (Gains) Losses Included in Earnings	Total (Gains) Losses Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Liabilities								
Front Street future policyholder benefit liability	$629.0	$23.9	$ —	$ —	$—	$ 1.1	$ —	$654.0
Embedded derivatives in Front Street's assumed FIA business	139.9	(3.4)	—	—	—	—	—	136.5
Total liabilities at fair value	$768.9	$20.5	$ —	$ —	$—	$ 1.1	$ —	$790.5

Six months ended March 31, 2016

	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Total Gains (Losses) Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Assets								
Corporate fixed maturity securities AFS	$14.1	$(0.5)	$ —	$ —	$(13.6)	$ —	$ —	$—
Other invested assets	2.8	2.7	—	—	—	(5.5)	—	—
Funds withheld receivables	84.4	(1.7)	—	8.1	(16.4)	(0.5)	—	73.9
Total assets at fair value	$101.3	$0.5	$ —	$ 8.1	$(30.0)	$ (6.0)	$ —	$73.9

	Balance at Beginning of Period	Total (Gains) Losses Included in Earnings	Total (Gains) Losses Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period

Liabilities								
Front Street future policyholder benefit liability	$629.2	$20.2	$ —	$ —	$—	$ 4.6	$ —	$654.0
Embedded derivatives in Front Street's assumed FIA business	142.3	(5.8)	—	—	—	—	—	136.5
Total liabilities at fair value	$771.5	$14.4	$ —	$ —	$—	$ 4.6	$ —	$790.5

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Three months ended March 31, 2015

	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Assets								
Contingent purchase price reduction receivable	$41.5	$5.5	$ —	$ —	$—	$ —	$ —	$47.0
Corporate fixed maturity securities AFS	15.8	—	—	—	—	—	—	15.8
Funds withheld receivables	65.2	0.2	—	12.0	(2.4)	—	—	75.0
Total assets at fair value	$122.5	$5.7	$ —	$ 12.0	$(2.4)	$ —	$ —	$137.8

	Balance at Beginning of Period	Total (Gains) Losses Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Liabilities								
Front Street future policyholder benefit liability	$496.4	$22.4	$ —	$ 73.6	$—	$ (7.9)	$ —	$584.5
Embedded derivatives in Front Street's assumed FIA business	157.0	(1.1)	—	—	—	—	—	155.9
Total liabilities at fair value	$653.4	$21.3	$ —	$ 73.6	$—	$ (7.9)	$ —	$740.4

Six months ended March 31, 2015

	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Assets								
Contingent purchase price reduction receivable	$41.5	$5.5	$ —	$ —	$—	$ —	$ —	$47.0
Corporate fixed maturity securities AFS	16.3	—	(0.5)	—	—	—	—	15.8
Funds withheld receivables	59.4	0.1	—	22.0	(6.5)	—	—	75.0
Total assets at fair value	$117.2	$5.6	$ (0.5)	$ 22.0	$(6.5)	$ —	$ —	$137.8

	Balance at Beginning of Period	Total (Gains) Losses Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Liabilities								
Front Street future policyholder benefit liability	$151.3	$22.6	$ —	$ 420.5	$—	$ (9.9)	$ —	$584.5

Embedded derivatives in Front Street's assumed FIA business	150.8	5.1	—	—	—	—	—	155.9
Total liabilities at fair value	$302.1	$27.7	$—	$420.5	$—	$(9.9)	$—	$740.4

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the beginning fair value for the reporting period in which the changes occur. There were no transfers between Level 1 and Level 2 and no net transfers in or out of Level 3 for the three and six months ended March 31, 2016 and 2015.

Non-Recurring Fair Value Measurements

Goodwill, intangible assets and other long-lived assets are tested annually or if an event occurs that indicates an impairment loss may have been incurred using fair value measurements with unobservable inputs (Level 3).

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Financial Assets and Liabilities Not Measured at Fair Value

The carrying amount, estimated fair value and the level of the fair value hierarchy of the Company's financial instrument assets and liabilities which are not measured at fair value in the accompanying Condensed Consolidated Balance Sheets are summarized as follows:

	March 31, 2016				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets (a)					
Other invested assets	$—	$—	$2.5	$2.5	$2.5
Asset-based loans	—	—	136.8	136.8	136.8
Total financial assets	$—	$—	$139.3	$139.3	$139.3
Liabilities (a)					
Investment contracts, included in contractholder funds and other insurance reserves	$—	$—	$895.9	$895.9	$1,034.3
Total debt (b)	—	6,391.0	80.7	6,471.7	6,232.0
Total financial liabilities	$—	$6,391.0	$976.6	$7,367.6	$7,266.3

	September 30, 2015 (As Adjusted)				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets (a)					
Other invested assets	$—	$—	$2.5	$2.5	$2.5
Asset-based loans	—	—	226.7	226.7	226.7
Total financial assets	$—	$—	$229.2	$229.2	$229.2
Liabilities (a)					
Investment contracts, included in contractholder funds and other insurance reserves	$—	$—	$960.3	$960.3	$1,084.5
Total debt (b)	—	6,398.0	99.1	6,497.1	6,310.5
Total financial liabilities	$—	$6,398.0	$1,059.4	$7,457.4	$7,395.0

(a) The carrying amounts of cash and cash equivalents, trade receivables, accounts payable and accrued investment income approximate fair value due to their short duration and, accordingly, they are not presented in the tables above.

(b) The fair values of debt set forth above are generally based on quoted or observed market prices.

Valuation Methodology

Investment Contracts and Other Insurance Reserves

Investment contracts assumed from FGL by Front Street include deferred annuities, FIAs and immediate annuities. The fair value of deferred annuity and FIAs is based on their cash surrender value (which is the cost the Company would incur to extinguish the liability) as these contracts are generally issued without an annuitization date. See "Funds Withheld Receivables and Future Policyholder Benefits Liability" section above for discussion of the calculation of the fair value of the insurance reserves.

Asset-based loans

The fair value of the asset-based loans originated by Salus approximate their net carrying value. Such loans carry a variable rate that are typically revolving in nature and can be settled at the demand of either party. Nonaccrual loans are considered impaired for reporting purposes and are measured and recorded at fair value on a non-recurring basis. As the loans are collateral dependent, Salus measures such impairment based on the estimated fair value of eligible proceeds. This is generally based on estimated market prices from an independently prepared appraisal. The impaired loan balance represents those nonaccrual loans for which impairment was recognized during the quarter.

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(8) Goodwill and Intangibles

A summary of the changes in the carrying amounts of goodwill and intangible assets are as follows:

	Goodwill	Intangible Assets Indefinite Lived	Intangible Assets Definite Lived	Total
Balance at September 30, 2015 (As Adjusted)	$2,487.4	$1,490.3	$990.0	$2,480.3
Adjustments	2.6	—	—	—
Less: Periodic amortization	—	—	(47.0)	(47.0)
Effect of translation	4.1	(2.6)	1.7	(0.9)
Balance at March 31, 2016	$2,494.1	$1,487.7	$944.7	$2,432.4

Goodwill and indefinite lived trade name intangibles are not amortized and are tested for impairment at least annually at the Company's August financial period end, or more frequently if an event or circumstance indicates that an impairment loss may have been incurred between annual impairment tests.

Definite Lived Intangible Assets

The range and weighted average useful lives for definite lived intangible assets are as follows:

	March 31, 2016			September 30, 2015		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer relationships	$987.8	$ (276.0)	$711.8	$985.2	$ (247.4)	$737.8
Technology assets	234.3	(85.4)	148.9	238.6	(78.1)	160.5
Trade names	165.4	(81.4)	84.0	165.4	(73.7)	91.7
	$1,387.5	$ (442.8)	$944.7	$1,389.2	$ (399.2)	$990.0

At March 31, 2016, the range and weighted average useful lives for definite-lived intangibles assets were as follows:

Asset Type	Range	Weighted Average
Customer relationships	2 to 20 years	18.5 years
Technology assets	4 to 18 years	11.1 years
Trade names	8 to 17 years	16.2 years

Amortization expense for definite lived intangible assets for the three months ended March 31, 2016 and 2015 was $23.4 and $21.2, respectively, and $47.0 and $41.7 for the six months ended March 31, 2016 and 2015, respectively. Excluding the impact of any future acquisitions or change in foreign currency, the Company estimates annual amortization expense of amortizable intangible assets for the next five fiscal years will be as follows:

Fiscal Year	Estimated Amortization Expense
2016	$ 93.9
2017	93.0
2018	86.2
2019	85.1
2020	84.9

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(9) Debt

The Company's consolidated debt consists of the following:

	March 31, 2016		September 30, 2015		
	Amount	Rate	Amount (As Adjusted)	Rate	Interest rate
HRG					
7.875% Senior Secured Notes, due July 15, 2019	$864.4	7.9 %	$864.4	7.9 %	Fixed rate
7.75% Senior Unsecured Notes, due January 15, 2022	890.0	7.8 %	890.0	7.8 %	Fixed rate
Spectrum Brands					
Term Loan, due June 23, 2022	1,220.8	3.5 %	1,226.9	3.9 %	Variable rate, see below
CAD Term Loan, due June 23, 2022	57.2	4.5 %	55.7	4.4 %	Variable rate, see below
Euro Term Loan, due June 23, 2022	257.5	3.5 %	255.8	3.5 %	Variable rate, see below
6.375% Senior Notes, due November 15, 2020	520.0	6.4 %	520.0	6.4 %	Fixed rate
6.625% Senior Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %	Fixed rate
6.125% Notes, due December 15, 2024	250.0	6.1 %	250.0	6.1 %	Fixed rate
5.75% Notes, due July 15, 2025	1,000.0	5.8 %	1,000.0	5.8 %	Fixed rate
Revolver Facility, expiring June 23, 2020	175.0	3.2 %	—	— %	Variable rate, see below
Other notes and obligations	10.4	12.4%	11.2	10.2%	Various
Obligations under capitalized leases	111.8	5.5 %	88.2	5.7 %	Various
Compass					
Compass Credit Agreement, due February 14, 2018	160.0	3.7 %	327.0	3.0 %	Variable rate, see below
HGI Energy					
9.0% HGI Energy Note to FGL*, due February 14, 2021	50.0	9.0 %	50.0	9.0 %	Fixed rate
Salus					
Unaffiliated long-term debt of consolidated variable-interest entity	40.4	— %	40.4	— %	Variable rate, see below
Long-term debt of consolidated variable-interest entity with FGL*	165.0	5.5 %	274.0	3.9 %	Variable rate, see below
Unaffiliated secured borrowings under non-qualifying loan participations	8.8	10.5%	8.8	10.5%	Fixed rate
Secured borrowings under non-qualifying loan participations with FGL*	—	— %	4.2	4.5 %	Variable rate, see below
Promissory note to FGL*	2.5	5.3 %	2.5	5.3 %	Fixed rate
Total	6,353.8		6,439.1		
Original issuance discounts on debt, net of premiums	(25.0)		(25.7)		
Less unamortized debt issue costs	(96.8)		(102.9)		
Total debt	6,232.0		6,310.5		
Less current maturities and short-term debt	46.0		45.1		
Non-current portion of debt	$6,186.0		$6,265.4		

* The debt balances included in the accompanying Condensed Consolidated Balance Sheets and in the table above reflect transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the close of the FGL Merger. Such transactions are not eliminated in the Condensed Consolidated Financial Statements in order to appropriately reflect the continuing operations and balances held for sale.

Spectrum Brands

Interest terms

Certain of Spectrum Brands' debt instruments are subject to variable interest rates. At March 31, 2016, Spectrum Brands' variable interest rate terms were as follows: (i) for the U.S. dollar denominated term loan facility (the "USD Term Loan"), either adjusted LIBOR, subject to a 0.75% floor, plus 2.75% per annum, or base rate plus 1.75% per annum; (ii) for the Canadian dollar ("CAD") denominated term loan facility (the "CAD Term Loan"), either Canadian Dollar Offered Rate, subject to a 0.75% floor plus 3.5% per annum, or base rate plus 2.5% per annum; (iii) for the Euro denominated term loan facility (the "Euro Term Loan"), Euro Interbank Offered Rate, subject to a 0.75% floor, plus 2.75% per annum, with no base rate option available; and (iv) for the revolving credit facility (the "Revolver Facility"), either adjusted LIBOR plus 2.75% per annum or base rate plus 1.75% per annum. As a result of borrowings and payments under the Revolver Facility, at March 31, 2016, the Company had borrowing availability of $300.4, net outstanding letters of credit of $24.6.

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Compass

As of March 31, 2016, Compass had $160.0 of outstanding indebtedness under the Compass Credit Agreement. The borrowing base is redetermined semi-annually, with Compass and the lenders having the right to request interim unscheduled redeterminations in certain circumstances. The interest rate grid ranges from LIBOR plus 269 bps to 369 bps (or Alternate Base Rate ("ABR") plus 475 bps to 575 bps), depending on the percentages of drawn balances to the borrowing base as defined in the agreement. On March 31, 2016, the one month LIBOR was 0.4% which resulted in an interest rate of approximately 3.7%.

On November 13, 2015, Compass entered into an amendment to the terms of the Compass Credit Agreement that included a modification of the Compass' Consolidated Leverage Ratio (as defined in the Compass Credit Agreement) whereby the maximum permitted ratio at the end of each quarter was increased to 6.00 to 1.0 through September 30, 2016. The maximum permitted Consolidated Coverage Ratio for each quarter ending after October 1, 2016 will be 4.50 to 1.00. The amendment also provided for the reduction of the borrowing base to $320.0 on November 13, 2015. Following the completion of the Compass Asset Sale and pay down of Compass indebtedness, the borrowing base under the Compass Credit Agreement was further reduced to $175.0.

Concurrently with such amendment, HRG's wholly-owned subsidiary, HGI Funding, LLC ("HGI Funding"), determined to amend its guarantee in order to continue to provide a guarantee (the "Initial Guarantee") of a limited portion of the debt under the Compass Credit Agreement until the date of Compass' next borrowing base redetermination (expected to be on or about May 16, 2016) and committed to make a debt or equity contribution to Compass on the date of such redetermination in an amount to be determined based on the amount of the borrowing base at such time. HGI Funding's aggregate obligations in connection with the Initial Guarantee through the May 2016 borrowing base redetermination date are not to exceed $30.0. The guarantee was also amended to provide that HGI Funding may elect to guaranty an additional portion of the debt under the Compass Credit Agreement (the "Optional Guarantee") in order to cure defaults under the Consolidated Leverage Ratio on any test date through September 30, 2016. HGI Funding will be required to make a debt or equity contribution to Compass in the amount of the Optional Guarantee (if any) within eleven business days of the delivery of Compass' compliance certificate under the Compass Credit Agreement for the period ending September 30, 2016. The secured amount is secured by a pledge of assets chosen by the Company that may consist of a combination of cash and marketable securities with a determined value equal to the maximum secured amount then applicable. In measuring the determined value of the pledged assets, cash is valued at 100.0% and marketable securities are valued at 33.3% of fair market value thereafter (measured as the 20 day average close price of such marketable securities). As of March 31, 2016, the Company had no amounts in the Optional Guarantee. As of March 31, 2016, $160.0 was drawn under the Compass Credit Agreement. The Compass Credit Agreement matures on February 14, 2018.

On December 23, 2015, Compass received the consent of the lenders under the Compass Credit Agreement to delay the delivery of Compass' unqualified audited financial statements for the fiscal year ending September 30, 2015 until March 31, 2016. Such financial statements had previously been required to be delivered within 90 days following the end of such fiscal year.

On March 29, 2016, Compass entered into a further amendment to the terms of the Compass Credit Agreement that included a modification of the Applicable Spread (as defined in the Compass Credit Agreement) whereby (i) the ABR Spread (as defined in the Compass Credit Agreement) was increased from a range of 0.75%-1.75%, based on the Borrowing Base Usage (as defined in the Compass Credit Agreement), to a spread of 1.25%-2.25% and (ii) the Eurodollar spread was increased from a range of 1.75%-2.75% to a range of 2.25%-3.25%. Additionally, the commitment fee was raised to 0.50% at all Borrowing Base Usage levels, up from 0.375% when the Borrowing Base Usage was less than 50.0%. The amendment further provided for a redetermination of Compass' borrowing base on or about May 16, 2016 with scheduled redeterminations to begin December 1, 2016 and proceed every June 1 and December 1 thereafter. Finally, the amendment included a limited waiver of the event of default that would have occurred due to the existence of a going concern qualification in the audited consolidated financial statements of Compass for the fiscal year ended September 30, 2015.

As of March 31, 2016, Compass was in good standing under the covenants specified in the Compass Credit Agreement, as amended. The expiration date of the Initial Guarantee occurs upon the closing of Compass' scheduled

borrowing base redetermination on or about May 16, 2016. The expiration date of the Optional Guarantee occurs upon the making of all required payments on the Optional Guarantee payment date. Compass is presently current on all obligations related to the Compass Credit Agreement.

HGI Energy

In February 2013, in connection with the Company’s acquisition of an interest in Compass, HGI Energy entered into note purchase agreements, one of which was with FGL for $50.0 notional aggregate principal amount due February 14, 2021 (the “HGI Energy Note to FGL”). The HGI Energy Note to FGL earns interest at 9.0% per annum, payable semi-annually in arrears on January 1 and July 1. The HGI Energy Note to FGL is subordinated in seniority to the Compass Credit Agreement.

Salus

Salus acts as co-lender under some of the asset-based loans that it originates, and such loans are structured to meet the definition of a “participating interest” as defined under ASC 860-10, Transfers and Servicing. For loans originated with co-lenders that have terms that result in such a co-lender not having a qualifying “participating interest”, Salus recognizes the whole, undivided loan.

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Salus also reflects a secured borrowing owing to the co-lender representing their share in the undivided whole loan. As of March 31, 2016 and September 30, 2015, Salus had $8.8 of such secured borrowings to unaffiliated co-lenders outstanding related to non-qualifying “participating interests”. As of March 31, 2016, Salus had no secured borrowings under non-qualifying loan participation with FGL and as of September 30, 2015, the balance was $4.2.

In February 2013, September 2013 and February 2015, Salus completed a collateralized loan obligation (“CLO”) securitization of up to $578.5 notional aggregate principal amount. At March 31, 2016 and September 30, 2015, the outstanding notional aggregate principal amount was $248.6 and $357.7, respectively, of which $40.4 was taken up by unaffiliated entities and consisted entirely of subordinated debt, and $165.0 and $274.0 was taken up by FGL and included in Assets of business held for sale in the accompanying Condensed Consolidated Balance Sheets. The obligations of the securitization is secured by the assets of the Variable Interest Entity (“VIE”), primarily asset-based loan receivables, and at March 31, 2016 carried a variable interest rate ranging from LIBOR plus 2.4% to LIBOR plus 11.5% for the senior tranches. The subordinated tranches carry residual interest subject to maintenance of certain covenants. Due to losses incurred in the CLO, at March 31, 2016 and September 30, 2015, the CLO was not accruing interest on the subordinated debt.

In February 2015, Salus signed a $2.5 Senior Secured promissory note with FGL originally due on May 29, 2015, which has been extended to May 27, 2016 with fixed interest of 5.3% to be paid semi-annually.

(10) Stock-Based Compensation

The Company recognized consolidated stock-based compensation expense of $25.0 and $19.9 during the three months ended March 31, 2016 and 2015, respectively, and $40.0 and $34.0 during the six months ended March 31, 2016 and 2015, respectively. Stock-based compensation expense is principally included in “Selling, acquisition, operating and general expenses” in the accompanying Condensed Consolidated Statements of Operations.

A summary of stock options outstanding as of March 31, 2016 and related activity during the six months then ended are as follows (option amounts in thousands):

	HRG		
Stock Option Awards	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Stock options outstanding at September 30, 2015	4,770	$ 9.25	$ 3.70
Granted	28	13.93	5.07
Exercised	(401)	8.07	3.12
Stock options outstanding at March 31, 2016	4,397	9.39	3.77
Stock options vested and exercisable at March 31, 2016	3,347	8.40	3.37
Stock options outstanding and expected to vest	4,397	9.39	3.77

A summary of restricted stock, restricted stock units and performance restricted stock units outstanding as of March 31, 2016 and related activity during the six months then ended, under HRG and Spectrum Brands are as follows (share amounts in thousands):

	HRG	
Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value
Nonvested restricted stock outstanding at September 30, 2015	4,283	$ 11.74
Granted	99	13.93
Exercised/Released	(2,305)	10.93
Nonvested restricted stock outstanding at March 31, 2016	2,077	12.74

Restricted Stock Units	HRG		Spectrum Brands	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Restricted stock units outstanding at September 30, 2015	42	$ 12.33	608	$ 87.50
Granted	6	13.93	572	94.73
Vested/Exercised	—	—	(528)	86.54
Forfeited or Expired	—	—	(64)	91.67
Restricted stock units outstanding at March 31, 2016	48	12.52	588	94.95

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A summary of warrants outstanding as of March 31, 2016 and related activity during the six months then ended, under HRG's incentive plan are as follows (share amounts in thousands):

	HRG		
Warrants	Units	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Warrants outstanding at September 30, 2015	1,800	$ 13.13	$ 3.22
Warrants outstanding at March 31, 2016	1,800	13.13	3.22
Warrants vested and exercisable at March 31, 2016	600	13.13	3.22
Warrants outstanding and expected to vest	1,200	13.13	3.22

HRG

During the six months ended March 31, 2016, HRG granted stock option awards, restricted stock awards and restricted stock unit awards representing approximately 28 thousand, 99 thousand and 6 thousand shares, respectively. HRG granted no stock option awards, restricted stock units or restricted stock awards during the three months ended March 31, 2016. All of these grants are time based, and vest either immediately, or over a period of up to 3 years. The total fair value of the stock grants during the six months ended March 31, 2016 on their respective grant dates was approximately $1.6. During the six months ended March 31, 2016, stock option awards and restricted stock awards with a total fair value of $30.3 vested. The total intrinsic value of share options exercised during the six months ended March 31, 2016 was $2.1, for which HRG received cash of $3.2 in settlement.

During the six months ended March 31, 2015, HRG granted stock option awards, restricted stock awards and restricted stock unit awards representing approximately 822 thousand, 1,885 thousand and 6 thousand shares, respectively. HRG granted no stock option awards, restricted stock units or restricted stock awards during the three months ended March 31, 2015. All of these grants are time based, and vest either immediately, or over a period of up to 3 years. The total fair value of the stock grants during the six months ended March 31, 2015 on their respective grant dates was approximately $29.6. During the six months ended March 31, 2015, stock option awards and restricted stock awards with a total fair value of $26.2 vested. The total intrinsic value of stock options exercised during the six months ended March 31, 2015 was $2.2, for which HRG received cash of $1.9 in settlement.

Under HRG's executive bonus plan for the fiscal year ending September 30, 2016, executives will be paid in cash, stock, stock options and restricted stock shares. The equity grants are expected to be granted in the first quarter of the fiscal year ending September 30, 2017, and to vest, either immediately, or between 1 and 3 years from the grant date.

As of March 31, 2016, there was approximately $9.8 of total unrecognized compensation cost related to unvested share-based compensation agreements previously granted, which is expected to be recognized over a weighted-average period of 1.17 years.

The fair values of restricted stock and restricted stock unit awards are determined based on the market price of HRG's common stock on the grant date. The fair value of stock option awards and warrants are determined using the Black-Scholes option pricing model.

The following assumptions were used in the determination of these grant date fair values for options awarded using the Black-Scholes option pricing model:

	Six months ended March 31,	
	2016	2015
Risk-free interest rate	1.65% to 1.74%	1.58% to 1.87%
Assumed dividend yield	—%	—%
Expected option term	5.0 to 5.5 years	5.0 to 6.5 years
Volatility	37.4% to 37.9%	38.0% to 39.0%

The weighted-average remaining contractual term of outstanding stock option awards and warrants at March 31, 2016 was 7.18 years.

Spectrum Brands

Spectrum Brands granted restricted stock units representing approximately 130 thousand and 572 thousand shares during the three and six months ended March 31, 2016, respectively. Of these grants, 190 thousand restricted stock units vested immediately and 48 thousand restricted stock units are time-based and vest within a period of 1 year. The remaining 334 thousand that are both performance and time-based and vest over a period of up to 2 years. The total market value of the restricted stock units on the dates of the grants was approximately $54.2. The remaining unrecognized pre-tax compensation cost related to restricted stock units at March 31, 2016 was $40.2.
Spectrum Brands granted restricted stock units representing approximately 296 thousand and 529 thousand shares during the three

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and six months ended March 31, 2015, respectively. The 529 thousand restricted stock units granted during the six months ended March 31, 2015 included 133 thousand restricted stock units vested immediately and 132 thousand restricted stock units are time-based and vest over a period of 1 to 3 years. The remaining 264 thousand restricted stock units are performance and time-based and vest over a period of up to 2 years. The total market value of the restricted shares on the date of the grant was approximately $47.8. The remaining unrecognized pre-tax compensation cost related to restricted stock units at March 31, 2015 was $48.6.
The fair value of restricted stock units are determined based on the market price of Spectrum Brands' common stock on the grant date.

(11) Income Taxes
For the three and six months ended March 31, 2016, the Company's effective tax rate of 43.4% and 16.6%, respectively, differed from the expected U.S. statutory tax rate of 35% and was impacted by the change in judgement in the realizability on a portion of Spectrum Brand's U.S. net operating loss carryforwards that were previously recorded with valuation allowance and recognition of tax benefits on current year losses from the Energy and Corporate and Other segments in the U.S. The Company determined that a portion of the current year losses related to the Energy and Corporate and Other segments are more likely than not to be realized based on the expected taxable gain from the FGL Merger. The increase in tax expense for the three months ended March 31, 2016 was principally due to an increase in current year losses from our Corporate and Other segments in the U.S. that are not more likely than not to be realized.
In December 2015, Spectrum Brands received a ruling from the Internal Revenue Service which resulted in approximately $88.0 of U.S. net operating losses ("NOL") being restored. The ruling created additional U.S. deferred tax assets and valuation allowance during the three and six months ended March 31, 2016. During the three months ended March 31, 2016, Spectrum Brands determined it is more likely than not its U.S. deferred tax assets will be used to reduce taxable income, except for tax attributes subject to ownership change limitations, capital losses, and certain state operating losses and credits that will expire unused. Spectrum Brands estimates the total unused tax benefits are approximately $209.0 and has projected to release approximately $84.0 of valuation allowance during the year ending September 30, 2016. Since the release is expected to be realized as a result of ordinary income in the fiscal year ending September 30, 2016, the entire $84.0 is included in the calculation of the estimated annual effective tax rate for the current year.
For the three and six months ended March 31, 2015, the Company's effective tax rate of 0.3% and (1.4)%, respectively, differed from the expected U.S. statutory tax rate of 35% and was impacted by pretax losses including book valuation impairments and bad debt expense in our Energy and Asset Management segments in the U.S. and certain pretax losses from foreign jurisdictions for which the Company concluded that the tax benefits are not more-likely-than-not to be realized, resulting in the recording of valuation allowances. The six months ended March 31, 2015 included recognition of a nonrecurring net income tax benefit of $12.3 attributable to tax impact related to the impairment of certain Frederick's of Hollywood Inc. ("FOH") indefinite lived intangible assets. Due to the indefinite life of these assets for book purposes, the related deferred tax liability was not regarded as a source of taxable income to support the realization of deferred tax assets. Consequently, the impairment recorded resulted in a reduction to the deferred tax liability previously recorded.
The majority of NOL, capital loss and tax credit carryforwards of HRG and Spectrum Brands have historically been subject to valuation allowances, as the Company concluded that all or a portion of the related tax benefits are not more-likely-than-not to be realized. Utilization of a portion of the NOL, capital loss and tax credit carryforwards of HRG and Spectrum Brands are subject to limitations under Internal Revenue Code ("IRC") Sections 382 and 383. Such limitations resulted from ownership changes of more than 50 percentage points over a three-year period. The consummation of the FGL Merger is expected to result in the reversal of a significant portion of the Company's valuation allowance previously recorded against tax attribute carryforwards that are expected to be realized against the taxable gain.

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(12) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share ("EPS") (share amounts in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Net loss from continuing operations attributable to controlling interest	$(19.9)	$(236.9)	$(8.8)	$(360.4)
Net (loss) income from discontinued operations attributable to controlling interest	(14.9)	8.6	(59.9)	22.3
Net loss attributable to controlling interest	$(34.8)	$(228.3)	$(68.7)	$(338.1)
Participating common shares at end of period	198,521	196,672	198,521	196,672
Net loss attributable to common shares - basic and diluted	$(34.8)	$(228.3)	$(68.7)	$(338.1)
Weighted-average common shares outstanding - basic	198,521	196,860	198,076	197,583
Weighted-average shares outstanding - diluted	198,521	196,860	198,076	197,583
Net loss per common share attributable to controlling interest:				
Basic loss from continuing operation	$(0.10)	$(1.20)	$(0.05)	$(1.82)
Basic (loss) income from discontinued operations	(0.08)	0.04	(0.30)	0.11
Basic	$(0.18)	$(1.16)	$(0.35)	$(1.71)
Diluted loss from continuing operation	$(0.10)	$(1.20)	$(0.05)	$(1.82)
Diluted (loss) income from discontinued operations	(0.08)	0.04	(0.30)	0.11
Diluted	$(0.18)	$(1.16)	$(0.35)	$(1.71)

The number of shares of common stock outstanding used in calculating the weighted average thereof reflects the actual number of HRG common stock outstanding, excluding unvested restricted stock.

The following were excluded from the calculation of "diluted net loss per common share attributable to controlling interest" because the as-converted effect of the unvested restricted stock and stock units, stock options and warrants would have been anti-dilutive (share amounts in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Unvested restricted stock and restricted stock units	1,501	3,092	2,130	2,861
Stock options	1,040	1,316	1,172	1,393
Out of the money warrants	1,800	3,000	1,800	3,000

(13) Commitments and Contingencies

The Company has aggregate accruals for its legal, environmental and regulatory matters of approximately $9.3 at March 31, 2016, of which $5.0 relates to liabilities of business held for sale. These accruals relate primarily to the matters described below. In addition, the Company and its subsidiaries are involved in other litigation and claims arising out of their prior businesses and arising in the ordinary course out of their current businesses, which include, among other things, indemnification and other claims and litigations involving HRG's and its subsidiaries' business practices, transactions, workers compensation matters, environmental matters, and personal injury claims. However, based on currently available information, including legal defenses available to the Company, and given the aforementioned accruals and related insurance coverage, the Company does not believe that the outcome of these legal, environmental and regulatory matters will have a material effect on its financial position, results of operations or

cash flows.

Legal and Environmental Matters

HRG

HRG was named as a nominal defendant, and members of its Board were named as defendants in a purported class and derivative action filed in March 2014 by Haverhill Retirement System ("Plaintiff") in the Delaware Court of Chancery (the "Court"). Harbinger Capital Partners LLC and certain of its affiliated funds ("HCP") and Leucadia National Corporation ("Leucadia"), each a stockholder

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of HRG, were also named as defendants in the complaint. The complaint alleged, among other things, that the defendants breached their fiduciary duties in connection with transactions involving Leucadia. On January 7, 2016, the Court approved a stipulation under which the Plaintiff agreed to dismiss the action. HRG has paid the Plaintiff’s counsel $0.2 in attorney’s fees and expenses and the Plaintiff has dismissed its action against the defendants.

HRG was named as a nominal defendant, and members of its Board were named as defendants, in a derivative action filed in December 2010 by Alan R. Kahn in the Delaware Court of Chancery. HCP was also named as a defendant. The plaintiff alleged that HRG's acquisition of HCP’s shares of Spectrum Brands in exchange for shares of common stock of HRG from HRG was financially unfair to HRG and its public stockholders, and sought unspecified damages and the rescission of the transaction. On November 24, 2015, the parties filed a Stipulation of Settlement with the Court (“Settlement”). The Settlement was approved by the court on February 4, 2016, and the action was dismissed. Pursuant to the terms of the Settlement, HCP and the Company’s insurer paid a total of $3.8 into a settlement fund that will, net of distribution and notice costs and the fee and expense award to plaintiff's counsel, be distributed to stockholders of the Company other than stockholders affiliated with HCP, the members of the Company's board of directors at the time of the challenged transaction and certain other persons. HRG will not contribute any payment to the settlement fund.

Spectrum Brands

Spectrum Brands is a defendant in various other matters of litigation generally arising out of the ordinary course of business. Spectrum Brands does not believe that the resolution of any other matters or proceedings presently pending will have a material adverse effect on its results of operations, financial condition, liquidity or cash flows.

Spectrum Brands has accrued approximately $4.3 for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. Spectrum Brands believes that any additional liability that may result from resolution of these matters in excess of the amounts provided for will not have a material adverse effect on the financial condition, results of operations or cash flows of Spectrum Brands. Spectrum Brands is subject to various federal, state and local environmental laws and regulations. Spectrum Brands believes it is in substantial compliance with all such environmental laws that are applicable to its operations.

FGL (business held for sale)

FGL is involved in various pending or threatened legal proceedings, including purported class actions, arising in the ordinary course of business. In some instances, these proceedings include claims for unspecified or substantial punitive damages and similar types of relief in addition to amounts for alleged contractual liability or requests for equitable relief. In the opinion of FGL management and in light of existing insurance and other potential indemnification, reinsurance and established accruals, such litigation is not expected to have a material adverse effect on FGL’s financial position, although it is possible that the results of operations and cash flows could be materially affected by an unfavorable outcome in any one period.

FGL is assessed amounts by the state guaranty funds to cover losses to policyholders of insolvent or rehabilitated insurance companies. Those mandatory assessments may be partially recovered through a reduction in future premium taxes in certain states. At March 31, 2016, FGL has accrued $3.0 for guaranty fund assessments that is expected to be offset by estimated future premium tax deductions of $3.0.

FGL has received inquiries from a number of state regulatory authorities regarding its use of the U.S. Social Security Administration’s Death Master File (the “Death Master File”) and compliance with state claims practices regulation. Legislation requiring insurance companies to use the Death Master File to identify potential claims has been enacted in a number of states. As a result of these legislative and regulatory developments, in May 2012, FGL undertook an initiative to use the Death Master File and other publicly available databases to identify persons potentially entitled to benefits under life insurance policies, annuities and retained asset accounts. In addition, FGL has received audit and examination notices from several state agencies responsible for escheatment and unclaimed property regulation in those states and in some cases has challenged the audits including litigation against the Controller for the State of California which is subject to a stay. FGL believes its current accrual will cover the reasonably estimated liability arising out of these developments, however costs that cannot be reasonably estimated as of the date of this filing are possible as a result of ongoing regulatory developments and other future requirements related to these matters.

On July 5, 2013, Plaintiff Eddie L. Cressy filed a putative class Complaint captioned Cressy v. Fidelity Guaranty [sic] Life Insurance Company, et. al. in the Superior Court of California, County of Los Angeles (the "LA Court"), Case No. BC-514340. The Complaint was filed after the Plaintiff was unable to maintain an action in federal court. The Complaint asserts, inter alia, that the Plaintiff and members of the putative class relied on Defendants' advice in purchasing allegedly unsuitable equity-indexed insurance policies.

On January 2, 2015, the LA Court entered final judgment in Cressy, certifying the class for settlement purposes, and approving the class settlement reached on April 4, 2014. On August 10, 2015, FGL tendered $1.3 to the settlement administrator for a claim review fund. The Company implemented an interest enhancement feature for certain policies as part of the class settlement, which enhancement began on October 12, 2015. On December 11, 2015, the parties filed a joint motion to amend the January 2, 2015 final order and judgment, to extend the deadline for settlement completion from January 28, 2016 to October 24, 2016.

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At March 31, 2016, FGL estimated the total cost for the settlement, legal fees and other costs related to Cressy would be $9.2, with a liability for the unpaid portion of the estimate of $1.4. FGL has incurred and paid $4.6 related to legal fees and other costs and $3.3 related to settlement costs as of March 31, 2016. Based on the information currently available FGL does not expect the actual cost for settlement, legal fees and other related costs to differ materially from the amount accrued.

On January 7, 2015, a putative class action complaint was filed in the United States District Court, Western District of Missouri, captioned Dale R. Ludwick, on behalf of herself and all others similarly situated ("Plaintiff Ludwick") v. Harbinger Group Inc. (HRG's former corporate name), FGL Insurance, Raven Re, and Front Street Cayman (the "Defendants"). The complaint alleged violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), requested injunctive and declaratory relief, sought unspecified compensatory damages for the putative class in an amount not specified, treble damages, and other relief, and claims Plaintiff Ludwick overpaid for her annuity. On April 13, 2015, the Defendants filed a joint motion to dismiss the complaint. On February 12, 2016, the District Court granted the Defendants' joint motion to dismiss. On March 3, 2016, Plaintiff Ludwick filed a notice of appeal.

As of March 31, 2016, HRG and FGL did not have sufficient information to determine whether FGL is exposed to any losses that would be either probable or reasonably estimable beyond an expense contingency estimate of $1.5, which was accrued during the six months ended March 31, 2016.

Compass

Various federal, state and local laws and regulations covering discharge of materials into the environment, or otherwise relating to the protection of the environment, may affect Compass' operations and the costs of its oil and natural gas exploitation, development and production operations. Compass does not anticipate that it will be required in the foreseeable future to expend amounts material in relation to the financial statements taken as a whole by reason of environmental laws and regulations. Because these laws and regulations are constantly being changed, Compass is unable to predict the conditions and other factors over which Compass does not exercise control that may give rise to environmental liabilities affecting it.

Salus

On March 17, 2015, Salus, in its capacity as agent for certain secured lenders of RadioShack under a $250.0 term loan, filed an adversary complaint in the RadioShack bankruptcy cases pending in the United States Bankruptcy Court for the District of Delaware against certain other secured asset-based lenders (including Standard General L.P., its affiliates and certain hedge fund lenders) of RadioShack (the "ABL Lenders") under a $585.0 term and revolving loan facility. The adversary complaint seeks (i) a determination that the liens securing the term loan provided by Salus to RadioShack have priority over the ABL Lenders' liens with respect to the termed out portion of the ABL Lenders' loans to RadioShack and (ii) disgorgement of payments received from RadioShack by the ABL Lenders in connection with the termed out loans. The ABL Lenders have moved to dismiss the adversary complaint, which motion remains pending.

Guarantees

HGI Funding has an agreement with FGL to guarantee, subject to certain terms and in the event of nonperformance by the third party borrowers and Salus, the fulfillment of accumulated foreign exchange losses recoverable under one loan originated by Salus that is denominated in CAD. At March 31, 2016 and September 30, 2015, Salus' obligation to FGL related to such foreign exchange losses was $10.8 and $10.7, respectively.

See Note 9, Debt for details of the limited unconditional and irrevocable guarantee that was provided by HGI Funding for certain of the payment obligations under the Compass Credit Agreement.

Unfunded Asset Based Lending Commitments

Salus and FGL have unfunded investment commitments as of March 31, 2016 based upon the timing of when investments are executed compared to when the actual investments are funded, as some investments require that funding occur over a period of months or years.

Through Salus, the Company enters into commitments to extend credit to meet the financing needs of its asset based lending customers upon satisfaction of certain conditions. At March 31, 2016, the notional amount of unfunded, legally binding lending commitments was approximately $39.1, of which $31.8 expires in 1 year or less, and the remainder expires between 1 and 5 years.

FGL has unfunded investment commitments of $147.8 as of March 31, 2016.

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(14) Related Party Transactions

In connection with a March 2014 transaction by and among funds affiliated with HCP and Leucadia, HCP sold to Leucadia 23.0 million shares of HRG common stock and transferred a portion of its rights under an existing registration rights agreement.

On October 7, 2015, FGL entered into an engagement letter (the "Engagement Letter") with Jefferies LLC ("Jefferies") pursuant to which Jefferies agreed (on a non-exclusive basis) to provide financial advisory services to FGL in connection with a transaction involving a merger or other similar transaction with respect to at least a majority of the capital stock of FGL. Jefferies is a wholly owned subsidiary of Leucadia, which through subsidiaries beneficially owns more than 10% of HRG's outstanding shares of common stock. HRG is also a party to the Engagement Letter. Under the Engagement Letter, Jefferies is entitled to receive a fee which represents a percentage of the value of the transaction, plus reimbursement for all reasonable out-of-pocket expenses incurred by Jefferies in connection with their engagement. FGL has also agreed to indemnify Jefferies for certain liabilities in connection with their engagement. HRG is required to reimburse FGL for compensation paid by FGL to Jefferies under certain circumstances. Specifically, if compensation to Jefferies becomes payable in respect of a transaction that involves a disposition of shares of FGL held by HRG (and not other stockholders of FGL), HRG will reimburse FGL for the full amount of such compensation. If compensation to Jefferies becomes payable in respect of a transaction that involves a disposition of shares of FGL held by HRG and a disposition of not more than 50% of the shares of FGL held by stockholders of FGL other than HRG, HRG will reimburse FGL for its pro rata portion of such compensation (based on its relative number of shares compared to those held by stockholders of FGL other than HRG).

On October 9, 2015, HGI Funding entered into a stock purchase agreement, by and among HGI Funding, HC2 Holdings, Inc. ("HC2") and the purchasers party thereto, whereby HGI Funding sold its remaining equity interest in HC2 at a price of $7.50 per share for an aggregate purchase price of $35.1. Jefferies agreed to purchase 1.2 million shares in the transaction at a purchase price of $7.50 per share. In addition, Mr. Falcone purchased 540.0 thousand shares in the transaction through an HCP fund, at a purchase price of $7.50 per share.

On October 23, 2015, Front Street Cayman sold bonds issued by Phoenix Life Insurance Company and received approximately $14.0 in aggregate proceeds from the sale. Jefferies acted as the principal in the transaction.

FGL has invested in CLO securities issued by Fortress Credit Opportunities III CLO LP ("FCO III") and also invested in securities issued by Fortress Credit BSL Limited ("Fortress BSL"). The parent of both FCO III and Fortress BSL is Fortress Investment Group LLC ("Fortress"), which has acquired interests greater than 10% ownership in HRG as of March 31, 2016. The collateral managers of both FCO III and Fortress BSL are affiliates of funds managed by affiliates of Fortress. Such CLOs had an aggregate total carrying value of $183.1 and $182.6 as of March 31, 2016 and September 30, 2015, respectively. The Company's net investment income from such securities was $2.0 and $4.0 for the three and six months ended March 31, 2016, respectively, and $1.9 and $3.9 for the three and six months ended March 31, 2015, respectively.

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(15) Segment Data

The Company follows the accounting guidance which establishes standards for reporting information about operating segments in interim and annual financial statements. The Company's reportable business segments are organized in a manner that reflects how HRG's management views those business activities. Accordingly, the Company currently operates its business in four reporting segments: (i) Consumer Products, (ii) Insurance, (iii) Energy and (iv) Asset Management.

The following schedules present the Company's segment information for the three and six months ended March 31, 2016 and 2015:

	Three months ended March 31,		Six months ended March 31,	
	2016	2015	2016	2015
Revenues:				
Consumer Products	$1,209.6	$1,067.0	$2,428.4	$2,134.8
Insurance	39.6	(38.9)	29.6	(4.4)
Energy	9.5	26.0	26.3	60.3
Asset Management	1.6	5.1	7.6	13.1
Intersegment elimination	9.2	65.1	11.1	43.2
Consolidated segment revenues	1,269.5	1,124.3	2,503.0	2,247.0
Corporate and Other	—	19.5	—	40.5
Total revenues	$1,269.5	$1,143.8	$2,503.0	$2,287.5
Operating income (loss):				
Consumer Products	$148.5	$88.4	$291.0	$204.0
Insurance	(1.8)	(56.3)	(1.8)	(50.7)
Energy	(26.7)	(161.3)	(91.2)	(356.3)
Asset Management	(9.2)	(67.3)	(18.3)	(68.5)
Intersegment elimination	13.2	43.9	(5.8)	27.7
Total segment operating income (loss)	124.0	(152.6)	173.9	(243.8)
Corporate and Other and eliminations	(8.2)	(24.5)	(22.8)	(148.3)
Consolidated operating income (loss)	115.8	(177.1)	151.1	(392.1)
Interest expense	(95.8)	(81.1)	(193.3)	(157.5)
Gain on sale of oil and gas properties	—	—	105.6	—
Gain upon gaining control of equity method investment	—	—	—	141.2
Other income, net	0.5	14.1	1.6	46.9
Income (loss) from continuing operations before income taxes	20.5	(244.1)	65.0	(361.5)
Income tax expense (benefit)	8.9	(0.8)	10.8	5.2
Net income (loss) from continuing operations	11.6	(243.3)	54.2	(366.7)
(Loss) income from discontinued operations, net of tax	(13.1)	5.8	(48.7)	22.8
Net (loss) income	(1.5)	(237.5)	5.5	(343.9)
Less: Net income (loss) attributable to noncontrolling interest	33.3	(9.2)	74.2	(5.8)
Net loss attributable to controlling interest	$(34.8)	$(228.3)	$(68.7)	$(338.1)

	Six months ended March 31,	
Net change in cash due to continuing operating activities	2016	2015
Consumer Products	$(144.5)	$(180.3)
Insurance	(9.1)	(5.4)
Energy	(11.5)	7.4
Asset Management	(10.3)	(12.9)
Intersegment elimination	82.5	29.9

Net change in cash due to segment operating activities	(92.9)	(161.3)
Net change in cash due to corporate and other operating activities	(92.1)	(140.2)
Consolidated change in cash due to continuing operating activities	$(185.0)	$(301.5)

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(16) Consolidating Financial Information

The following schedules present the Company's accompanying Condensed Consolidated Balance Sheets information at March 31, 2016 and September 30, 2015, and accompanying Condensed Consolidated Statements of Operations information for the six months ended March 31, 2016 and 2015. These schedules present the individual segments of the Company and their contribution to the Condensed Consolidated Financial Statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company's subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests. In addition, some of the Company's subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items. The Corporate and Other column primarily reflects the parent company's investment in its subsidiaries, invested cash portfolio and corporate long term debt, and the results of FOH for the six months ended March 31, 2015. The elimination adjustments are for intercompany assets and liabilities, adjustments to align segment accounting policies with the consolidated basis, interest and dividends, the parent company's investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

HRG Group, Inc. - Condensed Consolidating Balance Sheets Information

March 31, 2016	Consumer Products	Insurance	Energy	Asset Management	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:								
Investments	$—	$6.1	$—	$ 134.8	$—	$—	$(1.6)	$139.3
Investments in subsidiaries and affiliates	—	12.0	—	—	2,067.5	—	(2,079.5)	—
Affiliated loans and receivables	—	23.2	—	1.0	0.3	—	(24.5)	—
Cash and cash equivalents	133.3	33.0	8.3	51.6	239.4	—	—	465.6
Funds withheld receivables	—	1,709.1	—	—	—	—	(29.7)	1,679.4
Receivables, net	635.9	18.7	6.6	0.8	0.3	—	—	662.3
Inventories, net	924.4	—	—	—	—	—	—	924.4
Deferred tax assets	9.3	23.4	—	0.1	249.1	—	17.9	299.8
Properties, including oil and natural gas properties, net	528.9	—	133.7	0.9	1.2	—	—	664.7
Goodwill	2,483.4	—	—	10.7	—	—	—	2,494.1
Intangibles	2,432.4	—	—	—	—	—	—	2,432.4
Other assets	115.4	12.8	1.4	1.1	1.7	—	16.7	149.1
Assets of business held for sale	—	—	—	—	—	25,544.0	—	25,544.0
Total assets	$7,263.0	$1,838.3	$150.0	$ 201.0	$2,559.5	$25,544.0	$(2,100.7)	$35,455.1
Liabilities and Equity:								
Insurance reserves	$—	$1,686.5	$—	$—	$—	$—	$138.3	$1,824.8
Debt	4,103.8	—	159.1	43.5	1,708.0	—	217.6	6,232.0
Accounts payable and other current liabilities	786.2	6.6	11.3	3.7	37.7	—	2.0	847.5
Employee benefit obligations	82.8	—	—	—	4.8	—	—	87.6
Deferred tax liabilities	563.8	—	—	—	340.6	—	(8.8)	895.6
Other liabilities	22.9	5.5	21.9	8.7	3.3	—	9.3	71.6
Affiliated debt and payables	—	0.2	102.2	202.8	—	—	(305.2)	—
Liabilities of business held for sale	—	—	—	—	—	23,988.1	—	23,988.1
Total liabilities	5,559.5	1,698.8	294.5	258.7	2,094.4	23,988.1	53.2	33,947.2

Total stockholders' equity	959.2	139.5	(144.3)	(60.1)	465.1	1,259.6	(2,153.9)	465.1
Noncontrolling interests	744.3	—	(0.2)	2.4	—	296.3	—	1,042.8
Total permanent equity	1,703.5	139.5	(144.5)	(57.7)	465.1	1,555.9	(2,153.9)	1,507.9
Total liabilities and equity	$7,263.0	$1,838.3	$150.0	$201.0	$2,559.5	$25,544.0	$(2,100.7)	$35,455.1

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September 30, 2015 (As Adjusted)	Consumer Products	Insurance	Energy	Asset Management	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:								
Investments	$—	$23.7	$—	$ 223.9	$32.8	$—	$(1.5)	$278.9
Investment in subsidiaries and affiliates	—	10.6	—	—	2,014.7	—	(2,025.3)	—
Affiliated loans and receivables	—	31.1	—	1.1	0.1	—	(32.3)	—
Cash and cash equivalents	247.9	18.0	34.2	94.7	300.4	—	—	695.2
Funds withheld receivables	—	1,743.8	—	—	—	—	(33.7)	1,710.1
Receivables, net	586.6	25.6	19.1	0.7	0.8	—	0.1	632.9
Inventories, net	780.8	—	—	—	—	—	—	780.8
Deferred tax assets	9.3	23.6	—	0.2	3.9	—	14.2	51.2
Properties, including oil and natural gas properties, net	507.1	—	288.9	1.1	1.3	—	—	798.4
Goodwill	2,476.7	—	—	10.7	—	—	—	2,487.4
Intangibles	2,480.3	—	—	—	—	—	—	2,480.3
Other assets	105.1	7.4	1.1	2.1	1.5	—	17.1	134.3
Assets of business held for sale	—	—	—	—	—	24,984.5	—	24,984.5
Total assets	$7,193.8	$1,883.8	$343.3	$ 334.5	$2,355.5	$ 24,984.5	$(2,061.4)	$35,034.0
Liabilities and Equity:								
Insurance reserves	$—	$1,731.9	$—	$ —	$—	$—	$124.1	$1,856.0
Debt	3,905.9	—	325.9	42.9	1,705.1	—	330.7	6,310.5
Accounts payable and other current liabilities	993.0	5.4	33.6	7.7	53.7	—	2.2	1,095.6
Employee benefit obligations	88.1	—	—	—	4.8	—	—	92.9
Deferred tax liabilities	572.6	—	—	—	1.9	—	—	574.5
Other liabilities	27.3	7.1	39.1	10.3	3.3	—	8.4	95.5
Affiliated debt and payables	—	—	102.2	313.1	—	—	(415.3)	—
Liabilities of business held for sale	—	—	—	—	—	23,420.9	—	23,420.9
Total liabilities	5,586.9	1,744.4	500.8	374.0	1,768.8	23,420.9	50.1	33,445.9
Total stockholders' equity	900.4	139.4	(157.2)	(41.8)	586.7	1,270.7	(2,111.5)	586.7
Noncontrolling interests	706.5	—	(0.3)	2.3	—	292.9	—	1,001.4
Total permanent equity	1,606.9	139.4	(157.5)	(39.5)	586.7	1,563.6	(2,111.5)	1,588.1
Total liabilities and equity	$7,193.8	$1,883.8	$343.3	$ 334.5	$2,355.5	$ 24,984.5	$(2,061.4)	$35,034.0

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HRG Group, Inc. - Condensed Consolidating Statements of Operations Information

Six months ended March 31, 2016	Consumer Products	Insurance	Energy	Asset Management	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:								
Net consumer and other product sales	$ 2,428.4	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,428.4
Oil and natural gas	—	—	26.3	—	—	—	—	26.3
Net investment income	—	1.5	—	6.7	—	—	28.8	37.0
Net investment gains	—	28.1	—	—	—	—	(20.9	