UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): March 30, 2018

HRG GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

1-4219	**74-1339132**
(Commission File Number)	(IRS 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 or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company. ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

HRG Group, Inc. ("HRG", the "Company" or "our") is filing this Current Report on Form 8-K (the "Report") for the purpose of updating its Annual Report on Form 10-K ("Annual Report") for the fiscal year ended September 30, 2017, which was filed with the Securities and Exchange Commission (the "SEC") on November 20, 2017. This Report updates the following items for all periods presented and also updates certain disclosures.

- In the first quarter of the fiscal year ending September 30, 2018, the Board of Directors of Spectrum Brands Holdings, Inc., our majority-owned subsidiary ("Spectrum Brands"), approved a plan to explore strategic alternatives for certain of its assets, including a planned sale of its Global Batteries and Appliances ("GBA") business. On January 15, 2018, Spectrum Brands entered into a definitive Acquisition Agreement with Energizer Holdings, Inc. ("Energizer"), pursuant to which Spectrum Brands agreed to sell its global battery, lighting and portable power business to Energizer for an aggregate purchase price of $2.0 billion. Spectrum Brands expects a sale to be realized by December 31, 2018. Spectrum Brands is also actively marketing its appliances business. As a result, Spectrum Brands' assets and liabilities associated with the GBA business have been classified as held for sale and the respective operations of the GBA business have been classified as discontinued operations, and have been retrospectively presented for all periods presented.

The information contained in this Report updates certain schedules and supersedes certain items contained in the Annual Report. Each of the items updated in the Annual Report is filed as a separate exhibit to this Report. This Report does not modify or update other disclosures as presented in the Annual Report. The financial statements included in the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 reflected the classification of the GBA business as discontinued operations.

This filing includes updates only to the portions of Part I Item 1, Part I Item 1A, Part I Item 2, Part II Item 6, Part II Item 7, Part II Item 7A and Part II Item 8 of the Annual Report that specifically relate to the aforementioned items, as applicable.

This Report should be read in conjunction with the Annual Report (except for the portion of Part I Item 1, Part I Item 1A, Part I Item2, Part II Item 6, Part II Item 7, Part II Item 7A and Part II Item 8 updated in this Report), Form 10-Q for the three-month period ended December 31, 2017 and other reports on Form 8-K filed during the fiscal year ending September 30, 2018.

Cautionary Statement Regarding Forward-Looking Statements

This document contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements that are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements. These forward-looking statements are based on the beliefs and assumptions of HRG's management and the management of HRG's subsidiaries and affiliates (including target businesses). Forward-looking statements include information concerning possible or assumed future actions, events, results, strategies and expectations, including plans and expectations regarding future acquisitions, dispositions, distributions, and similar activities, and are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans," "seeks," "estimates," "projects," "may," "will," "could," "might," or "continues" or similar expressions.

Such forward-looking statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in or implied by such statements. These statements are based on the beliefs and assumptions of HRG's management and the management of HRG's subsidiaries. Factors that could cause actual results, events and developments to differ include, without limitation: the ability to close the proposed transaction with Spectrum Brands; the ability of HRG's subsidiaries to close previously announced transactions; the ability of HRG's subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions; the decision of the boards of HRG's subsidiaries to make upstream cash distributions, which is subject to numerous factors such as restrictions contained in applicable financing agreements, state and regulatory restrictions and other relevant considerations as determined by the applicable board; HRG's liquidity, which may be impacted by a variety of factors, including the capital needs of HRG's subsidiaries; capital market conditions; commodity market conditions; foreign exchange rates; HRG's and its subsidiaries' ability to identify, pursue or complete any suitable future acquisition or disposition opportunities, including realizing such transaction's expected benefits and the timetable for completing applicable financial reporting requirements; litigation; potential and contingent liabilities; management's plans; changes in regulations; taxes; and the risks that may affect the performance of the operating subsidiaries of HRG and those factors listed under the caption "Risk Factors" in this report.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. All forward-looking statements described herein are qualified by these cautionary statements and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. Neither HRG nor any of its affiliates undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operation results, except as required by law.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
23.1	Consent of KPMG LLP
99.1	Updated Part I, Item 1 (Business) to adjust for the GBA business as discontinued operations
99.2	Updated Part I, Item 1A (Risk Factors)
99.3	Updated Part I, Item 2 (Properties)
99.4	Updated Part II, Item 6 (Selected Financial Data) to recast the GBA business as discontinued operations
99.5	Updated Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Updated Part II Item 7A (Quantitative and Qualitative Disclosures About Market Risk), which updates the discussion of our results of operations for the year ended September 30, 2017 compared to the year ended September 30. 2016 and for the year ended September 30, 2016 compared to the year ended September 30, 2015 to recast the GBA business as discontinued operations.
99.6	Updated Part II, Item 8 (Financial Statements and Supplementary Data) to recast the GBA business as discontinued operations

SIGNATURES

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

HRG GROUP, INC.

/s/ George C. Nicholson

Name: George C. Nicholson

Title: Senior Vice President, Chief Accounting Officer and Chief Financial Officer

Dated: March 30, 2018

Exhibit 23.1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
HRG Group, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-178587, 333-43223, 333-45568, 333-124693, 333-197222, and 333-197223) on Form S-8 and the registration statements (No. 333-209396, 333-176522, 333-180070, and 333-192779) on Form S-3 of HRG Group, Inc. of our report dated November 20, 2017, except for the effects of changes in discontinued operations, as discussed in Notes 1, 5, 15, and 26, as to which the date is March 30, 2018, with respect to the consolidated statements of financial position of HRG Group, Inc. and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2017, and the related financial statement schedule II, which appears in this Current Report on Form 8-K of HRG Group, Inc.

/s/ KPMG LLP
New York, New York
March 30, 2018

Exhibit 99.1

Item 1. ***Business***

OVERVIEW

HRG

Overview

HRG Group, Inc. ("HRG", the "Company", "us" or "we") is a holding company that conducts its operations principally through Spectrum Brands Holdings, Inc. ("Spectrum Brands"), our majority-owned subsidiary that provides global branded consumer products. In addition, we own, among other things, Salus Capital Partners, which was established to serve as a secured asset-based lender and is in the process of completing the wind-down of its business.

On May 24, 2017, Fidelity & Guaranty Life ("FGL"), our then majority-owned subsidiary, entered into an Agreement and Plan of Merger (the "FGL Merger Agreement") with CF Corporation ("CF Corp"), FGL U.S. Holdings Inc., an indirect wholly owned subsidiary of CF Corp ("CF/FGL US"), and FGL Merger Sub Inc. ("Merger Sub"), a direct wholly owned subsidiary of CF/FGL US, pursuant to which CF Corp agreed to acquire FGL for $31.10 per share (the "FGL Merger"). In addition, Front Street Re (Delaware) Ltd., ("Front Street") entered into a Share Purchase Agreement ("Front Street Share Purchase Agreement") pursuant to which it agreed to sell (the "Front Street Sale") to CF/FGL US all of the issued and outstanding shares of (i) Front Street Re Cayman Ltd. ("Front Street Cayman") and (ii) Front Street Re Ltd. ("Front Street Bermuda") (collectively, the "Acquired Companies"). The purchase price was $65.0 million less transaction expenses. On November 30, 2017, the FGL Merger and the Front Street Sale were completed, and as a result, we no longer have an ownership interest in FGL or the Acquired Companies. In addition, on January 16, 2018, HRG redeemed all $864.4 million outstanding principal amount of its 7.875% Senior Secured Notes due 2019. Pursuant to the indenture governing such notes, the notes were redeemed at 100.0% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. In connection with the redemption, the indenture governing the notes was discharged pursuant to its terms and the liens on the collateral securing the notes were released.

We were incorporated in Delaware in 1954 under the name Zapata Corporation and reincorporated in Nevada in April 1999 under the same name. On December 23, 2009, we reincorporated in Delaware under the name Harbinger Group Inc. Effective March 9, 2015, we changed our name from Harbinger Group Inc. to HRG Group, Inc. Our Common Stock trades on the New York Stock Exchange ("NYSE") under the symbol "HRG." Our principal executive offices are located at 450 Park Avenue, 29th Floor, New York, New York 10022.

We currently present the results of our operations in two reportable segments: (i) Consumer Products, which consists of Spectrum Brands and (ii) Corporate and Other. For the results of operations by segment and other segment data, see Exhibit 99.6 "Note 23, Segment and Geographic Data" to HRG's Consolidated Financial Statements included elsewhere in this report.

For detailed information about revenues, operating income and total assets of HRG and its operating subsidiaries, see the financial statements beginning on page F-1, respectively, of this report.

Strategy

During the fiscal year ended September 30, 2017 ("Fiscal 2017"), we continued to streamline our business and simplify our holding company structure. During Fiscal 2017, we also continued to review and evaluate strategic alternatives available to us with a view towards maximizing shareholder value. As part of that review, our Board considered a merger or a sale and/or a business combination of the Company and Spectrum Brands. In connection therewith, the Spectrum Brands board of directors formed a special committee of independent directors and hired independent financial and legal advisors. On February 24, 2018, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Spectrum Brands and the other parties thereto (such merger, the "Merger"). Upon the execution of the Merger Agreement with Spectrum Brands, HRG concluded its previously announced review of strategic alternatives and is focused on completing its transaction with Spectrum Brands.

Competition

We and our subsidiaries face intense competition from a variety of sources in carrying out our respective businesses and achieving our objectives. Many of our competitors may be better established, possess greater human and other resources than us, and our financial resources may be relatively limited when compared with many of these competitors. Any of these factors may place us at a competitive disadvantage in contrast to our competitors. See elsewhere in this report for discussion of competition faced by our subsidiaries. See Exhibit 99.2 "Risk Factors-Risks Related to HRG-Our subsidiaries operate in highly-competitive industries, limiting their ability to gain or maintain their positions in their respective industries."

Employees

At September 30, 2017, HRG employed 13 persons and HRG's subsidiaries employed approximately 17,100 persons. In the normal course of business, HRG and its subsidiaries use contract personnel to supplement their employee base to meet business needs. As of September 30, 2017, none of HRG's employees were represented by labor unions or covered by collective bargaining agreements. See the remainder of this report for additional information regarding the employees of HRG's subsidiaries. HRG believes that its overall relationship with its employees is good.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are made available free of charge on or through our website at www.hrggroup.com as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (the "SEC" or the "Commission"). The information on our website is not, and shall not be deemed to be, part of this report or incorporated into any other filings we make with the Commission.

You may read and copy any materials we file with the Commission at the Commission's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website that contains our reports, proxy statements and other information at www.sec.gov. In addition, copies of our Corporate Governance Guidelines, Audit Committee Charter, Compensation Committee Charter, Nominating and Corporate Governance Committee Charter, Code of Ethics, Code of Ethics for our Chief Executive and Senior Financial Officers and Executive Sessions Policy are available at our website at www.hrggroup.com under "Investor Relations-Corporate Governance." Copies will also be provided to any HRG stockholder upon written request to Investor Relations, HRG Group, Inc. at 450 Park Avenue, 29th Floor, New York, NY 10022 or via electronic mail at investorrelations@hrggroup.com.

For additional information regarding Spectrum Brands, including information in addition to that included in HRG's SEC reports and public announcements, we direct you to Spectrum Brands' public announcements and filings made with the SEC. You should follow and read the SEC filings, press releases and other public statements made by Spectrum Brands and their respective representatives, as we expect that they will make additional information available through these channels. See Exhibit 99.1 "Business-Our Operating Subsidiaries-Spectrum Brands-Available Information" for additional information regarding Spectrum Brands.

OUR OPERATING SUBSIDIARIES

FGL and Front Street

On November 30, 2017, HRG disposed of its interest in FGL and Front Street in connection with the closing of the FGL Merger and the Front Street Sale.

In addition, on May 24, 2017, HRG, FS Holdco II Ltd. ("FS Holdco"), CF Corp and CF/FGL US entered into an agreement (the "338 Agreement") pursuant to which CF/FGL US agreed that FS Holdco may, at its option, cause CF/FGL US and FS Holdco to make a joint election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, with respect to the FGL Merger and the deemed share purchases of FGL's subsidiaries (the "338 Tax Election"). On March 8, 2018, FS Holdco exercised the 338 Tax Election. In connection with such election, CF/FGL US paid to FS Holdco $30.0 million on March 22, 2018 and is required to pay FS Holdco $26.6 million by May 21, 2018. Following receipt of such payment the parties obligation to make payment pursuant to the 338 Agreement will be satisfied. As of September 30, 2017, HRG had approximately $1,840.2 million of gross U.S. net operating loss ("NOL") and capital loss carryforwards - also see Exhibit 99.6 "Note 18, Income Taxes" to HRG's Consolidated Financial Statements included elsewhere in this report. As a result of the 338 Tax Election being made, HRG expects to retain such federal NOL and capital loss carryforwards following the sale of its stock in the FGL Merger.

Spectrum Brands

Spectrum Brands, a Delaware corporation and a subsidiary of HRG, is a diversified global branded consumer products company. Spectrum Brands' common stock trades on the NYSE under the symbol "SPB." As of September 30, 2017, HRG owned approximately 59.6% of Spectrum Brands' common stock.

Spectrum Brands manufactures, markets and/or distributes its products in multiple countries in the North America ("NA"); Europe, Middle East & Africa ("EMEA"); Latin America ("LATAM") and Asia-Pacific ("APAC") regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers ("OEMs"), construction companies, and hearing aid professionals. Spectrum Brands enjoys strong name recognition in its regions under Spectrum Brands' various brands and patented technologies across multiple product categories. Spectrum Brands manages its business in five vertically integrated, product lines: (i) Global Batteries & Appliances ("GBA"); (ii) Hardware & Home Improvement ("HHI"); (iii) Global Pet Supplies ("PET"); (iv) Home and Garden ("H&G"); and (v) Global Auto Care ("GAC"). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

Effective December 29, 2017, Spectrum Brands' Board of Directors approved a plan to explore strategic alternatives, including a planned sale of Spectrum Brands' GBA business. On January 15, 2018, Spectrum Brands entered into a definitive Acquisition Agreement with Energizer Holdings, Inc. ("Energizer"), pursuant to which Spectrum Brands agreed to sell its global battery, lighting and portable power business to Energizer for an aggregate purchase price of $2.0 billion. Spectrum Brands expects a sale to be realized by December 31, 2018. Spectrum Brands is also actively marketing its appliances business. As a result, Spectrum Brands' assets and liabilities associated with the GBA business have been classified as held for sale and the respective operations of the GBA business have been classified as discontinued operations; and reported separately for all periods presented as the disposition represents a strategic shift that will have a material effect on Spectrum Brands' operations and financial results.

Spectrum Brands' operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; Spectrum Brands' overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and Spectrum Brands' general competitive position, especially as impacted by Spectrum Brands' competitors' advertising and promotional activities and pricing strategies.

See Exhibit 99.5 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for further discussion of the operating results of Spectrum Brands.

Spectrum Brands' Product Lines

Hardware and Home Improvement (HHI)

Spectrum Brands' *security* product category includes a broad range of locksets and door hardware including knobs, levers, deadbolts and handle sets sold under four main brands: (i) Kwikset®, residential door hardware sold primarily in the U.S.; (ii) Weiser®, residential door hardware sold primarily in Canada; (iii) Baldwin®, luxury residential door hardware sold primarily in the U.S.; and (iv) Tell®, commercial doors and hardware sold primarily in the U.S. Spectrum Brands' residential lockset products incorporate patented SmartKey® technology that provides advanced security and easy rekeying. The security product category also includes electronic and connected locks allowing customers more convenience and protection including remote security features as part of many home automation solutions. Spectrum Brands also supplies product to some customers who have private label offerings.

Spectrum Brands' *plumbing* product category includes kitchen and bath faucets and accessories under the Pfister® brand, which delivers best in class designs at a value. Pfister® offers a wide range of styles and finishes to meet a variety of consumer, plumber and builder needs.

Spectrum Brands' *hardware* product category includes a broad range of products such as hinges, metal shapes, security hardware, track and sliding door hardware and gate hardware sold primarily under the National Hardware® brand in the U.S. Spectrum Brands also sells some products under the Stanley® brand subject to a licensing arrangement.

The sales force of the HHI business is aligned by brands, customers and geographic regions. Spectrum Brands has strong partnerships with a variety of customers including large home improvement centers, wholesale distributors, home builders, plumbers, home automation providers, and commercial contractors.

Global Pet Supplies (PET)

Spectrum Brands' *aquatics* product category includes a broad line of products, including fully integrated consumer and commercial aquarium kits, stand-alone tanks, aquatics equipment such as filtration systems, heaters and pumps, and aquatics consumables such as fish food, water management and care. Spectrum Brands' largest aquatics brands are Tetra®, Marineland® and Instant Ocean®. On May 12, 2017, Spectrum Brands entered into an asset purchase agreement with Yorktown Technologies LP for the acquisition of assets consisting of the GloFish operation, including transfer of the GloFish® brand, its related intellectual property and operating agreements. The GloFish operations consist of the development and licensing of multiple species and color combination of fluorescent fish sold through retail and online channels.

Spectrum Brands' *companion animal* product category includes a variety of specialty pet products including rawhide chews, dog and cat clean-up, training, health and grooming products, and small animal food and care products. Spectrum Brands' largest specialty pet brands include Dingo®, FURminator®, Nature's Miracle®, Wild Harvest®, 8-in-1®, Littermaid® and Healthy-Hide®, marketed across the Good'n'Fun®, and Good'n'Tasty® family of brands. On June 1, 2017, Spectrum Brands acquired PetMatrix LLC, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. PetMatrix will provide the segment with complementary product offerings, as well as entrance into an expanding business of raw-hide free treats in the *pet food* product category. Spectrum Brands' *pet food* product category also includes wet and dry pet food for dogs and cats under the IAMS®, Eukanuba® and 8-in-1® brand names in European markets.

Spectrum Brands' PET sells primarily to pet superstores, mass merchandisers, e-tailers, grocery stores and drug chains, warehouse clubs and other specialty retailers. International distribution varies by region and is often executed on a country-by-country basis.

Home and Garden (H&G)

Spectrum Brands' *controls* product category includes a variety of outdoor insect and weed control solutions, and animal repellents under the brand names Spectracide®, Black Flag®, Garden Safe®, EcoLogic® and Liquid Fence®. Spectrum Brands' lines of outdoor control solutions are designed to assist consumers in controlling insects, weeds and animals when tackling lawn and landscaping projects. Spectrum Brands' largest brands in the household insect control and rodenticide category are Hot Shot® and Black Flag®.

Spectrum Brands' *household* product category includes a broad array of household pest control solutions, such as spider and scorpion killers; ant and roach killers; flying insect killers; insect foggers; wasp and hornet killers; bedbug, flea and tick control products; and roach and ant baits. Spectrum Brands' outdoor products are available as aerosols, granules, ready-to-use sprays or hose-end ready-to-sprays designed to fulfill a variety of consumer needs.

Spectrum Brands' *repellents* product category includes personal use pesticides for protection from various outdoor nuisance pests, especially mosquitoes. These products include both personal repellents in a variety of formulas to meet consumer needs, such as aerosols, lotions, pump sprays and wipes, as well as area repellents, such as yard sprays and citronella candles to allow consumers to enjoy the outdoors without bothersome pests. The brands in the insect repellents category are Cutter® and Repel®.

The H&G business sells primarily to home improvement centers, mass merchandisers, dollar stores, hardware stores, home and garden distributors, and food and drug retailers, primarily in the U.S.

Global Auto Care (GAC)

Spectrum Brands' *appearance* product category includes protectants, wipes, tire and wheel care products, glass cleaners, leather care products, air fresheners and washes designed to clean, shine, refresh and protect interior and exterior automobile surfaces under the brand name Armor All®.

Spectrum Brands' *performance* product category includes STP® branded fuel and oil additives, functional fluids and automotive appearance products that benefit from a rich heritage in the car enthusiast and racing scenes.

Spectrum Brands' *A/C recharge* product category includes do-it-yourself automotive air conditioner recharge products under the A/C PRO® brand name, along with other refrigerant and oil recharge kits, sealants and accessories.

The GAC business sales force is geographically aligned with key customers and supply chains, and sells primarily to big-box auto, auto specialty retail, mass retailers, food and drug retailers, and small regional and convenience store retailers. Spectrum Brands' small regional and convenience store customers are serviced by brokers and distributors. International distribution varies by region and is often executed on a country-by-country basis.

Sales, Distribution and Competition

Spectrum Brands sells its products associated with its continuing operations through a variety of trade channels, including retailers, e-commerce and online retailers, wholesalers and distributors, construction companies and OEMs. Spectrum Brands' sales generally are made through the use of individual purchase orders, consistent with industry practice. Retail sales of the consumer products that Spectrum Brands markets have been increasingly consolidated on a worldwide basis into a small number of regional and national mass merchandisers and e-commerce companies that generally have strong negotiating power with their suppliers. A significant percentage of Spectrum Brands' sales associated with its continuing operations are attributable to a limited group of retailer customers, including (*in alphabetical order*), Amazon, Autozone, Dollar General, Home Depot, Lowe's, Menards, O'Reilly, PetCo, PetSmart, and Wal-Mart. Spectrum Brands has three customers, Home Depot, Lowe's, and Wal-Mart, that each account for more than 10% of Spectrum Brands' consolidated net sales and collectively represent 38% of Spectrum Brands' consolidated net sales for Fiscal 2017.

Factors influencing product sales include brand name recognition, perceived quality, price, performance, product packaging, design innovation, and consumer confidence and preferences as well as creative marketing, promotion and distribution strategies. Spectrum Brands competes for limited shelf space and consumer acceptance based on location and product segment. Spectrum Brands also competes with its retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products, typically at lower prices. Spectrum Brands attempts to address these competitive challenges through a portfolio of well-recognized consumer product brands, business relationships with global retailers, distributors and wholesalers, an expansive distribution network, innovative new products, packaging and technologies and an experienced management team. See Exhibit 99.2 "Risk Factors-Risk Related to Spectrum Brands' Business-Spectrum Brands participates in very competitive markets and it may not be able to compete successfully, causing Spectrum Brands to lose market share and sales."

Within Spectrum Brands' HHI product line, primary competitors in security and residential locksets include Allegion (Schlage), Assa Abloy (Emtek, Yale) and private label import brands such as Defiant. Primary competitors for hardware include The Hillman Group, Hampton Hardware and private labels such as Crown Bolt. Primary competitors for plumbing include Masco (Delta), Fortune Brands (Moen), Kohler, American Standard, and private label brands such as Glacier Bay.

Primary competitors in Spectrum Brands' PET product line are Mars Corporation, the Hartz Mountain Corporation and Central Garden & Pet Company which all sell a comprehensive line of pet supplies that compete across Spectrum Brands' product categories. The pet supplies product category is highly fragmented with no competitor holding a substantial market share and consists of small companies with limited product lines.

Primary competitors in Spectrum Brands' H&G product line are The Scotts Miracle-Gro Company (Scotts, Ortho, Roundup, Miracle-Gro, Tomcat); Central Garden & Pet (AMDRO, Sevin), Bayer A.G. (Bayer Advanced), S.C. Johnson & Son, Inc. (Raid, OFF!); and Henkel AG & Co. KGaA (Combat).

Within Spectrum Brands' GAC, primary competitors for appearance products are Meguairs, Turtle Wax, Black Magic, Mothers, and private label brands. Primary competitors in performance chemical products include Lucas, Gumout, Chevron, Prestone, and private label brands. Primary competitors for A/C recharge products primarily consist of private label brands. Spectrum Brands also encounters competition from similar and alternative products, many of which are produced and marketed by major multinational or national companies such as Mothers, Meguiars, Lucas, and Sea Foam.

Seasonality

Sales of certain product categories associated with Spectrum Brands' continuing operations tend to be seasonal and may impact Spectrum Brands' financial results on a consolidated basis. Sales in Spectrum Brands' HHI business primarily increase during the spring and summer construction period (Spectrum Brands' third and fourth fiscal quarters). Sales in Spectrum Brands' PET business remain fairly consistent throughout the year with little variation. Sales in Spectrum Brands' H&G business and GAC business typically peak during the first six months of the calendar year (Spectrum Brands' second and third fiscal quarters) due to customer seasonal purchasing patterns and timing of promotional activities.

Manufacturing, Raw Materials and Suppliers

The principal raw materials used in manufacturing include brass and steel used in the manufacturing of Spectrum Brands' HHI products, and refrigerant R-134a used in Spectrum Brands' GAC A/C recharge products, that are sourced either on a global or regional basis. The prices of these raw materials are susceptible to fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. Spectrum Brands has regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage the raw material costs Spectrum Brands expects to incur over the next 12 to 24 months.

Substantially all of Spectrum Brands' rawhide alternative products from Spectrum Brands' recent PetMatrix acquisition are manufactured by third party suppliers that are primarily located in the Asia-Pacific region. Spectrum Brands maintains ownership of most of the tooling and molds used by its suppliers.

Spectrum Brands continually evaluates its manufacturing facilities' capacity and related utilization. As a result of such analyses, Spectrum Brands has closed a number of manufacturing facilities during the past five years. In general, Spectrum Brands believes its existing facilities are adequate for its present and foreseeable needs.

Patents and Trademarks

Spectrum Brands uses and maintains a number of patents, trademarks, brand names and trade names that are, in the aggregate, important to its businesses. Spectrum Brands seeks trademark protection in the U.S. and in foreign countries. Spectrum Brands' most significant registered trademarks associated with Spectrum Brands' continuing operations are:

Product Line	Trademarks
HHI	Kwikset®, Weiser®, Baldwin®, National Hardware®, Stanley®, Fanal®, Pfister®, Tell®
PET	Tetra®, 8-in-1®, Dingo®, Nature's Miracle®, Wild Harvest®, Marineland®, Furminator®, Littermaid®, Birdola®, Healthy Hide®, Digest-eeze®, Iams®, Eukanuba®, SmartBone®, DreamBones®, GloFish®
H&G	Spectracide®, Cutter®, Hot Shot®, Real Kill®, Ultra Kill®, Black Flag®, Liquid Fence®, Rid-a-bug®, TAT®, Garden Safe®, Repel®
GAC	Armor All®, STP®, A/C PRO®

Spectrum Brands licenses the Stanley® and Black & Decker® marks and logos in the HHI business for such products as residential locksets, builder's hardware, padlocks, and door hardware through a transitional trademark license agreement with Stanley Black & Decker Corporation ("SBD"). Under the agreement and as part of the acquisition of the HHI Business in December 2012, Spectrum Brands has a royalty-free, fully paid license to use certain trademarks, brand names and logos in marketing its products and services for five years after the completion of the HHI Business acquisition. Spectrum Brands has amended the license agreement with SBD to extend the license agreement and allow for the continued use of the respective trademarks, brand names and logos in the HHI business through December 2018. During this extension period, Spectrum Brands will pay to SBD royalties based on a percentage of sales.

Spectrum Brands owns or licenses from third parties patents and patent applications throughout the world relating to products that Spectrum Brands sells and manufacturing equipment that Spectrum Brands uses. Through Spectrum Brands' HHI business, Spectrum Brands owns the patented SmartKey® technology, which enables customers to easily rekey their locks without hiring a locksmith. Through Spectrum Brands' acquisition of PetMatrix on June 1, 2017, Spectrum Brands owns patented technology for the development of edible rawhide-fee pet treats. Through Spectrum Brands' acquisition of GloFish on May 12, 2017, Spectrum Brands owns patented technology used in the development and breeding of fluorescent ornamental fish.

Research and Development

Spectrum Brands' research and development strategy is focused on new product development and performance enhancements of its existing products. Spectrum Brands plans to continue to use its strong brand names, established customer relationships and significant research and development efforts to introduce innovative products that offer enhanced value to consumers through new designs and improved functionality. During Fiscal 2017, 2016 and 2015, Spectrum Brands invested $27.2 million, $27.0 million and $21.1 million, respectively, in product research and development associated with Spectrum Brands' continuing operations.

Governmental Regulations and Environmental Matters

Due to the nature of Spectrum Brands' operations, its facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with the releases of hazardous substances at Spectrum Brands' facilities. Spectrum Brands believes that compliance with the federal, state, local and foreign laws and regulations to which it is subject will not have a material effect upon Spectrum Brands' capital expenditures, financial condition, earnings or competitive position.

From time to time, Spectrum Brands has been required to address the effect of historic activities on the environmental condition of its properties. Spectrum Brands has not conducted invasive testing at all facilities to identify all potential environmental liability risks. Given the age of its facilities and the nature of its operations, it is possible that material liabilities may arise in the future in connection with Spectrum Brands' current or former facilities. If previously unknown contamination of property underlying or in the vicinity of its manufacturing facilities is discovered, Spectrum Brands could incur material unforeseen expenses, which could have a material adverse effect on its financial condition, capital expenditures, earnings and competitive position. Although Spectrum Brands is currently engaged in investigative or remedial projects at some of its facilities, Spectrum Brands does not expect that such projects, taking into account established accruals, will cause Spectrum Brands to incur expenditures that are material to its business, financial condition or results of operations; however, it is possible that Spectrum Brands' future liability could be material.

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

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. See Exhibit 99.6 "Note 21, Commitments and Contingencies", to our Consolidated Financial Statements included elsewhere in this report for further details on estimated liabilities arising from such environmental matters. Nevertheless, based upon the information currently available, Spectrum Brands believes that its ultimate liability arising from such environmental matters should not be material to its business or financial condition.

Electronic and electrical products that depend on electric current to operate ("EEE") that Spectrum Brands sells in Europe are subject to regulation in European Union ("EU") markets under two key EU directives. Among Spectrum Brands' brands, this includes a limited range of products, such as aquarium pumps, heaters, and lighting. The first directive is the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") which took effect in EU member states beginning July 1, 2006. RoHS prohibits companies from selling EEE products which contain certain specified hazardous materials in EU member states. Spectrum Brands believes that compliance with RoHS does not have a material effect on its capital expenditures, financial condition, earnings or competitive position. The second directive is entitled the Waste of Electrical and Electronic Equipment ("WEEE"). WEEE makes producers or importers of particular classes of EEE goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. WEEE assigns levels of responsibility to companies doing business in EU markets based on their relative market share. WEEE calls on each EU member state to enact enabling legislation to implement the directive. To comply with WEEE requirements, Spectrum Brands has partnered with other companies to create a comprehensive collection, treatment, disposal and recycling program as specified within the member countries Spectrum Brands conducts business. As EU member states pass enabling legislation Spectrum Brands currently expects its compliance system to be sufficient to meet such requirements. Spectrum Brands' current estimated costs associated with compliance with WEEE are not significant based on its current market share. However, Spectrum Brands continues to evaluate the impact of the WEEE legislation and implementation of regulations as EU member states implement guidance and as its market share changes and, as a result, actual costs to Spectrum Brands could differ from its current estimates and may be material to its business, financial condition or results of operations.

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

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

Certain of Spectrum Brands' products and packaging materials are subject to regulations administered by the FDA. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated products, establishes ingredients and manufacturing procedures for certain products, establishes standards of identity for certain products, determines the safety of products and establishes labeling standards and requirements. In addition, various states regulate these products by enforcing federal and state standards of identity for selected products, grading products, inspecting production facilities and imposing their own labeling requirements.

Certain A/C products containing R-134a are subject to regulation in the U.S. markets under the EPA's Significant New Alternative Policy ("SNAP Program"), which implements international agreements restricting the use of certain refrigerants. The EPA has identified use of R-134a in new automotive air conditioning systems as an approved use up to the 2020 automotive model year. The EPA has not yet approved a replacement refrigerant under the SNAP program for sale in small cans for automotive use for automobiles produced beginning with the 2021 model year, and future rulemakings from the agency are anticipated. In addition, in 2017 the Court of Appeals for the District of Columbia issued a decision that may remove R-134a from regulation under the SNAP program, and that decision may be subject to *en banc* review or a writ of certiorari filed with the U.S. Supreme Court. Spectrum Brands currently believes that compliance with current and future SNAP regulations will not have a material effect on its capital expenditures, financial condition, earnings or competitive position. However, until such time as future regulations are issued and future alternate refrigerants are approved for sale in small cans, a full evaluation of these costs cannot be completed by Spectrum Brands. Spectrum Brands will continue to evaluate the impact of the SNAP Program as the EPA issues additional guidance.

The fish sold under the GloFish brand can be classified as an intragenic or transgenic species due to the addition of their bioluminescent genes, which means the FDA has the authority to regulate as the luminescence is caused by intentionally altered genomic DNA. Additional regulatory agencies, including the EPA, as well as agencies in U.S. and foreign states have authority to regulate these types of species. It is possible that the EPA, FDA, or another U.S. or foreign state or federal agency could in the future seek to exercise authority over the distribution and/or sale of GloFish. Spectrum Brands will continue to monitor the development of any regulations that might apply to Spectrum Brands' bioluminescent fish.

Certain of Spectrum Brands' products may be regulated under programs within the United States, Canada, or in other countries that may require that those products and the associated product packaging be recycled or managed for disposal through a designated recycling program. Some programs are funded through assessment of a fee on the manufacturer and suppliers, including Spectrum Brands. Spectrum Brands does not expect that such programs will cause Spectrum Brands to incur expenditures that are material to Spectrum Brands' business, financial condition or results of operations; however, it is possible that Spectrum Brands' future liability could be material.

The United States Toxic Substances Control Act ("TSCA") was amended in 2016, and the EPA is currently evaluating additional chemicals for regulation under that amended law. Certain of Spectrum Brands' products may be manufactured using chemicals or other ingredients that may be subject to regulation under current TSCA regulations, and other chemicals or ingredients may be regulated under the law in the future. Spectrum Brands does not expect that compliance with current or future TSCA regulations will cause Spectrum Brands to incur expenditures that are material to Spectrum Brands' business, financial condition or results of operations; however, it is possible that Spectrum Brands' future liability could be material.

Employees

Spectrum Brands had approximately 13,000 full-time employees worldwide associated with its continuing operations as of September 30, 2017. As of September 30, 2017, approximately 4% of its total labor force is covered by collective bargaining agreements and there are 2 collective bargaining agreements that will expire during Spectrum Brands' Fiscal 2018, which cover approximately 63% of the labor force under collective bargaining agreements, or approximately 2% of its total labor force. Spectrum Brands believes that its overall relationship with its employees is good.

Discontinued Operations

As previously discussed, Spectrum Brands's assets and liabilities associated with the GBA business have been classified as held for sale and the respective operations of the GBA business have been classified as discontinued operations; and reported separately for all periods presented. The GBA business consists of (i) consumer batteries products including alkaline batteries, zinc carbon batteries, nickel metal hydride (NiMH) rechargeable batteries , hearing aid batteries, battery chargers, battery- powered portable lighting products including flashlights and lanterns, and other specialty battery products primarily under the Rayovac® and VARTA® brand, and other proprietary brand names pursuant to licensing arrangements with third parties; (ii) small appliances products consisting of small kitchen appliances under the Black & Decker®, Russell Hobbs®, George Foreman®, Juiceman® and Breadman® brands, including toaster ovens, toasters, sandwich makers, coffeemakers, coffee grinders, can openers, electric knives, grills, deep fryers, food choppers, food processors, slow cookers, hand mixers, blenders, juicers, bread makers, kettles, rice cookers and steamers; and (iii) personal care products including a broad line of electric shaving and grooming products under the Remington® brand name, including men's rotary and foil shavers, beard and mustache trimmers, body groomers, nose and ear trimmers, women's shavers, haircut kits and intense pulsed light hair removal systems.

GBA products are sold primarily to large retailers, online retailers, wholesalers, distributors, warehouse clubs, food and drug chains and specialty trade or retail outlets such as consumer electronics stores, department stores, discounters and other specialty stores. GBA maintains separate sales teams to service (i) retail sales and distribution channels; (ii) hearing aid professionals channel; and (iii) industrial distributors and OEM sales and distribution channel. International distribution varies by region and is often executed on a country-by-country basis. GBA also utilizes a network of independent brokers to service participants in selected distribution channels.

Primary competitors for consumer batteries include Energizer Holdings, Inc. (Energizer), Berkshire Hathaway (Duracell), Montana Tech Components AG (PowerOne), Matsushita (Panasonic) and private label brands of major retailers. Primary competitors for small appliances include Newell Brands (Sunbeam, Mr. Coffee, Crockpot, Oster), De'Longhi America (DeLonghi, Kenwood, Braun), SharkNinja (Shark, Ninja), Hamilton Beach Holding Co. (Hamilton Beach, Proctor Silex), Sensio, Inc. (Bella); SEB S.A.(T-fal, Krups, Rowenta), Whirlpool Corporation (Kitchen Aid), Conair Corporation (Cuisinart, Waring), Koninklijke Philips N.V. (Philips), Glen Dimplex (Morphy Richards) and private label brands for major retailers. Primary competitors in personal care include are Koninklijke Philips Electronics N.V. (Norelco), The Procter & Gamble Company (Braun), Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited.

Sales in our GBA business, primarily from consumer battery and electric personal care product categories tend to increase during the December holiday season (Spectrum Brands' first fiscal quarter), while small appliances sales increase from July through December primarily due to the increased demand by customers in the late summer for "back-to-school" sales (Spectrum Brands' fourth fiscal quarter) and in December for the holiday season.

The principal raw materials used in manufacturing include zinc and electrolytic manganese dioxide used in consumer batteries products that are sourced either on a global or regional basis. The prices of these raw materials are susceptible to fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. GBA regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage certain raw material costs we expect to incur over the next 12 to 24 months. Substantially all of our rechargeable batteries and chargers, portable lighting products, and personal care and small appliances are manufactured by third party suppliers that are primarily located in the Asia-Pacific region. GBA maintains ownership of most of the tooling and molds used by our suppliers.

GBA maintains a number of patents, trademarks brands names that are, in the aggregate, important to the business. The most significant trademarks associated with the business are Rayovac®, Varta ®, Remington®, Black & Decker®, George Foreman®, Russell Hobbs®, Farberware®, Toastmaster®, Breadman®, and Juiceman®. GBA acquired the rights to the VARTA® trademark in the consumer battery category and Johnson Controls Inc. acquired rights to the trademark in the automotive battery category from VARTA AG. VARTA AG continues to have rights to use the trademark with travel guides and industrial batteries and VARTA Microbattery GmbH has the right to use the trademark with micro batteries. GBA is party to a Trademark and Domain Names Protection and Delimitation Agreement that governs ownership and usage rights and obligations of the parties relative to the VARTA® trademark.

GBA licenses the Black & Decker® brand in North America, Latin America (excluding Brazil) and the Caribbean for four core categories of household appliances: beverage products, food preparation products, garment care products and cooking products through a trademark license agreement with The Black and Decker Corporation ("BDC") through December 2018. Under the agreement, GBA agreed to pay BDC royalties based on a percentage of sales, with minimum annual royalty payments of $15.0 million through calendar year 2018. The agreement also requires us to comply with maximum annual return rates for products. If BDC does not agree to renew the license agreement, we have 18 months to transition out of the brand name with no minimum royalty payments during such transition period and BDC has agreed to not compete in the four categories for five years after the end of the transition period. Upon request, BDC may elect to extend the license to use the Black & Decker brand to certain additional product categories. BDC has approved several extensions of the license to additional categories and geographies.

GBA owns the right to use the Remington® trademark for electric shavers, shaver accessories, grooming products and personal care products; and Remington Arms Company, Inc. ("Remington Arms") owns the rights to use the trademark for firearms, sporting goods and products for industrial use, including industrial hand tools. The terms of a 1986 agreement between Remington Products, LLC and Remington Arms provides for the shared rights to use the trademark on products which are not considered "principal products of interest" for either company. GBA retains the trademark for nearly all products which we believe can benefit from the use of the brand name in our distribution channels.

GBA holds a license that expires in March 2022 for certain alkaline battery designs, technology and manufacturing equipment from Matsushita Electrical Industrial Co., Ltd. ("Matsushita"), to whom we pay a royalty. Through ownership of Shaser, Inc., we have patented technology that is used in our i-Light and i-Light Reveal product line.

Available Information

For information regarding Spectrum Brands, see the remaining section of this report. For additional information regarding Spectrum Brands, including information in addition to that included in HRG's SEC reports and public announcements, we direct you to Spectrum Brands' announcements and filings made with the SEC, including Spectrum Brands' Annual Report on Form 10-K for Fiscal 2017. You should follow and read the SEC filings, press releases and other public statements made by Spectrum Brands and its representatives, as we expect that they will make additional information available through these channels.

Spectrum Brands' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act, are made available free of charge on or through Spectrum Brands' website at www.spectrumbrands.com as soon as reasonably practicable after such reports are filed with, or furnished to, the Commission.

The information on Spectrum Brands' website is not, and shall not be deemed to be, part of this report or incorporated into any other filings HRG or Spectrum Brands makes with the SEC and Spectrum Brands' reports are not and shall not be deemed to be part of this report. You may read and copy any materials Spectrum Brands files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains Spectrum Brands' reports, proxy statements and other information at *www.sec.gov*.

Exhibit 99.2

Item 1A. ***Risk Factors***

The following risk factors and the forward-looking statements elsewhere herein should be read carefully in connection with evaluating the business of the Company and its subsidiaries. These risks and uncertainties could cause actual results and events to differ materially from those anticipated. Many of the risk factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together which all of the other information presented herein, in evaluating the business of the Company and its subsidiaries. These risk factors may be amended, supplemented or superseded from time to time in filings and reports that we file with the SEC in the future.

Risks Related to HRG

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

As a holding company, our only material assets are our cash on hand, the equity interests in our subsidiaries and other investments. As of September 30, 2017, excluding cash, cash equivalents and investments held by our subsidiaries, we had approximately $93.0 million in cash, cash equivalents and investments. Our principal source of revenue and cash flow is distributions from our subsidiaries. Thus, our ability to service our debt, finance our business and pursue our business objectives is dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to us. For example, while we expect annual interest payments on our debt to be approximately $139.6 million in Fiscal 2018, we currently expect to receive approximately $60.7 million of dividends from our subsidiaries' distributable earnings in Fiscal 2018. We expect such dividends along with our cash on hand, cash equivalents and investments to exceed our expected cash requirements and to satisfy our interest obligations, and general administrative expenses for at least the next twelve months. Depending on a variety of factors, including the general state of the capital markets, operating needs or business strategies, HRG and its subsidiaries may or may be required to raise additional capital through the issuance of equity, debt, or both. There is no assurance, however, that such capital will be available at that time, in the amounts necessary or on terms satisfactory to HRG.

Our subsidiaries are and will continue to be separate legal entities, and although they may be wholly-owned or controlled by us, they have no obligation to make any funds available to us, whether in the form of loans, dividends, distributions or otherwise. The boards of directors of our subsidiaries may consider a range of factors and consider their stockholders' constituencies (including public stockholders) as a whole when making decisions about dividends or other payments. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that are contained in our subsidiaries' financing agreements, availability of sufficient funds in such subsidiaries and applicable state laws and regulatory restrictions. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us could be limited in any way, our liquidity and ability to pursue our business objectives or to take other action that could be beneficial to our businesses, or otherwise fund and conduct our business, could be materially limited.

As an example, our subsidiary Spectrum Brands is a holding company with limited business operations of its own and its main assets are the capital stock of its subsidiaries, principally SBI. The terms of Spectrum Brands' indebtedness may limit its ability to pay dividends to Spectrum Brands and to us. See Exhibit 99.2 "Risk Factors-Risks Related to Spectrum Brands' Business-SBI's substantial indebtedness may limit its financial and operating flexibility, and Spectrum Brands may incur additional debt, which could increase the risks associated with its substantial indebtedness" and Exhibit 99.2 "Risk Factors-Risks Related to Spectrum Brands' Business-Restrictive covenants in the SBI Senior Secured Facilities and the SBI Indentures may restrict SBI's ability to pursue its business strategies."

In addition, our liquidity and ability to pursue business opportunities may be impacted by the capital needs of our subsidiaries. Such entities may require additional capital to maintain or grow their businesses, make payments on their indebtedness or other commitments, and/or make upstream cash distributions.

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

The Merger is subject to various closing conditions and no assurance can be provided that such conditions will be satisfied and when, or if, the closing of the Merger will occur.

The Merger Agreement contains a number of conditions that must be fulfilled or, to the extent permitted by applicable law or the Merger Agreement, waived, to consummate the Merger, including, among other things, the approval of certain Merger related proposals by the stockholders of HRG and Spectrum Brands, the absence of any applicable law or order being in effect restraining, enjoining, prohibiting or making illegal the consummation of the proposed transaction and the receipt of certain tax opinions. There can be no assurance that the conditions to closing the Merger will be satisfied or waived in a timely manner or at all.

We and our subsidiaries may determine not to or may not be successful in identifying and/or consummating a strategic alternative and/or suitable acquisition, sale, merger or other business opportunity, as applicable.

We and/or one or more of our subsidiaries may not be successful in identifying and/or consummating a strategic alternative and/or suitable acquisition, sale, merger or other business opportunity, as applicable, at favorable valuations and other terms. Furthermore, any attractive strategic alternatives, acquisition, sale, merger or other business opportunities may be limited or prohibited by applicable regulatory regimes. Any future strategic alternative acquisition, sale, merger or business opportunity may also require a substantial amount of our or our subsidiaries' management's time and may be difficult to successfully execute. Any such failure could have a material adverse effect on our or our subsidiaries' results of operations and financial condition and our or our subsidiaries' ability to service our respective debt.

Even if we or our subsidiaries do execute a strategic alternative, acquisition, sale, merger or other business opportunity, as applicable, there is no assurance that we or our subsidiaries will be successful in enhancing our or our subsidiaries' business or financial condition or that such transaction will be successful.

We and our subsidiaries are dependent on certain key personnel.

We and our subsidiaries are dependent upon certain key personnel who have substantial experience and expertise in our industry and the industries of our subsidiaries and have made significant contributions to our growth and success. We are particularly dependent on the skills, experience and efforts of our Chief Executive Officer, Joseph S. Steinberg, and Ehsan Zargar, our Executive Vice President, Chief Operating Officer and General Counsel. As a result of their positions with our Company, Mr. Steinberg and Mr. Zargar have significant influence over our business strategy and make most of the significant policy and managerial decisions of our Company. The loss of Mr. Steinberg or Mr. Zargar or other key personnel, or limitations on their involvement in our business, or the loss of one or more of our subsidiaries' other key personnel, or the concurrent loss of several of these individuals or any negative public perception with respect to these individuals, could have a material adverse effect on our and our subsidiaries' business or operating results.

We and our subsidiaries may not be able to attract and retain skilled people.

Our success and our subsidiaries' success depend, in large part, on our and their ability to attract new personnel, retain and motivate our and their existing employees, and continue to compensate such personnel competitively. Competition for the best personnel in most activities in which we and our subsidiaries engage can be intense, and we may not be able to hire these people or retain them. We recently commenced a process to review strategic alternatives for HRG and/or its assets. Such process may negatively impact our and/or our subsidiaries' ability to retain or hire key personnel. Our and/or our subsidiaries' business, financial condition and results of operations could be materially adversely affected if we or they lose any of these persons and are unable to attract and retain qualified replacements.

Our subsidiaries operate in highly-competitive industries, limiting their ability to gain or maintain their positions in their respective industries.

Many of our subsidiaries' competitors possess greater technical, human, financial and other resources, or more local industry knowledge, or greater access to capital, than our subsidiaries do. These factors may place our subsidiaries at a competitive disadvantage in successfully completing future acquisitions and investments.

Our subsidiaries also face competition from both traditional and new market entrants. See risk factors related to Spectrum herein.

We and our subsidiaries could consume resources in pursuing strategic alternatives, acquisitions, business opportunities, dispositions, financings or capital market transactions, as applicable, that are not consummated, which could materially adversely affect our business.

We and our subsidiaries anticipate that the investigation of strategic alternatives, acquisition, disposition, financing or capital market transactions, and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments, with respect to such transactions, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific transaction, we may fail to consummate the transaction for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our business.

Covenants in certain of our material instruments limit, and other future instruments may limit our ability to operate our business.

The indenture governing our 7.750% Notes (“the “Indenture”) contains, and any of our other future financing agreements may contain, covenants imposing operating and financial restrictions on our business. The Indenture requires us to satisfy certain financial tests, including a minimum collateral coverage ratio. If we fail to meet or satisfy any of these covenants (after applicable cure periods), we would be in default and noteholders (through the trustee or collateral agent, as applicable) could elect to declare all amounts outstanding to be immediately due and payable, enforce their interests in the collateral pledged and restrict our ability to make additional borrowings. These agreements may also contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under the other agreements could also declare a default. The covenants and restrictions in the Indenture, subject to specified exceptions, restricts our, and in certain cases, our subsidiaries’ ability to, among other things:

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

Similarly, the 2017 Loan imposes certain covenants and restrictions on us and our activities. In addition, the Certificate of Designation provides CF Turul LLC (“CF Turul”), an affiliate of funds managed by Fortress Investment Group LLC (“Fortress”), with consent and voting rights with respect to certain of the matters referred to above and certain corporate governance rights.

These restrictions may interfere with our ability to obtain financings or to engage in other business activities, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. Moreover, a default under one of our subsidiaries’ financing agreements may cause a default on our debt and our other financing arrangements.

Finally, Spectrum Brands’ stock is, directly or indirectly, pledged as collateral under the 2017 Loan; foreclosure on a sufficient number of Spectrum Brands stock pledged as collateral would constitute a change of control under certain of SBI’s debt documents. Upon a change of control under those debt documents, SBI is required to offer to repurchase their notes at a price equal to 101% of the principal amount of their notes, plus accrued interest.

Financing covenants could adversely affect our financial health and prevent us from fulfilling our obligations.

We have a significant amount of indebtedness. Our and our subsidiaries’ significant indebtedness and other financing arrangements could have material consequences. For example, they could:

- make it difficult for us to satisfy our obligations with respect to our outstanding and other future debt obligations;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- impair our ability to obtain additional financing in the future for working capital, investments, acquisitions and other general corporate purposes;
- require us to dedicate a substantial portion of our cash flows to the payment to our financing sources, thereby reducing the availability of our cash flows to fund working capital, investments, acquisitions and other general corporate purposes; and
- place us at a disadvantage compared to our competitors.

Any of these risks could impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our ability to make payments on our financial obligations may depend upon the future performance of our operating subsidiaries and their ability to generate cash flow in the future, which are subject to general economic, industry, financial, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that we will generate sufficient cash flow from our operating subsidiaries, or that future borrowings will be available to us, in an amount sufficient to enable us to pay our financial obligations or to fund our other liquidity needs. If the cash flow from our operating subsidiaries is insufficient, we may take actions, such as delaying or reducing investments or acquisitions, attempting to restructure or refinance our financial obligations prior to maturity, selling assets or operations or seeking additional equity capital to supplement cash flow. However, we may be unable to take any of these actions on commercially reasonable terms, or at all.

Future financing activities may adversely affect our leverage and financial condition.

Subject to the limitations set forth in the Indenture and 2017 Loan agreement, we and our subsidiaries may incur additional indebtedness and issue dividend-bearing redeemable equity interests. We may incur substantial additional financial obligations to enable us to execute on our business objectives. These obligations could result in:

- default and foreclosure on our assets if our operating revenues after an investment or acquisition are insufficient to repay our financial obligations;
- acceleration of our obligations to repay the financial obligations even if we make all required payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all amounts owed, if any, if such financial obligations are payable on demand;
- our inability to obtain necessary additional financing if such financial obligations contain covenants restricting our ability to obtain such financing while the financial obligations remain outstanding;
- our inability to pay dividends on our capital stock;
- using a substantial portion of our cash flow to pay principal and interest or dividends on our financial obligations, which will reduce the funds available for dividends on our Common Stock if declared, expenses, capital expenditures, acquisitions and other general corporate purposes;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industries in which we operate;
- an event of default that triggers a cross default with respect to other financial obligations, including our indebtedness;
- increased vulnerability to adverse changes in general economic, industry, financial, competitive legislative, regulatory and other conditions and adverse changes in government regulation; and
- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors.

We and our subsidiaries rely extensively on our information technology ("IT") systems, networks and services, including Internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third-parties or vendors, to assist in conducting our and our subsidiaries' businesses.

Our and our subsidiaries' IT systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyber-attacks. We and our subsidiaries continue to assess potential threats and make investments seeking to address these threats, including monitoring of networks and systems and upgrading skills, employee training and security policies for us and our subsidiaries, and our respective third-party providers. However, because the techniques used in these attacks change frequently and may be difficult to detect for periods of time, we or our subsidiaries may face difficulties in anticipating and implementing adequate preventative measures. Accordingly, there can be no guarantee that our security efforts will prevent breaches or breakdowns to ours, our subsidiaries' or our third-party providers' databases or systems. If the IT systems, networks or service providers we and our subsidiaries rely upon fails to function properly, or if we, our subsidiaries or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information, and our and our subsidiaries' businesses continuity plans do not effectively address these failures on a timely basis, we and/or our subsidiaries may be exposed to reputational, competitive and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

We have made significant investments in publicly traded companies. Changes in the market prices of the securities we own, particularly during times of volatility in security prices, can have a material impact on the value of our business.

We have made significant investments in publicly traded companies. Changes in the market prices of the publicly traded securities of these entities could have a material impact on an investor's perception of the aggregate value of our Common Stock and on the value of the assets we have pledged and can pledge in the future to creditors for debt financing, which in turn could adversely affect our ability to incur additional debt or finance future acquisitions.

Certain of our stockholders hold a significant portion of our outstanding voting stock; decisions by such stockholders, including the decision to sell their HRG securities, could adversely affect our financial results and liquidity.

Leucadia National Corporation ("Leucadia") and CF Turul beneficially own a significant portion of our outstanding Common Stock and have appointed representatives to our and our subsidiaries' Board and committees thereof. Because of this, such persons may exercise significant influence over our business and affairs, including over matters submitted to a vote of our stockholders, such as the election of directors, the removal of directors, and approval of significant corporate transactions. This influence and actual control may have the effect of discouraging offers to acquire HRG or our subsidiaries because any such transaction would likely require the consent of Leucadia and CF Turul. See Exhibit 99.2 "Risk Factors- Provisions in our organizational documents and applicable regulations may discourage the takeover of our company, may make removal of our management more difficult and may depress our stock price."

Matters not directly related to us can nevertheless affect Leucadia's and CF Turul's respective decisions to maintain, decrease or increase their investments in us. Leucadia and CF Turul may at any time decide to dispose of all or a portion of their investment in us. Subject to compliance with the restrictions contained in our charter, the sale or other disposition of a certain portion of our voting stock could cause the Company and its subsidiaries to experience a change of control for certain purposes, which may accelerate certain of the Company's and its subsidiaries' indebtedness and other obligations, allow certain counterparties to terminate their agreements and/or negatively impact our and our subsidiaries' tax attributes. Among other things, such a change of control could result in a "change of control" under our agreements governing our indebtedness. No assurance can be provided that upon the occurrence of such an event, the Company will be able to obtain the required waivers, repay its indebtedness or secure alternative arrangements. See also Exhibit 99.2 "Risk Factors-Future sales of substantial amounts of our Common Stock may adversely affect our market price."

Our officers, directors, stockholders and their respective affiliates may have a pecuniary interest in certain transactions in which we are involved, and may also compete with us.

We have not adopted a policy that expressly prohibits our directors, officers, stockholders or affiliates from having a direct or indirect pecuniary interest in any transaction to which we are a party or have an interest, nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us or our subsidiaries. We have engaged in transactions in which such persons have an interest and, subject to the terms of the Indenture and other applicable covenants in other financing arrangements or other agreements, may in the future enter into additional transactions in which such persons have an interest. In addition, such parties may have an interest in certain transactions such as strategic partnerships or joint ventures in which we are involved, and may also compete with us.

In the course of their other business activities, certain conflicts of interest may arise with respect to HRG, its significant stockholders, affiliates, subsidiaries, and their respective directors, officers and affiliates.

Certain of our and our significant stockholders, affiliates or subsidiaries' officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to their affiliations with other entities, such persons may have obligations to present potential business opportunities to those entities, which could cause additional conflicts of interest. Accordingly, such persons may not present otherwise attractive business combination opportunities to us, our subsidiaries or investees.

In addition, HRG currently has a number of, and may in the future acquire, additional significant stockholders, affiliates or subsidiaries ("Affiliated Persons"), some of which engage in business dealings with each other and HRG from time to time. As a result, conflicts of interest could arise with respect to transactions involving business dealings between HRG and the Affiliated Persons or between and among the Affiliated Persons, including potential business transactions and business services. It may not be possible to equally favor HRG and its subsidiaries in these business dealings, and the resolution of these conflicts may not always be equally in the best interest of HRG and its subsidiaries, which could have a material effect on HRG's and one or more of HRG's subsidiaries' financial condition and results of operations.

Provisions in our organizational documents and applicable regulations may discourage the takeover of our company, may make removal of our management more difficult and may depress our stock price.

Our organizational documents contain provisions that may have an anti-takeover effect and inhibit a change in our management. They could also have the effect of discouraging others from making tender offers for our Common Stock. As a result, these provisions could prevent our stockholders from receiving a premium for their shares of Common Stock above the prevailing market prices. These provisions include:

- the authority of the Company's Board of Directors (the "Board") to issue, without stockholder approval, up to 10,000,000 shares of our preferred stock with such terms as our Board may determine;
- special meetings of our stockholders may be called only by the Chairman of our Board or by our Corporate Secretary upon delivery of a written request executed by three directors (or, if there are fewer than three directors in office at that time, by all incumbent directors);
- a staggered Board, as a result of which only one of the three classes of directors is elected each year;
- advance notice requirements for nominations for election to our Board, or for proposing matters that can be acted on by stockholders at stockholder meetings;
- restrictions in our certificate of incorporation that impose limitations on the transfer of our securities, which are intended to protect our net operating losses and other tax attributes;
- the absence of cumulative voting rights;
- subject to any special rights of the holders of our preferred stock may have to elect directors, removal of incumbent directors only for cause.

Our amended and restated certificate of incorporation contains provisions that restrict mergers and other business combinations with an "Interested Stockholder" (as defined therein) or that may otherwise have the effect of preventing or delaying a change of control of our company. Our Board has waived the application of this provision to Leucadia and CF Turul. Also see Exhibit 99.2 “Risk Related to HRG-HRG and certain of its subsidiaries, including Spectrum Brands, may not be able to fully utilize their net operating loss and other tax carryforward; restrictions in HRG’s certificate of incorporation intended to protect net operating losses and other tax attributes may limit transfer of HRG’s securities” for the restrictions on certain transfers of our Common Stock.

Our restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our restated bylaws provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our restated bylaws, any action to interpret, apply, enforce, or determine the validity of our amended and restated certificate of incorporation or restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

Disruption or failures of our or our subsidiaries’ information technology systems could have a material adverse effect on our business.

Our and our subsidiaries’ information technology systems are susceptible to security breaches, operational data loss, general disruptions in functionality, and may not be compatible with new technology. We and our subsidiaries depend on information technology systems for the effectiveness of operations and to interface with those with whom we and our subsidiaries conduct business, as well as to maintain financial and other records. Disruption or failures of such information technology systems could impair our or our subsidiaries’ ability to effectively and timely conduct our operations and maintain financial records, which could damage our reputation and have a material adverse effect on our business.

Our ability to dispose of securities and debt interests may be limited by restrictive stockholder agreements, by the federal securities laws and by other regulations or market conditions.

When we acquire securities or debt instruments directly or indirectly through subsidiaries, we acquire securities or debt instruments that are illiquid and, when we acquire less than 100% of the equity interests of a company, we may be subject to restrictive terms of agreements with other equityholders. In addition, we may hold, and may in the future hold, securities and debt instruments that are not registered under the Securities Act and/or (as is the case with respect to our shares of Spectrum Brands) restricted securities under the Securities Act. Our ability to sell such securities and debt instruments could be limited by market conditions and the illiquid nature of such securities and debt instruments and could be limited to sales pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those securities; (ii) Rule 144 under the Securities Act, which, among other things, requires a specified holding period and limits the manner and volume of sales; (iii) another applicable exemption under the Securities Act; or (iv) approval of certain regulators. In addition, our ability to dispose of our shares of Spectrum Brands is restricted pursuant to the agreements entered into in connection with the Merger Agreement.

We may suffer adverse consequences if we are deemed an investment company under the Investment Company Act and we may be required to incur significant costs to avoid investment company status and our activities may be restricted.

We believe that we are not an investment company under the Investment Company Act of 1940 (the “Investment Company Act”) and we intend to continue to make acquisitions and other investments in a manner so as not to be an investment company. The Investment Company Act contains substantive legal requirements that regulate the manner in which investment companies are permitted to conduct their business activities. If the Commission or a court were to disagree with us, we could be required to register as an investment company. This would negatively affect our ability to consummate acquisitions; subject us to disclosure and accounting guidance geared toward investment, rather than operating companies; limit our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and require us to undertake significant costs and expenses to meet the disclosure and regulatory requirements to which we would be subject as a registered investment company. In order not to be regulated as an investment company under the Investment Company Act, unless we can qualify for an exemption, we must ensure that we are engaged primarily in a business other than investing, reinvesting, owning, holding or trading in securities (as defined in the Investment Company Act) and that we do not own or acquire “investment securities” having a value exceeding 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. To ensure that majority-owned investments, such as Spectrum Brands, do not become categorized as “investment securities,” we may need to make additional investments in these subsidiaries to offset any dilution of our interest that would otherwise cause such a subsidiary to cease to be majority-owned. We may also need to forego acquisitions that we would otherwise make or retain, or dispose of investments that we might otherwise hold.

There may be tax consequences associated with our acquisition, investment, holding and disposition of operating businesses and other assets.

We may incur significant taxes in connection with effecting acquisitions or investments, holding, receiving payments from, and operating businesses and other assets and disposing of operating businesses and other assets. Our decisions to make a particular acquisition, sell a particular asset or increase or decrease a particular investment may be based on considerations other than the timing and amount of taxes owed as a result.

HRG and certain of its subsidiaries may not be able to fully utilize their net operating loss and other tax carryforward; restrictions in HRG's certificate of incorporation intended to protect net operating losses and other tax attributes may limit transfer of HRG's securities

As of September 30, 2017, HRG and Spectrum Brands had U.S. Federal net operating loss ("NOL") carryforwards of approximately $1,524.3 million (inclusive of $151.1 million attributable to FGL's non-life Insurance subsidiaries) and $703.5 million, respectively that, if unused, will expire through year 2037. Spectrum Brands had tax benefits related to U.S. state NOL carryforwards of approximately $70.8 million at September 30, 2017, that, if unused, will expire through year 2037. As of September 30, 2017, HRG and Spectrum Brands had U.S. Federal capital loss carryforwards of approximately $315.9 million (inclusive of $15.0 million attributable to FGL's non-life Insurance subsidiaries) and $19.8 million, respectively that, if unused, will expire through year 2022; and Spectrum Brands had foreign loss carryforwards of approximately $169.2 million, which will expire beginning in Fiscal 2018. See Exhibit 99.2 "Risk Factors-While, as of the date of this report, we expect to exercise the 338 Tax Election and to receive tax benefits from making such election there can be no assurance that such an election will be made or that we will receive any of the benefits from such an election."

The ability of HRG and its subsidiaries (including any future subsidiary) to utilize their NOL and other tax carryforwards to reduce taxable income in future years may be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOL carryforwards prior to their expiration. Additionally, the ability of HRG and its subsidiaries (including any future subsidiary) to fully use these tax assets could also be adversely affected if the respective companies were deemed to have an "ownership change" within the meaning of Sections 382 and 383 of the Code. An ownership change is generally defined as a greater than 50% increase in equity ownership by "5% shareholders" (as that term is defined for purposes of Sections 382 and 383 of the Code) in any three-year period. HRG and its subsidiaries (including Spectrum Brands) have experienced ownership changes that have limited the utilization of a portion of their NOL carryforwards and other carryforward tax attributes. Future ownership changes, including transfers or dispositions of our stock by Harbinger Capital Partners LLC ("HCP") or other stockholders and conversions or redemptions of our preferred stock, could, depending on their magnitude, result in ownership changes that would trigger the imposition of additional limitations on the utilization of these tax assets under Sections 382 and 383. Accordingly, there can be no assurance that, in the future, HRG and/or its subsidiaries (including any future subsidiary) will not experience additional limitations on utilizing the tax benefits of their NOL and other tax carryforwards. Such limitations could have a material adverse effect on HRG and/or its subsidiaries' results of operations, cash flows or financial condition.

In order to reduce the likelihood that future transactions in our Common Stock will result in an ownership change under Section 382 of the Code ("Section 382"), on July 13, 2015, following receipt of stockholder approval, we filed an amendment to our amended and restated certificate of incorporation (the "Charter"). The Charter amendment is designed to reduce the likelihood of an "ownership change" under U.S. federal tax laws by restricting certain direct and indirect acquisitions and dispositions of our Common Stock. The restrictions imposed under the amendment apply to any direct and indirect holders of, or persons who would become holders of, 4.9% or more of our Common Stock (and certain other interests in the Company that are treated as stock for U.S. federal tax purposes). As of July 13, 2015, which is the date of the adoption of the Charter amendment, any direct or indirect transfer of our shares of Common Stock (or such other Company securities) in violation of the restrictions will be void as of the date of the purported transfer as to the purported transferee, and the purported transferee will not be recognized as the owner of such securities for any purpose, including for purposes of voting and receiving dividends or other distributions. These restrictions may adversely affect the ability of certain holders of our Common Stock to dispose of or acquire shares of our Common Stock and may have an adverse impact on the liquidity of our Common Stock generally.

Our Board will have the power to determine and interpret, in its sole discretion, all matters necessary for assessing compliance with the provisions of the Charter transfer restrictions. These matters include (i) the identification of a 4.9% stockholder, (ii) whether a transfer is a prohibited transfer, (iii) the percentage stock ownership interest in the Company of any person for the purposes of Section 382, (iv) whether an instrument constitutes a security of the Company, (v) the amount or fair market value due to a purported transferee pursuant to the alternate procedure described in the Charter, (vi) the interpretation of the provisions of the Charter amendment and (vii) any other matters which our Board determines to be relevant. To the extent permitted by law, the good faith determination of the Board on such matters will be conclusive and binding on all persons and entities for purposes of the Charter transfer restrictions.

In connection with its consideration of the Charter transfer restrictions, the Board has provided to CF Turul, the beneficial owner of 16.4% of our issued and outstanding Common Stock as of November 14, 2017, its approval, as required under the Charter transfer restrictions, to make, subject to specified limitations and other terms and conditions, one or more distributions of our shares of Common Stock on a substantially pro rata basis to the members of CF Turul and by such members and their affiliates to the ultimate owners who are not entities sponsored or organized by Fortress Investment Group LLC (such person each, a “Specified Holder”). In addition, the Board has also provided the funds affiliated with HCP, which were at the time a Specified Holder and the beneficial owner of approximately 10.3% of our issued and outstanding Common Stock, its approval, as required under the Charter transfer restrictions, to sell, subject to specified limitations and other terms and conditions, the shares of Common Stock that HCP held. It is our understanding that as of the date of this report HCP has disposed of a substantial amount of its stock and is no longer a Specified Holder.

While the Charter amendment is intended protect the benefits of our NOLs and other tax assets, there can be no assurance that we will not experience future transactions in our Common Stock that results in some or all of our NOLs attributes being lost or limited. For example, (i) our Board can permit a transfer to an acquirer that results in or contributes to an ownership change if it determines that such transfer is in our or our stockholders’ best interests; (ii) a court could find that part or all of the charter transfer restrictions are not enforceable, either in general or as applied to a particular stockholder or fact situation; (iii) certain changes in relationships among our stockholders or other events not proscribed under the Charter amendment could contribute to or cause an ownership change under Section 382; and (iv) an ownership change could be caused or contributed to as a result of our own actions, such as issuing, repurchasing or redeeming shares of our Common Stock, which we remain free to do if our Board determines that it is in our or our stockholders’ best interests to do so. In addition, on February 24, 2018, we put into effect a rights plan to further protect our tax attributes.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and financial condition.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to our or our subsidiaries or businesses that we or our subsidiaries may acquire or subsidiaries that are not presently material to our business but may become material to us in the future. We cannot be certain that we or our subsidiaries will develop, implement, and maintain adequate internal controls over financial reporting in the future. As previously disclosed, FGL identified and, as of September 30, 2017, remediated a material weakness in FGL’s internal controls. With remediation, the Company’s management was able to conclude that its internal control over financial reporting was effective as of September 30, 2017.

In addition, we or our subsidiaries may acquire an entity that was not previously subject to U.S. public company requirements or did not previously prepare financial statements in accordance with the United States Generally Accepted Accounting Principles (“U.S. GAAP”) or is not in compliance with the requirements of the Sarbanes-Oxley Act of 2002 or other public company reporting obligations applicable to such entity directly or through us. We or our subsidiaries may incur significant additional costs in order to ensure, that after such acquisition, HRG or our subsidiaries continue to comply with the requirements of the Sarbanes-Oxley Act of 2002 and its other public company requirements, which, in turn, would reduce our earnings and negatively affect our liquidity or cause us to fail to meet our or our subsidiaries’ reporting obligations. In addition, development of an adequate financial reporting system and the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act of 2002 may increase the time and costs necessary to complete any such acquisition or cause us or our subsidiaries to fail to meet our reporting obligations. To the extent any of these newly-acquired entities or any existing entities have deficiencies in their internal controls, it may impact our internal controls.

Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our or our subsidiaries’ operating results or cause us or our subsidiaries to fail to meet our respective reporting obligations. If we or our subsidiaries are unable to conclude that we or our subsidiaries have effective internal controls over financial reporting, or if our or our subsidiaries’ independent registered public accounting firm is unable to provide us or our subsidiaries with an unqualified report regarding the effectiveness of our or our subsidiaries’ internal controls over financial reporting to the extent required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our or our subsidiaries’ financial statements. Failure to comply with Section 404 of the Sarbanes-Oxley Act of 2002 could potentially subject us or our subsidiaries to sanctions or investigations by the Commission, or other regulatory authorities. In addition, failure to comply with our reporting obligations with the Commission may cause an event of default to occur under the Indenture, or similar instruments governing any debt we or our subsidiaries incur in the future.

Limitations on liability and indemnification matters.

As permitted by Delaware law, we have included in our amended and restated certificate of incorporation a provision to eliminate the personal liability of our directors for monetary damages for breach or alleged breach of their fiduciary duties as directors, subject to certain exceptions. Our restated bylaws also provide that we are required to indemnify our directors under certain circumstances, including those circumstances in which indemnification would otherwise be discretionary, and we will be required to advance expenses to our directors as incurred in connection with proceedings against them for which they may be indemnified. In addition, we may, by action of our Board, provide indemnification and advance expenses to our officers, employees and agents (other than directors), to directors, officers, employees or agents of a subsidiary of the Company, and to each person serving as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, at our request, with the same scope and effect as the indemnification of our directors provided in our restated bylaws.

We and our subsidiaries may be adversely affected by further deterioration in economic conditions.

From December 2007 through June 2009, the U.S. economy was in recession, which lead to a significant reduction in the business activity across a wide range of industries and regions in the U.S. In 2011 and 2012, concern over sovereign debt in Greece, Spain, Italy and certain other European Union countries caused significant fluctuations of the Euro, relative to other currencies, such as the U.S. Dollar. Criticism of excessive national debt among a number of countries has led to credit downgrades of the sovereign debt of several countries and has led to increased concern regarding economic and political uncertainty. Destabilization of the economy could lead to a decrease in consumer confidence, which could cause reductions in discretionary spending and demand for our subsidiary Spectrum Brands' products. Furthermore, sovereign debt issues could also lead to further significant, and potentially longer-term, economic issues, such as reduced economic growth and devaluation of the Euro against the U.S. Dollar, any of which could adversely affect our and each of our subsidiaries' business, financial condition and operating results. See the risk factor entitled "Spectrum Brands faces risks relating to the United Kingdom's 2016 referendum, which called for its exit from the European Union" in this report.

Price fluctuations in our Common Stock could result from general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly-held subsidiaries.

The trading price of our Common Stock may be highly-volatile and could be subject to fluctuations in response to a number of factors beyond our control, including:

- actual or anticipated fluctuations in our results of operations and the performance of our subsidiaries and their competitors;
- reaction of the market to our announcement of any future acquisitions, dispositions, or other business opportunities by us or our subsidiaries, including the Company's review of strategic alternatives and the timing and status of the FGL Merger;
- the public's reaction to our and/or our subsidiaries' press releases, our other public announcements and our filings with the Commission;
- changes in general economic conditions;
- actions of our historical equity investors, including sales of Common Stock by our significant stockholders, our directors and our executive officers; and
- actions by institutional investors or our significant stockholders trading in our stock.

In addition, the trading price of our Common Stock could be subject to fluctuations in response to a number of factors that affect the volatility of the common stock of any of our subsidiaries, such as Spectrum Brands, which are publicly traded.

The market liquidity for our Common Stock is relatively low and may make it difficult to purchase or sell our stock.

The daily trading volume in our Common Stock is volatile and relatively low, which may make it difficult to purchase or sell shares of our Common Stock. Although a more active trading market may develop in the future, there can be no assurance as to the liquidity of any markets that may develop for our Common Stock or the prices at which holders may be able to sell our Common Stock and the limited market liquidity for our stock could affect a stockholder's ability to sell at a price satisfactory to that stockholder.

From time to time, we and our subsidiaries may be subject to litigation for which we and our subsidiaries may be unable to accurately assess our level of exposure and which, if adversely determined, may have a material adverse effect on our consolidated financial condition or results of operations.

We and our subsidiaries are or may become parties to legal proceedings related to our or their current or prior businesses for which, depending on the circumstances, a reserve may not have been established or otherwise provided for or insured against. There can be no assurance that we will prevail in any litigation in which we or our subsidiaries may become involved, or that our or their insurance coverage will be adequate to cover any or all potential losses. In addition, from time to time, we may decide to settle litigation involving us or our subsidiaries for a variety of reasons and regardless of the perceived merits of the claims related to such litigation. Such settlements may include non-monetary as well as monetary terms. To the extent that we or our subsidiaries sustain losses from such proceedings which are not reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be materially adversely affected.

Agreements, transactions and litigation involving or resulting from the activities of our predecessor and its former subsidiaries may subject us to future claims or litigation that could materially adversely impact our capital resources.

HRG is the successor to Zapata Corporation, which was a holding company engaged, through its subsidiaries, in a number of business activities and over the course of our existence we have acquired and disposed of a number of businesses. The activities of such entities may subject us to future claims or litigation regardless of the merit of such claims or litigation and the defenses available to us and our subsidiaries. The time and expense that we may be required to dedicate to such matters may be material to us and our subsidiaries and may adversely impact our capital resources. In certain instances, we may have continuing obligations pursuant to certain of these transactions, including obligations to indemnify other parties to agreements, and may be subject to risks resulting from these transactions.

Risks Related to Spectrum Brands' Business

Spectrum Brands is a parent company with limited business operations of its own. Its main asset is the capital stock of its subsidiaries, including SBI. Spectrum Brands conducts most of its business operations through its subsidiaries and its primary source of cash is and will be distributions from its subsidiaries.

Spectrum Brands' primary sources of cash are dividends and distributions with respect to its ownership interests in its subsidiaries that are derived from their earnings and cash flow. Spectrum Brands' and SBI's subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. Spectrum Brands' and SBI's subsidiaries' payments to their respective parent will be contingent upon their earnings, upon other business considerations and compliance with the terms of SBI's indebtedness.

SBI substantial indebtedness may limit its financial and operating flexibility, and Spectrum Brands may incur additional debt, which could increase the risks associated with its substantial indebtedness.

SBI has, and expects to continue to have, a significant amount of indebtedness. See Exhibit 99.6 "Note 13, Debt", to our Consolidated Financial Statements included elsewhere in this report for further details. SBI's substantial indebtedness has had, and could continue to have, material adverse consequences for its business, and may:

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

Under the SBI Senior Secured Facilities and indentures governing the SBI Notes (together, the "SBI Indentures"), SBI may incur additional indebtedness. If new debt is added to its existing debt levels, the related risks that Spectrum Brands now faces would increase.

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

Restrictive covenants in the SBI Senior Secured Facilities and the SBI Indentures may restrict SBI's ability to pursue its business strategies.

The SBI Senior Secured Facilities and the SBI Indentures each restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. The SBI Senior Secured Facilities and the SBI Indentures also contain customary events of default. These covenants could, among other things, limit SBI's ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of its assets and opportunities fully. In addition, the SBI Senior Secured Facilities and the SBI Indentures require SBI to dedicate a portion of cash flow from operations to payments on debt and also contain borrowing restrictions based on, among other things, Spectrum Brands' fixed charge coverage ratio. Furthermore, the credit agreement governing the SBI Senior Secured Facilities contains a financial covenant relating to maximum leverage. Such requirements and covenants could limit the flexibility of SBI's restricted entities in planning for, or reacting to, changes in the industries in which they operate. SBI's ability to comply with these covenants is subject to certain events outside of its control. If SBI is unable to comply with these covenants, the lenders under the SBI Senior Secured Facilities could terminate their commitments and the lenders under the SBI Senior Secured Facilities or the holders of the SBI Notes could accelerate repayment of SBI' outstanding borrowings and, in either case, SBI may be unable to obtain adequate refinancing of outstanding borrowings on favorable terms or at all. If SBI is unable to repay outstanding borrowings when due, the lenders under the SBI Senior Secured Facilities will also have the right to proceed against the collateral granted to them to secure the indebtedness owed to them. If SBI's obligations under the SBI Senior Secured Facilities are accelerated, SBI cannot assure you that its assets would be sufficient to repay in full such indebtedness.

Spectrum Brands is subject to significant international business risks that could hurt its business and cause its results of operations to fluctuate.

Approximately 15% of Spectrum Brands' net sales associated with its continuing operations for Fiscal 2017 were to customers outside of the U.S. Spectrum Brands' pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. Spectrum Brands' international operations are subject to risks including, among others:

- currency fluctuations, including, without limitation, fluctuations in the foreign exchange rate of the Euro, British Pound, Brazilian Real, Canadian Dollar, Australian Dollar, Japanese Yen and the Mexican Peso;
- changes in the economic conditions or consumer preferences or demand for its products in these markets;
- the risk that because its brand names may not be locally recognized, Spectrum Brands must spend significant amounts of time and money to build brand recognition without certainty that Spectrum Brands will be successful;
- labor unrest;
- political and economic instability, as a result of war, terrorist attacks, pandemics, natural disasters or otherwise;
- lack of developed infrastructure;
- longer payment cycles and greater difficulty in collecting accounts;
- restrictions on transfers of funds;
- import and export duties and quotas, as well as general transportation costs;
- changes in domestic and international customs and tariffs;
- changes in foreign labor laws and regulations affecting Spectrum Brands' ability to hire and retain employees;
- inadequate protection of intellectual property in foreign countries;
- unexpected changes in regulatory environments;
- difficulty in complying with foreign law; and
- adverse tax consequences.

The foregoing factors may have a material adverse effect on Spectrum Brands' ability to increase or maintain its supply of products, financial condition or results of operations.

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

Spectrum Brands' international sales and certain of its expenses are transacted in foreign currencies. During Fiscal 2017, approximately 15% of Spectrum Brands' net sales and operating expenses associated with its continuing operations were denominated in foreign currencies. Spectrum Brands expects that the amount of its revenues and expenses transacted in foreign currencies will increase as its Latin American, European and Asian operations grow and as a result of acquisitions in these markets and, as a result, its exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies will affect Spectrum Brands' cost of goods sold and its operating margins and could result in exchange losses or otherwise have a material effect on Spectrum Brands' business, financial condition and results of operations. Changes in currency exchange rates may also affect Spectrum Brands' sales to, purchases from, and loans to, its subsidiaries, as well as sales to, purchases from, and bank lines of credit with, its customers, suppliers and creditors that are denominated in foreign currencies.

While Spectrum Brands may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and Spectrum Brands may not be able to successfully hedge its exposure to currency fluctuations. Further, Spectrum Brands may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, its results of operations may be adversely impacted.

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

Spectrum Brands is subject to two EU Directives that may have a material impact on its business that include the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") and the Waste Electrical and Electronic Equipment ("WEEE"). RoHS requires Spectrum Brands to eliminate specified hazardous materials from products it sells in EU member states. WEEE requires Spectrum Brands to collect and treat, dispose of or recycle certain products it manufactures or imports into the EU at its own expense. The costs associated with maintaining compliance or failing to comply with the EU Directives may harm Spectrum Brands' business. For example:

- Although contracts with its suppliers address related compliance issues, Spectrum Brands may be unable to procure appropriate RoHS compliant material in sufficient quantity and quality and/or be able to incorporate it into its product procurement processes without compromising quality and/or harming its cost structure.
- Spectrum Brands may face excess and obsolete inventory risk related to non-compliant inventory that it may hold for which there is reduced demand, and it may need to write down the carrying value of such inventories.

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

Spectrum Brands faces risks related to the impact on foreign trade agreements and relations from the current administration.

Recent changes in the United States federal government have caused uncertainty about the future of trade partnerships and treaties, such as the North American Free Trade Agreement ("NAFTA"). The current administration has formally withdrawn the U.S. from the Trans Pacific Partnership Agreement ("TPPA"), which may affect Spectrum Brands' ability to leverage lower cost facilities in territories outside of the U.S. The current administration has also initiated negotiations with Canada and Mexico aimed at re-negotiating term of NAFTA. It is uncertain what the outcome of the negotiations will be, but it is possible that revisions to NATFA could adversely affect Spectrum Brands' existing production operations in Mexico and the current and future levels of sales and earnings of Spectrum Brands in all three countries. Furthermore, the current administration has threatened tougher trade terms with China and other countries. Media and political reactions in the affected countries could potentially impact the ability of Spectrum Brands' operations in those countries. Foreign countries may impose additional burdens on U.S. companies through the use of local regulations, tariffs or other requirements which could increase Spectrum Brands' operating costs in those foreign jurisdictions. It remains unclear what additional actions, if any, the current administration will take. If the United States were to materially modify NAFTA or other international trade agreements to which it is a party, or if tariffs were raised on the foreign-sourced goods that Spectrum Brands sell, such goods may no longer be available at a commercially attractive price, which in turn could have a material adverse effect on Spectrum Brands business, financial condition and results of operations.

Spectrum Brands faces risks relating to the United Kingdom's 2016 referendum, which called for its exit from the European Union.

The announcement of the referendum regarding the United Kingdom's ("UK") membership in the European Union ("EU") on June 23, 2016 (referred to as "Brexit"), advising for the exit of the UK from the EU, and subsequent notification of intention to withdraw given on March 29, 2017, has adversely impacted global markets and foreign currencies. In particular, the value of the Pound Sterling has sharply declined as compared to the U.S. Dollar and other currencies. This volatility in foreign currencies is expected to continue as the UK negotiates and executes its exit from the EU, but there is uncertainty over what time period this will occur. A significantly weaker Pound Sterling compared to the U.S. Dollar could have a significant negative effect on the Spectrum Brands' business, financial condition and results of operations. The decrease in value to the Pound Sterling and impacts across global markets and foreign currencies may influence trends in consumer confidence and discretionary spending habits, but given the lack of precedent and uncertainty, it is unclear how the implications will affect Spectrum Brands.

The intention to withdraw begins a two-year negotiating period to establish the withdrawal terms. Even if no agreement is reached, the UK's separation still becomes effective unless all EU members unanimously agree on an extension. Negotiations will commence to determine the future terms of the UK relationship with the EU, including, among other things, the terms of trade between the UK and the EU. The effects of Brexit will depend on many factors, including any agreements that the UK makes to retain access to EU markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Any of these effects of Brexit and others Spectrum Brands cannot anticipate, transactions between the UK and the EU, as well as the UK and non-EU countries, such as the United States will be affected because the UK currently operated under the EU's tax treaties. The UK will need to negotiate its own tax treaties with countries all over the world, which could take years to complete. While Spectrum Brands cannot anticipate the outcome of these future negotiations, effects could include uncertainty regarding tax exemptions and reliefs within the EU, as well as expected changes in tax laws or regulations which could materially and adversely affect Spectrum Brands' business, business opportunities, results of operations, financial condition, liquidity and cash flows.

Spectrum Brands participates in very competitive markets and it may not be able to compete successfully, causing Spectrum Brands to lose market share and sales.

Spectrum Brands competes for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. See Exhibit 99.1 "Business-Spectrum Brands-Sales Distribution and Competition" of this report for further information over the segments, product categories and markets in which Spectrum Brands competes, along with discussion over primary competitors. Spectrum Brands' ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

- Spectrum Brands competes against many well-established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than Spectrum Brands.
- In some key product lines, Spectrum Brands' competitors may have lower production costs and higher profit margins than Spectrum Brands, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.
- Technological advancements, product improvements or effective advertising campaigns by competitors may weaken consumer demand for Spectrum Brands' products.
- Consumer purchasing behavior may shift to distribution channels, including to online retailers, where Spectrum Brands and its customers do not have a strong presence.
- Consumer preferences may change to lower margin products or products other than those that Spectrum Brands markets.
- Spectrum Brands may not be successful in the introduction, marketing and manufacture of any new products or product innovations or be able to develop and introduce, in a timely manner, innovations to its existing products that satisfy customer needs or achieve market acceptance.

In addition, in a number of Spectrum Brands' product lines, Spectrum Brands competes with its retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Significant new competitors or increased competition from existing competitors, including specifically private label brands, may adversely affect Spectrum Brands' business, financial condition and results of Spectrum Brands' operations.

Some competitors may be willing to reduce prices and accept lower profit margins to compete with Spectrum Brands. As a result of this competition, Spectrum Brands could lose market share and sales, or be forced to reduce its prices to meet competition. If Spectrum Brands' product offerings are unable to compete successfully, Spectrum Brands' sales, results of operations and financial condition could be materially and adversely affected. In addition, Spectrum Brands may be unable to implement changes to its products or otherwise adapt to changing consumer trends. If Spectrum Brands is unable to respond to changing consumer trends, its operating results and financial condition could be adversely affected.

Changes in consumer shopping trends and changes in distribution channels could significantly harm Spectrum Brands' business.

Spectrum Brands sells products through a variety of trade channels with a significant portion dependent upon retail partnerships, through both traditional brick-and-mortar retail channels and e-commerce channels. Spectrum Brands is seeing the emergence of strong e-commerce channels generating more online competition and declining in-store traffic in brick-and-mortar retailers. Consumer shopping preferences have shifted, and may continue to shift in the future to distribution channels other than traditional retail that may have more limited experience, presence and developed, such as e-commerce channels. If Spectrum Brands is not successful in developing and utilizing e-commerce channels that future consumers may prefer, Spectrum Brands may experience lower than expected revenues. Spectrum Brands is also seeing more traditional brick-and-mortar retailers closing physical stores, and filing for bankruptcy, which could negatively impact Spectrum Brands' distribution strategies and/or sales if such retailers decide to significantly reduce their inventory levels for Spectrum Brands' products or to designate more floor space to Spectrum

Brands’ competitors. Further consolidation, store closures and bankruptcies could have a material adverse effect on Spectrum Brands’ business, prospects, financial condition, results of operations, cash flows, as well as the trading price of Spectrum Brands’ securities.

Additionally, consolidation in retail has occurred during the last several years, particularly in developed markets such as the U.S. and Western Europe, resulting in Spectrum Brands becoming increasingly dependent on relationships with fewer key retailers that control an increasing percentage of retail locations, which trend may continue. Spectrum Brands’ success is dependent on Spectrum Brands’ ability to manage Spectrum Brands’ retailer relationships, including offering trade terms on mutually acceptable terms. Spectrum Brands generally does not have long-term sales contracts or other sales assurances with Spectrum Brands’ retail customers.

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

As a result of consolidation of retailers and consumer trends toward national mass merchandisers, a significant percentage of Spectrum Brands’ sales associated with its continuing operations are attributable to a limited group of customers. As these mass merchandisers and retailers grow larger and become more sophisticated, they may demand lower pricing, special packaging or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. Because of the importance of these key customers, demands for price reductions or promotions, reductions in their purchases, changes in their financial condition or loss of their accounts could have a material adverse effect on Spectrum Brands’ business, financial condition and results of operations.

Although Spectrum Brands has long-established relationships with many of its customers, Spectrum Brands does not have long-term agreements with them and purchases are generally made through the use of individual purchase orders. Any significant reduction in purchases, failure to obtain anticipated orders or delays or cancellations of orders by any of these major customers, or significant pressure to reduce prices from any of these major customers, could have a material adverse effect on Spectrum Brands’ business, financial condition and results of operations. Additionally, a significant deterioration in the financial condition of the retail industry in general, the bankruptcy of any of Spectrum Brands’ customers or any of Spectrum Brands’ customers ceasing operations could have a material adverse effect on Spectrum Brands’ sales and profitability.

As a result of retailers maintaining tighter inventory control, Spectrum Brands faces risks related to meeting demand and storing inventory.

As a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among them to purchase products on a “just-in-time” basis. Due to a number of factors, including (i) manufacturing lead-times, (ii) seasonal purchasing patterns and (iii) the potential for material price increases, Spectrum Brands may be required to shorten its lead-time for production and more closely anticipate its retailers’ and customers’ demands, which could in the future require Spectrum Brands to carry additional inventories and increase its working capital and related financing requirements. This may increase the cost of warehousing inventory or result in excess inventory becoming difficult to manage, unusable or obsolete. In addition, if Spectrum Brands retailers significantly change their inventory management strategies, Spectrum Brands may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are cancelling orders or returning products, which may have a material adverse effect on its business.

Furthermore, Spectrum Brands primarily sells branded products and a move by one or more of its large customers to sell significant quantities of private label products, which Spectrum Brands does not produce on their behalf and which directly compete with Spectrum Brands products, could have a material adverse effect on Spectrum Brands’ business, financial condition and results of operations.

Sales of certain of Spectrum Brands’ products are seasonal and may cause its operating results and working capital requirements to fluctuate.

On a consolidated basis Spectrum Brands’ financial results are approximately equally weighted across its fiscal quarters, however, sales of certain product categories tend to be seasonal. See Exhibit 99.1 “Business-Spectrum Brands-Seasonality” of this report for further information over the seasonality of sales. As a result of this seasonality, Spectrum Brands’ inventory and working capital needs fluctuate significantly throughout the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If Spectrum Brands is unable to accurately forecast and prepare for customer orders or its working capital needs, or there is a general downturn in business or economic conditions during these periods, Spectrum Brands’ business, financial condition and results of operations could be materially and adversely affected.

Adverse weather conditions during Spectrum Brands’ peak selling seasons for its home and garden control and auto care products could have a material adverse effect on its home and garden business and auto care business.

Weather conditions have a significant impact on the timing and volume of sales of certain of Spectrum Brands’ lawn and garden and household insecticide and repellent products. For example, periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. Adverse weather conditions during the first six months of the calendar year (Spectrum Brands’ second and third fiscal quarters), when demand for home and garden control products typically peaks, could have a material adverse effect on Spectrum Brands’ home and garden business and its financial results during such period. Weather can also influence customer behavior for Spectrum Brands’ auto care products, especially with appearance and A/C recharge products, which sell best during warm, dry weather. There could be a material adverse effect on the auto care segment if the weather is cold or wet, during the spring and summer seasons when demand for Spectrum Brands’ auto care products typically peaks.

Spectrum Brands’ products utilize certain key raw materials; any significant increase in the price of, or change in supply and demand for, these raw materials could have a material and adverse effect on its business, financial condition and profits.

The principal raw materials used to produce Spectrum Brands’ products-including brass, petroleum-based plastic materials and corrugated materials (for packaging)-are sourced either on a global or regional basis by Spectrum Brands or its suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. Although Spectrum Brands may increase the prices of certain of its goods to its customers, Spectrum Brands may not be able to pass all of these cost increases on to its customers. As a result, its margins may be adversely impacted by such cost increases. Spectrum Brands cannot provide any assurance that its sources of supply will not be interrupted due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on its profitability and results of operations.

Spectrum Brands regularly engages in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs it expects to incur over the next 12 to 24 months. However, Spectrum Brands’ hedging positions may not be effective, or may not anticipate beneficial trends, in a particular raw material market or may, as a result of changes in its business, no longer be useful for Spectrum Brands. See Exhibit 99.6 “Note 15, Derivative Financial Instruments”, to our Consolidated Financial Statements included elsewhere in this report for further details on Spectrum Brands’ effective hedging strategies over certain commodity costs. In addition, for certain of the principal raw materials Spectrum Brands uses to produce its products there are no available effective hedging markets. If these efforts are not effective or expose Spectrum Brands to above average costs for an extended period of time, and Spectrum Brands is unable to pass its raw materials costs on to its customers, Spectrum Brands’ future profitability may be materially and adversely affected. Furthermore, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. Spectrum Brands may be unable to pass these fuel surcharges on to its customers, which may have an adverse effect on its profitability and results of operations.

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

Spectrum Brands’ dependence on a few suppliers for certain of its products makes it vulnerable to a disruption in the supply of its products.

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

- its ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which it purchases products from its suppliers, including applicable exchange rates, transport and other costs, its suppliers’ willingness to extend credit to Spectrum Brands to finance its inventory purchases and other factors beyond its control;
- the financial condition of its suppliers;
- political and economic instability in the countries in which its suppliers are located, as a result of war, terrorist attacks, pandemics, natural disasters or otherwise;
- its ability to import outsourced products;
- its suppliers’ noncompliance with applicable laws, trade restrictions and tariffs; or
- its suppliers’ ability to manufacture and deliver outsourced products according to its standards of quality on a timely and efficient basis.

If Spectrum Brands’ relationship with one of its key suppliers is adversely affected, Spectrum Brands may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, molds or other specialized production equipment or processes used by such supplier in the manufacture of its products. The loss of one or more of its suppliers, a material reduction in their supply of products or provision of services to Spectrum Brands or extended disruptions or interruptions in their operations could have a material adverse effect on Spectrum Brands’ business, financial condition and results of operations.

Spectrum Brands manufactures the majority of its residential door locks at its Subic Bay, Philippines facility. Spectrum Brands’ home and garden products are mainly manufactured from its St. Louis, Missouri, facility. GAC’s manufacturing facility consists of one site which is located in Dayton, Ohio and thus GAC is dependent upon the continued safe operation of this facility.

Spectrum Brands’ facilities are subject to various hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including human error, leaks and ruptures, explosions, floods, fires, inclement weather and natural disasters, power loss or other infrastructure failures, mechanical failure, unscheduled downtime, regulatory requirements, the loss of certifications, technical difficulties, labor disputes, inability to obtain material, equipment or transportation, environmental hazards such as remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases, and other risks. Many of these hazards could cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination. In addition, the occurrence of material operation problems at Spectrum Brands’ facility due to any of these hazards could cause a disruption in the production of products. Spectrum Brands may also encounter difficulties or interruption as a result of the application of enhanced manufacturing technologies or changes to production lines to improve throughput or to upgrade or repair its production lines. Spectrum Brands’ insurance policies have coverage in case of significant damage to its manufacturing facility but may not fully compensate for the cost of replacement for any such damage and any loss from business interruption. As a result, Spectrum Brands may not be adequately insured to cover losses resulting from significant damage to its manufacturing facility. Any damage to its facility or interruption in manufacturing could result in production delays and delays in meeting contractual obligations which could have a material adverse effect on Spectrum Brands’ relationship with its customers and on its results of operations, financial condition or cash flows in any given period.

A change in governmental regulations regarding the use of refrigerant gas R-134a or its potential future substitutes could have a material adverse effect on Spectrum Brands’ ability to sell its aftermarket A/C products.

The refrigerant R-134a is critical component of Spectrum Brands’ aftermarket A/C products and is used in products which comprised approximately 35% of GAC’s net sales, or approximately 5% of Spectrum Brands’ net sales, in Fiscal 2017. Older generation refrigerants such as R-12 (Freon) have been regulated for some time in the United States and elsewhere, due to concerns about their potential to contribute to ozone depletion. In recent years, refrigerants such as R-134a, which is an approved substitute for R-12, have also become the subject of regulatory focus due to their potential to contribute to global warming.

The European Union has passed regulations that require the phase out of R-134a in automotive cooling systems in new vehicles by 2017. In the United States, Spectrum Brands cannot predict what future action, if any, the EPA will take on the regulation of R-134a. But based on currently available information, it believes that it would take some time for suitable alternatives to R-134a to come into full scale commercial production and therefore such alternatives would not be readily available for wide spread use in new car models. If the future use of R-134a is phased out or is limited or prohibited in jurisdictions in which Spectrum Brands does business, the future market for GAC’s products containing R-134a may be limited, which could have a material adverse impact on Spectrum Brands’ results of operations, financial condition, and cash flows.

In addition, regulations may be enacted governing the packaging, use and disposal of Spectrum Brands’ products containing refrigerants. For example, regulations are currently in effect in California that governs the sale and distribution of products containing R-134a. While Spectrum Brands has reported that it is not aware of any noncompliance with such regulations, its failure to comply with these or possible future regulations in California, or elsewhere, could result in material fines or costs or the inability to sell its products in those markets, which could have a material adverse impact on Spectrum Brands’ results of operations, financial condition and cash flows. If substitutes for R-134a become widely used in A/C systems and their use for DIY and retrofit purposes are not approved by the EPA, it could have a material adverse effect on Spectrum Brands’ results of operations, financial condition, and cash flows. In addition, the cost of HFO-1234yf, the leading long-term alternative to R-134a being proposed in the United States and the European Union for use in the A/C systems of new vehicles, will likely be higher than that of R-134a and access to supply of HFO-1234yf may be limited. If HFO-1234yf becomes widely used and Spectrum Brands is able to develop products using HFO-1234yf, but is unable to price its products to reflect the increased cost of HFO-1234yf, it could have a material adverse effect on Spectrum Brands’ results of operations, financial condition and cash flow.

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

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

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act includes provisions regarding certain minerals and metals, known as conflict minerals, mined from the Democratic Republic of Congo and adjoining countries. These provisions require companies to undertake due diligence procedures and report on the use of conflict minerals in its products, including products manufactured by third parties. Compliance with these provisions will cause Spectrum Brands to incur costs to certify that its supply chain is conflict free and Spectrum Brands may face difficulties if its suppliers are unwilling or unable to verify the source of their materials. Spectrum Brands’ ability to source these minerals and metals may also be adversely impacted. In addition, Spectrum Brands’ customers may require that it provides them with a certification and its inability to do so may disqualify it as a supplier.

Spectrum Brands may not be able to adequately establish and protect its intellectual property rights, and the infringement or loss of its intellectual property rights could harm its business.

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

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

Spectrum Brands licenses various trademarks, trade names and patents from third parties for certain of its products. See Exhibit 99.1 “Business-Spectrum Brands-Patents and Trademarks” of this report for further discussion and detail on licensed trademarks, trade names and patents. These licenses generally place marketing obligations on Spectrum Brands and require Spectrum Brands to pay fees and royalties based on net sales or profits. Typically, these licenses may be terminated if Spectrum Brands fails to satisfy certain minimum sales obligations or if it breaches the terms of the license. The termination of these licensing arrangements, failure to renew or enter into a new agreement on acceptable terms could adversely affect Spectrum Brands’ business, financial condition and results of operations. When Spectrum Brands’ right to use these trademarks, brand names and logos expires, Spectrum Brands may not be able to maintain or enjoy comparable name recognition or status under its new brand. If Spectrum Brands is unable to successfully manage the transition of its business to new brands, Spectrum Brands’ reputation among its customers could be adversely affected, and its revenue and profitability could decline.

If Spectrum Brands is unable to protect the confidentiality of its proprietary information and know-how, the value of Spectrum Brands’ technology, products and services could be harmed significantly.

Spectrum Brands relies on trade secrets, know-how and other proprietary information in operating its business. If this information is not adequately protected, then it may be disclosed or used in an unauthorized manner. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to its proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in Spectrum Brands’ favor. The risk that other parties may breach confidentiality agreements or that Spectrum Brands’ trade secrets become known or independently discovered by competitors, could harm Spectrum Brands by enabling its competitors, who may have greater experience and financial resources, to copy or use Spectrum Brands’ trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of Spectrum Brands’ trade secrets would impair its competitive position, thereby weakening demand for its products or services and harming Spectrum Brands’ ability to maintain or increase its customer base.

Claims by third parties that Spectrum Brands is infringing their intellectual property and other litigation could adversely affect its business.

From time to time in the past Spectrum Brands has been subject to claims that it is infringing the intellectual property of others. Spectrum Brands currently is the subject of such claims and it is possible that third parties will assert infringement claims against Spectrum Brands in the future. An adverse finding against Spectrum Brands in these or similar trademark or other intellectual property litigations may have a material adverse effect on Spectrum Brands' business, financial condition and results of operations. Any such claims, with or without merit, could be time consuming and expensive, and may require Spectrum Brands to incur substantial costs, including the diversion of the resources of management and technical personnel, cause product delays or require Spectrum Brands to enter into licensing or other agreements in order to secure continued access to necessary or desirable intellectual property. If Spectrum Brands is deemed to be infringing a third party's intellectual property and is unable to continue using that intellectual property as it had been, its business and results of operations could be harmed if it is unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in intellectual property litigation could subject Spectrum Brands to significant liability, as well as require Spectrum Brands to cease developing, manufacturing or selling the affected products or using the affected processes or trademarks. Any significant restriction on Spectrum Brands' proprietary or licensed intellectual property that impedes its ability to develop and commercialize its products could have a material adverse effect on its business, financial condition and results of operations.

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

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

Spectrum Brands may be subject to product liability claims and product recalls, which could negatively impact its profitability.

In the ordinary course of business, Spectrum Brands may be named as a defendant in lawsuits involving product liability claims. In any such proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts of damages, and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on Spectrum Brands' business, results of operations and cash flows if Spectrum Brands is unable to successfully defend against or settle these matters or if Spectrum Brands' insurance coverage is insufficient to satisfy any judgments against Spectrum Brands or settlement related to these matters. Spectrum Brands sells perishable treats for animal consumption, which involves risks such as product contamination or spoilage, product tampering, and other adulteration of food products. Spectrum Brands may be subject to liability if the consumption of any of its products causes injury, illness, or death. In addition, Spectrum Brands will voluntarily recall products in the event of contamination or damage. For example, on June 10, 2017, Spectrum Brands initiated a voluntary safety recall of various rawhide chew products for dogs sold by Spectrum Brands due to possible chemical contamination. The costs of the recall negatively impacted Net Sales, Gross Margin, and adjusted earnings before interest, taxes, depreciation and amortization and Spectrum Brands expects ongoing impacts to its business. A significant product liability judgment or a widespread product recall may negatively impact Spectrum Brands' sales and profitability for a period of time depending on product availability, competitive reaction, and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that Spectrum Brands' products caused illness or injury could adversely affect Spectrum Brands' reputation with existing and potential customers and its corporate and brand image. Although Spectrum Brands has product liability insurance coverage and an excess umbrella policy, Spectrum Brands' insurance policies may not provide coverage for certain, or any, claims against Spectrum Brands or may not be sufficient to cover all possible liabilities. Spectrum Brands may not be able to maintain such insurance on acceptable terms, if at all, in the future. See Exhibit 99.6 Note 21, "Commitments and Contingencies," to our Consolidated Financial Statements included elsewhere in this report for further discussion on product liability and product recalls.

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

On occasion, Spectrum Brands' customers have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that any of its products are not safe, whether justified or not, could impair Spectrum Brands' reputation, damage its brand names and have a material adverse effect on its business, financial condition and results of operations. In addition, Spectrum Brands relies on certain third party trademarks, brand names and logos which it does not have exclusive use of. Public perception that any such third party trademarks, brand names and logos used by Spectrum Brands are not safe, whether justified or not, could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

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

Spectrum Brands is subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

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

Moreover, there are adopted and proposed international accords and treaties, as well as federal, state and local laws and regulations that would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event that the U.S. government or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with applicable laws or regulations may result in increased manufacturing costs for Spectrum Brands' products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of its products are made. Spectrum Brands may incur some of these costs directly and others may be passed on to it from its third-party suppliers. Although Spectrum Brands believes that it is substantially in compliance with applicable environmental laws and regulations at its facilities, Spectrum Brands may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

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

In addition, in connection with certain business acquisitions, Spectrum Brands has assumed, and in connection with future acquisitions may assume in the future, certain potential environmental liabilities. To the extent Spectrum Brands has not identified such environmental liabilities or to the extent the indemnifications obtained from Spectrum Brands' counterparties are insufficient to cover such environmental liabilities, these environmental liabilities could have a material adverse effect on Spectrum Brands' business.

Spectrum Brands is also subject to proceedings related to its disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which it is responsible as a result of its relationship with such other parties. These proceedings are under CERCLA or similar state or foreign jurisdiction laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. Spectrum Brands occasionally is identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where Spectrum Brands has been notified of its status as a potentially responsible party, it is either premature to determine if Spectrum Brands' potential liability, if any, will be material or it does not believe that its liability, if any, will be material. Spectrum Brands may be named as a potentially responsible party under CERCLA or similar state or foreign jurisdiction laws in the future for other sites not currently known to Spectrum Brands, and the costs and liabilities associated with these sites may have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. See Exhibit 99.6 Note 21, "Commitments and Contingencies", to our Consolidated Financial Statements included elsewhere in this report for further discussion on estimated liabilities arising from such environmental matters. Nevertheless, based upon the information currently available, Spectrum Brands believes that its ultimate liability arising from such environmental matters should not be material to Spectrum Brands' business or financial condition.

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

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

As a distributor of consumer products in the U.S., certain of Spectrum Brands' products are also subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (the "Consumer Commission") to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Commission could require it to repair, replace or refund the purchase price of one or more of its products, or it may voluntarily do so. Any additional repurchases or recalls of Spectrum Brands' products could be costly to Spectrum Brands and could damage the reputation or the value of its brands. If Spectrum Brands is required to remove, or Spectrum Brands voluntarily removes its products from the market, its reputation or brands could be tarnished and it may have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the Consumer Commission of a potential safety hazard can result in significant fines being assessed against Spectrum Brands. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which Spectrum Brands sells its products, and more restrictive laws and regulations may be adopted in the future.

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

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

Any failure to comply with these laws or regulations, or the terms of applicable environmental permits, could result in Spectrum Brands incurring substantial costs, including fines, penalties and other civil and criminal sanctions or the prohibition of sales of its pest control products. Environmental law requirements, and the enforcement thereof, change frequently, have tended to become more stringent over time and could require Spectrum Brands to incur significant expenses.

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

Disruption or failures of Spectrum Brands' information technology systems could have a material adverse effect on its business.

Spectrum Brands' information technology systems are susceptible to security breaches, operational data loss, general disruptions in functionality, and may not be compatible with new technology. Spectrum Brands depends on its information technology systems for the effectiveness of its operations and to interface with its customers, as well as to maintain financial records and accuracy. Disruption or failures of Spectrum Brands' information technology systems could impair its ability to effectively and timely provide its services and products and maintain its financial records, which could damage its reputation and have a material adverse effect on Spectrum Brands' business.

Spectrum Brands actual or perceived failure to adequately protect personal data could adversely affect its business, financial condition and results of operations.

A variety of state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These privacy and data protection-related laws and regulations are evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and can delay or impede the development of new products.

Spectrum Brands historically has relied upon adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU Safe Harbor Framework under Directive 95/46/EC (commonly referred to as the "Data Protection Directive") agreed to by the U.S. Department of Commerce and the EU. The U.S.-EU Safe Harbor Framework, which established means for legitimizing the transfer of personal data by U.S. companies from the European Economic Area, or EEA, to the U.S., recently was invalidated by a decision of the European Court of Justice (or the "ECJ").

On July 12, 2016, the European Commission adopted the EU-U.S. Privacy Shield, which provides a framework for the transfer of personal data of EU data subjects, and on May 4, 2016, the EU General Data Protection Regulation ("GDPR"), which will replace Directive 95/46/EC, was formally published. The GDPR will go into effect on May 25, 2018 and as a regulation as opposed to a directive will be directly applicable in EU member states. Among other things, the GDPR applies to data controllers and processors outside of the EU whose processing activities relate to the offering of goods or services to, or monitoring the behavior within the EU of, EU data subjects.

In light of these developments, Spectrum Brands is reviewing its business practices and may find it necessary or desirable to make changes to our personal data handling to cause our transfer and receipt of EEA residents' personal data to be legitimized under applicable European law. The regulation of data privacy in the EU continues to evolve, and it is not possible to predict the ultimate content, and therefore the effect, of data protection regulation over time.

Spectrum Brands' actual or alleged failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement actions and significant penalties against Spectrum Brands, which could result in negative publicity, increase Spectrum Brands' operating costs, subject Spectrum Brands to claims or other remedies and have a material adverse effect on Spectrum Brands' business, financial condition, and results of operations.

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

See Exhibit 99.1 "Business-Spectrum Brands-Employees" of this report for further discussion on Spectrum Brands' labor force subject to collective bargaining agreements. While Spectrum Brands currently expects to negotiate continuations to the terms of these agreements, there can be no assurances that it will be able to obtain terms that are satisfactory to it or otherwise to reach agreement at all with the applicable parties. In addition, in the course of its business, Spectrum Brands may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under its current collective bargaining agreements. Spectrum Brands' increased exposure to collective bargaining agreements, whether on terms more or less favorable than its existing collective bargaining agreements, could adversely affect the operation of Spectrum Brands' business, including through increased labor expenses. While Spectrum Brands intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that Spectrum Brands will be able to do so and any noncompliance could subject it to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

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

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

Spectrum Brands' acquisition and expansion strategy may not be successful.

Spectrum Brands' growth strategy is based in part on growth through acquisitions, which poses a number of risks. Spectrum Brands may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with its current operations. Spectrum Brands may issue additional equity, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or expansion of its operations. The execution of Spectrum Brands' acquisition and expansion strategy could entail repositioning or similar actions that in turn require Spectrum Brands to record impairments, restructuring and other charges.

Any such charges would reduce Spectrum Brands’ earnings. Spectrum Brands cannot guarantee that any future business acquisitions will be pursued or that any acquisitions that are pursued will be consummated.

Significant costs have been incurred and are expected to be incurred in connection with the consummation of recent and future business acquisitions and the integration of such acquired businesses with Spectrum Brands into a combined company, including legal, accounting, financial advisory and other costs.

Spectrum Brands expects to incur one-time costs in connection with integrating Spectrum Brands’ operations, products and personnel and those of the businesses Spectrum Brands acquires into a combined company, in addition to costs related directly to completing such acquisitions. Spectrum Brands would expect similar costs to be incurred with any future acquisition. These costs may include expenditures for:

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

In addition, Spectrum Brands expects to incur a number of non-recurring costs associated with combining its operations with those of acquired businesses. Additional unanticipated costs may yet be incurred as Spectrum Brands integrates its business with acquired businesses. Although Spectrum Brands expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of its operations with those of acquired businesses, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term. Additionally, while Spectrum Brands expects to benefit from leveraging distribution channels and brand names among Spectrum Brands and its acquired businesses, Spectrum Brands cannot assure you that it will achieve such benefits.

Spectrum Brands may not realize the anticipated benefits of, and synergies from, its business acquisitions and may become responsible for certain liabilities and integration costs as a result.

Business acquisitions involve the integration of new businesses that have previously operated independently from Spectrum Brands. The integration of Spectrum Brands’ operations with those of acquired businesses is frequently expected to result in financial and operational benefits, including increased top line growth, margins, revenues and cost savings and be accretive to earnings per share, earnings before interest, taxes, depreciation and amortization and free cash flow before synergies. There can be no assurance, however, regarding when or the extent to which Spectrum Brands will be able to realize these increased top line growth, margins, revenues, cost savings or accretions to earnings per share, earnings before interest, taxes, depreciation and amortization or free cash flow or other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. Spectrum Brands will often be required to integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which may be dissimilar. In some instances, Spectrum Brands and certain acquired businesses have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with the integration of acquired businesses could have a material adverse effect on Spectrum Brands’ business.

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

In addition, in connection with business acquisitions, Spectrum Brands has assumed, and may assume in connection with future acquisitions, certain potential liabilities. To the extent such liabilities are not identified by Spectrum Brands or to the extent the indemnifications obtained from third parties are insufficient to cover such liabilities, these liabilities could have a material adverse effect on Spectrum Brands’ business.

Integrating Spectrum Brands’ business with acquired businesses may divert its management’s attention away from operations.

Successful integration of acquired businesses’ operations, products and personnel with Spectrum Brands may place a significant burden on its management and other internal resources. The diversion of management’s attention, and any difficulties encountered in the transition and integration process, could harm its business, financial condition and operating results.

General customer uncertainty related to Spectrum Brands' business acquisitions could harm Spectrum Brands.

Spectrum Brands' customers may, in response to the announcement or consummation of a business acquisition, delay or defer purchasing decisions. If Spectrum Brands' customers delay or defer purchasing decisions, its revenues could materially decline or any anticipated increases in revenue could be lower than expected.

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

A significant portion of Spectrum Brands' long-term assets consist of goodwill, other indefinite-lived intangible assets and finite-lived intangible assets recorded as a result of past acquisitions as well as through fresh start reporting. Spectrum Brands does not amortize goodwill and indefinite-lived intangible assets, but rather reviews them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Spectrum Brands considers whether circumstances or conditions exist which suggest that the carrying value of its goodwill and other long-lived intangible assets might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair value. If analysis indicates that an individual asset's carrying value does exceed its fair value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value.

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

The successful execution of Spectrum Brands operational efficiency and multi-year restructuring initiatives are key to the long-term growth of its business.

Spectrum Brands continues to engage in targeted restructuring initiatives, such as the HHI Distribution Center Consolidation and GAC Business Rationalization Initiatives, to align Spectrum Brands' business operations in response to current and anticipated future market conditions and investment strategy. Spectrum Brands will evaluate opportunities for additional initiatives to restructure or reorganize the business across its operating segments and functions with a focus on areas of strategic growth and optimizing operational efficiency. Significant risks associated with these actions may impair its ability to achieve the anticipated cost reduction or may disrupt its business including delays in shipping, implementation of workforce, redundant costs, and failure to meet operational targets. In addition, Spectrum Brands' ability to achieve the anticipated cost savings and other benefits from these actions within the expected timeframe is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond Spectrum Brands' control. If these estimates and assumptions are incorrect, experience delays, or if other unforeseen events occur, Spectrum Brands' business and results of operation could be adversely affected. See Exhibit 99.6 Note 4, "Restructuring and Related Charges", to our Consolidated Financial Statements included elsewhere in this report for further details over restructuring related activity.

Spectrum Brands is exploring strategic alternatives for a planned sale in its GBA business, but there can be no assurance that Spectrum Brands will be successful in identifying or completing any strategic alternative or that any such strategic alternative will yield additional value for stockholders.

Spectrum Brands has commenced the process to dispose of the GBA business through a planned sale. There can be no assurance that the exploration of strategic alternatives will result in the identification or consummation of any transaction. The strategic review process may be suspended or terminated at any time without notice. In addition, Spectrum Brands may incur substantial expenses associated with identifying and evaluating potential strategic alternatives and transactions. Furthermore, any attractive strategic alternative may be limited or prohibited by applicable regulatory regimes. Any potential transaction would be dependent upon a number of factors that may be beyond Spectrum Brands' control. If Spectrum Brands is unable to effectively manage the process, the business, financial condition, and results of operations of Spectrum Brands' and its subsidiaries could be adversely affected. Spectrum Brands also cannot assure that any potential transaction or strategic alternative, if identified, evaluated and consummated, will be successful in enhancing Spectrum Brands' business or financial conditions, or provide greater value to Spectrum Brands' stockholders than that reflected in the current stock price.

Spectrum Brands could consume resources in pursuing strategic alternatives for the potential sale in its GBA business, which could materially adversely affect Spectrum Brands' business.

Spectrum Brands anticipate the investigation of strategic alternatives for the potential sale of its GBA business, and the negotiation, drafting and execution of relevant agreements, disclosure documents, and other instruments, with respect to such transactions, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. The process of exploring strategic alternatives may be time consuming and disruptive to the business operations and the management teams of Spectrum Brands and its subsidiaries. If a decision is made not to consummate a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific transaction, Spectrum Brands may fail to consummate the transaction for any number of reasons, including those beyond Spectrum Brands' control. Any such event could consume significant management time and result in a loss to Spectrum Brands of the related costs incurred, which could adversely affect Spectrum Brands' financial position and Spectrum Brands' business.

Item 2. ***Properties***

HRG

HRG leases through HGI Funding its headquarters at 450 Park Avenue, 29th Floor, New York, NY 10022. HRG's lease expires in November 2022. For the operations of certain of HRG's former subsidiaries, HGI Funding leases office space at 64 Wooster Street, 3rd Floor, New York, NY 10012. The lease expires in November 2018.

HRG and its subsidiaries, as applicable, believe their existing facilities are suitable and adequate for their present purposes.

Spectrum Brands

The following lists Spectrum Brands' principal owned or leased administrative, manufacturing, and distribution facilities associated with Spectrum Brands' continuing operations at September 30, 2017:

Corporate and Administrative

Location	Function / Use	Owned / Leased
U.S. Locations		
Middleton, Wisconsin	World Headquarters & GBA Headquarters	Leased
Danbury, Connecticut	GAC Headquarters	Leased
Earth City, Missouri	Pet, Home & Garden Headquarters	Leased
Lake Forest, California	HHI Headquarters	Leased
Non-U.S. Locations		
Sulzbach, Germany	Europe Headquarters	Leased
Mississauga, Canada	Canada Headquarters	Leased

Shared Operations and Sales Offices

Location	Function / Use	Owned / Leased
U.S. Locations		
Alpharetta, Georgia	Platform sales	Leased
Bentonville, Arkansas	Platform sales	Leased
Mooresville, North Carolina	Platform sales	Leased
Non-U.S. Locations		
Concord, Canada	Distribution	Leased
Wolverhampton, England	Distribution	Owned
Shenzhen, China	Distribution	Leased

Home & Hardware Improvement (HHI)

Location	Function / Use	Owned / Leased
U.S. Locations		
Charlotte, North Carolina	Distribution	Leased
Edgerton, Kansas	Distribution	Leased
Houston, Texas	Manufacturing & Distribution	Leased
Lititz, Pennsylvania	Manufacturing & Distribution	Leased
Denison, Texas	Manufacturing	Leased
Birmingham, Alabama	Distribution	Leased
Dallas, Texas	Distribution	Leased
Denison, Texas	Distribution	Owned
Elkhart, Indiana	Distribution	Leased
Mira Loma, California	Distribution	Leased
Non-U.S. Locations		
Mexicali, Mexico	Manufacturing & Distribution	Leased
Chia-Yi, Taiwan	Manufacturing	Leased
Nogales, Mexico	Manufacturing	Owned
Subic Bay, Philippines	Manufacturing	Owned
Xiamen, China	Manufacturing	Leased
Xiaolan, China	Manufacturing	Leased
Brockville, Canada	Distribution	Leased

Global Pet Supplies (PET)

Location	Function / Use	Owned / Leased
U.S. Locations		
Blacksburg, Virginia	Manufacturing	Owned
Bridgeton, Missouri	Manufacturing	Leased
Noblesville, Indiana	Manufacturing	Owned
St. Louis, Missouri	Manufacturing	Leased
Edwardsville, Illinois	Distribution	Leased
Riverview, Florida	Research & Development	Leased
Non-U.S. Locations		
Bogota, Colombia	Manufacturing & Distribution	Leased
Melle, Germany	Manufacturing & Distribution	Owned
Ambato, Ecuador	Manufacturing	Leased
Coevorden, Netherlands	Manufacturing	Owned
Leon, Mexico	Manufacturing	Leased
Phnom Penh, Cambodia	Manufacturing	Leased

Home & Garden (H&G)

Location	Function / Use	Owned / Leased
U.S. Locations		
St. Louis, Missouri	Manufacturing	Leased
Edwardsville, Illinois	Distribution	Leased

Global Auto Care (GAC)

Location	Function / Use	Owned / Leased
U.S. Locations		
Dayton, Ohio	Manufacturing & Distribution	Leased
Non-U.S. Locations		
Ebbw Vale, Gwent, Wales	Manufacturing & Distribution	Leased

Spectrum Brands also owns, operates or contracts with third parties to operate distribution centers, sales and administrative offices throughout the world in support of its business.

Spectrum Brands believes that its existing facilities are suitable and adequate for its present purposes and that the productive capacity in such facilities is substantially being utilized or Spectrum Brands has plans to utilize it.

Exhibit 99.4

Item 6. *Selected Financial Data*

The following table sets forth certain selected historic financial information for the periods and as of the dates presented and should be read in conjunction with our accompanying consolidated financial statements and the related notes thereto referenced in Exhibit 99.6 of this report and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Exhibit 99.5 of this report. Certain prior year amounts have been reclassified or combined to conform to the current year presentation, including reclassifications to reflect the presentation of discontinued operations and assets and liabilities of businesses held for sale. As discussed in Note 1, Basis of Presentation and Nature of Operations to our Consolidated Financial Statements included in Exhibit 99.6; effective December 29, 2017, Spectrum Brands recognized the GBA business as discontinued operations for all periods presented in the accompanying Consolidated Financial Statements for the fiscal years ended September 30, 2017, 2016 and 2015. For the fiscal years ended September 30, 2014 and 2013 included within the selected financial data below, the Company has not adjusted the Income Statement Statement and Per Share Data to reflect the recognition of Spectrum Brands’ GBA business as discontinued operations and therefore certain financial information presented below may not be comparable for those respective periods. All amounts are in millions, except for per share amounts.

	Fiscal				
	2017	2016	2015	2014	2013
Income Statement Data[1]:					
Revenues [2]	$ 3,010.6	$ 3,038.3	$ 2,661.6	$ 4,482.6	$ 4,114.5
Operating income (loss)[3]	283.0	334.9	(48.8)	354.8	270.4
Interest expense [4]	(309.9)	(334.5)	(321.7)	(307.4)	(505.4)
Loss from the change in the fair value of the equity conversion feature of preferred stock	—	—	—	(12.7)	(101.6)
Net loss from continuing operations	(69.2)	67.6	(318.3)	(36.3)	(367.0)
Income (loss) from discontinued operations, net of tax	342.4	(101.5)	(194.1)	138.0	298.0
Net income (loss) [5]	273.2	(33.9)	(512.4)	101.7	(69.0)
Net income (loss) attributable to controlling interest	106.0	(198.8)	(556.8)	(10.3)	(45.8)
Preferred stock dividends, accretion and loss on conversion	—	—	—	73.6	48.4
Net income (loss) attributable to common and participating preferred stockholders	106.0	(198.8)	(556.8)	(83.9)	(94.2)
Per Share Data[1]:					
Amounts attributable to controlling interest:					
Net loss from continuing operations	$ (121.1)	$ (45.8)	$ (299.3)	$ (194.7)	$ (392.2)
Net income (loss) from discontinued operations	227.1	(153.0)	(257.5)	110.8	298.0
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)	$ (83.9)	$ (94.2)
Net income (loss) per common share:					
Basic loss from continuing operations	$ (0.61)	$ (0.23)	$ (1.51)	$ (1.19)	$ (2.80)
Basic income (loss) from discontinued operations	1.14	(0.77)	(1.30)	0.68	2.13
Basic	$ 0.53	$ (1.00)	$ (2.81)	$ (0.51)	$ (0.67)
Diluted loss from continuing operations[6]	$ (0.61)	$ (0.23)	$ (1.51)	$ (1.19)	$ (2.80)
Diluted income (loss) from discontinued operations[6]	1.14	(0.77)	(1.3)	0.68	2.13
Diluted	$ 0.53	$ (1.00)	$ (2.81)	$ (0.51)	$ (0.67)
Weighted average common shares outstanding:					
Basic	200.0	198.4	198.1	162.9	139.9
Diluted [6]	200.0	198.4	198.1	162.9	139.9
Balance Sheet Data (at year end):					
Cash and cash equivalents[1]	$ 270.1	$ 465.2	$ 643.2	$ 671.4	$ 633.0
Total assets	35,849.7	33,580.1	32,594.4	30,394.0	28,200.4
Total debt	5,705.1	5,465.6	6,046.9	4,908.4	4,620.4
Total shareholders’ equity	1,946.9	1,817.2	1,588.1	2,257.0	1,133.5

(1) FGL and Front Street, collectively (the “Insurance Operations”) are classified as discontinued operations for all periods presented. In addition, following the completion of the sale of Compass Production Partners, LP (“Compass”) in Fiscal 2016, the Company no longer owns, directly or indirectly, any oil and gas properties and as a result, the results of Compass were presented as discontinued operations for Fiscal 2016, Fiscal 2015, Fiscal 2014 and Fiscal 2013. In addition, cash and cash equivalents excludes the cash and cash equivalents from the Insurance Operations (businesses classified as held for sale) and Compass.

(2) Fiscal 2017 operating results include the PetMatrix, LLC (“PetMatrix”) business operations since June 1, 2017 and GloFish branded operations (“GloFish”) business operations since May 12, 2017. Fiscal 2015 operating results include the Armored AutoGroup (“AAG”) business operations since the acquisition date of May 21, 2015, Salix Animal Health LLC (“Salix”) operations since the acquisition date of January 16, 2015; European IAMS and Eukanuba pet food business (“European IAMS and Eukanuba”) operations since the acquisition date of December 31, 2014; and Tell Manufacturing, Inc. (“Tell”) operations since the acquisition date of October 1, 2014. The AAG business contributed $160.5 million in revenues and recorded an operating profit of $21.8 million for the period from May 21, 2015 through September 30, 2015. Fiscal 2014 operating results include the Liquid Fence Company (“Liquid Fence”) operations since the acquisition date of January 2, 2014. Fiscal 2013 operating results includes the Hardware & Home Improvement business (“HHI business”) operations since the acquisition date of December 17, 2012. The HHI business contributed $869.6 million in revenues and recorded an operating profit of $88.7 million for the period from December 30, 2012 through September 30, 2013.

(3) In Fiscal 2017, operating income included an impairment of indefinite-lived intangible assets of $16.3 million. In Fiscal 2016, HRG recorded a loan loss provision of $12.8 million for credit losses on Salus’ asset-based loan portfolio and impairments of $10.7 million to goodwill of CorAmerica Capital, LLC (“CorAmerica”). In addition, a $2.7 million impairment on indefinite-lived intangible asset was recorded due to the reduction in value of certain tradenames in response to changes in Spectrum Brands’ strategy. In Fiscal 2015, HRG recorded $88.0 million loan loss provision related to deterioration in Salus’ asset-based loan portfolio, including $60.7 million related to the bankruptcy of RadioShack Corporation (“RadioShack”), a significant Salus borrower. HRG also recorded impairments of $60.2 million to goodwill and the intangible assets as a result of the change of strategic direction of HRG’s former subsidiary, Frederick’s of Hollywood Group Inc. (“FOH”). In April 2015, FOH, its parent company, FOHG Holdings, LLC and their subsidiaries (together, “FOHG”) filed for bankruptcy, and any remaining assets and liabilities were deconsolidated. Upon deconsolidation, HRG recognized a gain of $38.5 million, primarily resulting from the elimination of FOH’s cumulative historical losses. Following the completion of the bankruptcy of FOHG, such entities ceased to be subsidiaries of HRG. Fiscal 2015 also includes $61.1 million of acquisition and integration-related charges, a portion of which was associated with the AAG business acquisition. Fiscal 2013 includes $53.2 million of acquisition and integration-related charges principally associated with the HHI business acquisition.

(4) Fiscal 2017, Fiscal 2016, Fiscal 2015, Fiscal 2014 and Fiscal 2013 interest expenses included $6.5 million, $21.4 million, $58.8 million, $9.2 million and $210.1 million, respectively, related to the refinancing, prepayment and/or amendment of various senior debt. Such charges include cash fees and expenses of $4.6 million, $15.6 million, $46.0 million, $0.0 million and $181.2 million, respectively, and non-cash charges for write-off and accelerated amortization of unamortized debt issuance costs and discount/premium of $1.9 million, $5.8 million, $12.8 million, $9.2 million and $28.9 million, respectively.

(5) Fiscal 2017, Fiscal 2016, Fiscal 2015, Fiscal 2014 and Fiscal 2013 income tax expense of $38.1 million, $58.4 million, $1.3 million, $59.3 million and $26.3 million, respectively, include non-cash charges (benefits) of approximately $79.6 million, $(45.7) million, $190.8 million, $(31.0) million and $152.9 million, respectively, resulting primarily from an increase (decrease) in the valuation allowance against certain net deferred tax assets.

(6) See Exhibit 99.6 Note 24, Earnings per Share, to our Consolidated Financial Statements included elsewhere in this report for further details regarding the calculation of net income (loss) per common share. In Fiscal 2014, diluted weighted average common shares outstanding did not reflect the conversion effect of the Company’s Series A Participating Convertible Preferred Stock (“Series A Preferred Shares”) and the Company’s Series A-2 Participating Convertible Preferred Stock (“Series A-2 Preferred Shares”, together with the Series A Preferred Shares, the “Preferred Stock”) for the portion of the period that these securities were outstanding, or the exercise of dilutive common stock equivalents as both would be antidilutive. In Fiscal 2013, diluted weighted average common shares outstanding did not reflect any conversion effect of the Preferred Stock or the exercise of dilutive common stock equivalents as both would be antidilutive. For Fiscal 2017, Fiscal 2016 and Fiscal 2015, the conversion effect of the Preferred Stock had no impact on the diluted weighted average common shares as the Preferred Stock was converted in the third quarter of Fiscal 2014.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Introduction

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of HRG should be read in conjunction with Exhibit 99.4-Item 6, "Selected Financial Data," and our accompanying consolidated financial statements and related notes (the "Consolidated Financial Statements") referred to in Exhibit 99.6 of this report. Certain statements we make under this Item 7 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" elsewhere in this report. You should consider our forward-looking statements in light of our Consolidated Financial Statements and other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission (the "SEC").

HRG Overview

We are a holding company that conducts its operations principally through its operating subsidiaries. As of September 30, 2017, our principal operations were conducted through subsidiaries that offer branded consumer products and related businesses (Spectrum Brands); and insurance and reinsurance services (FGL and Front Street). In addition, as of September 30, 2017, we owned 99.5% of NZCH Corporation, a public shell company, and Salus, which was established to serve as a secured asset-based lender and is in the process of completing the wind-down of its business. From time to time, we may manage a portion of our available cash and engage in other activities through our wholly-owned subsidiaries, HGI Funding, LLC ("HGI Funding") and HGI Energy Holdings, LLC ("HGI Energy").

We currently present the results of our operations in two reportable segments: (i) Consumer Products, which consists of Spectrum Brands; and (ii) Corporate and Other, which includes Salus, NZCH, HGI Funding and HGI Energy. As further described below, our Insurance Operations are presented as discontinued operations.

Through Spectrum Brands, we are a diversified global branded consumer products company with positions in the following major product lines and categories: global pet supplies, home and garden control products, hardware and home improvement products and global auto care. Spectrum Brands manufactures, markets and/or distributes its products in multiple countries in the North America ("NA"), Europe, Middle East & Africa ("EMEA"), Latin America ("LATAM") and Asia-Pacific ("APAC") regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers ("OEMs"), construction companies and hearing aid professionals.

Spectrum Brands' operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; overall product line mix, including pricing and gross margin, which vary by product line and geographic region; pricing of certain raw materials and commodities; energy and fuel prices; and general competitive positioning, especially as impacted by competitors' advertising and promotional activities and pricing strategies.

Effective December 29, 2017, Spectrum Brands' Board of Directors approved a plan to explore strategic alternatives, including the planned sale of Spectrum Brands' Global Batteries & Appliances ("GBA") business. On January 15, 2018, Spectrum Brands entered into a definitive acquisition agreement with Energizer Holdings, Inc. ("Energizer") pursuant to which Energizer has agreed to acquire from Spectrum Brands its Global Battery and Lighting ("GBL") business for an aggregate purchase price of $2.0 billion in cash (the "GBL Purchase Price"), subject to customary purchase price adjustments. The GBL business is part of Spectrum Brands' GBA business, which also includes shared operations and assets of the remaining components of Spectrum Brands' Home and Personal Care ("HPC") business. Spectrum Brands is actively marketing its HPC business with interested parties for a separate transaction(s) expected to be entered into and consummated prior to December 31, 2018. As a result, Spectrum Brands' assets and liabilities associated with the GBA business have been classified as held for sale in the accompanying Consolidated Balance Sheets and the respective operations of the GBA business have been classified as discontinued operations in the accompanying Consolidated Statements of Operations and the Consolidated Statements of Cash Flows; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on Spectrum Brands' operations and financial results. See Note 5, Divestitures, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information. Management's Discussion and Analysis of Financial Condition and Results of Operations reflects Spectrum Brands' continuing operations.

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

Through its Bermuda and Cayman-based subsidiaries, Front Street Re Ltd. ("Front Street Bermuda") and Front Street Re (Cayman) Ltd. ("Front Street Cayman"), Front Street engages in the business of life, annuity and long-term care reinsurance.

On May 24, 2017, FGL entered into an Agreement and Plan of Merger and Front Street entered into a Share Purchase Agreement, see "Discontinued Operations" section below and Note 1, Basis of Presentation and Nature of Operations, to our Consolidated

Financial Statements included in Exhibit 99.6 of this report for additional information. As a result, our ownership interest in our Insurance Operations has been classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Operations and the Consolidated Statements of Cash Flows and reported separately for all periods presented. See Note 5, Divestitures, to our Consolidated Financial Statements included in Exhibit 99.6 for additional information.

During the fourth quarter of Fiscal 2016, HGI Energy completed the sale of its equity interests in Compass to a third party (the "Compass Sale"). Following the completion of the Compass Sale, the Company no longer owns, directly or indirectly, any oil and gas properties and, accordingly, the results of Compass are presented as discontinued operations in the accompanying Consolidated Statements of Operations. See Note 5, Divestitures, to our Consolidated Financial Statements included in included in Exhibit 99.6 for additional information.

Highlights for Fiscal 2017:

Significant Transactions and Activity

Consumer Products Segment

- On June 1, 2017, Spectrum Brands completed the acquisition of PetMatrix, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. The results of PetMatrix's operations since June 1, 2017 are included in the Company's Consolidated Statements of Operations and reported within the Consumer Products segment for Fiscal 2017.
- On May 12, 2017, Spectrum Brands entered into an asset purchase agreement for the acquisition of assets consisting of the GloFish branded operations, including transfer of the GloFish® brand, related intellectual property and operating agreements. The GloFish operations consist of the development and licensing of fluorescent fish for sale through retail and online channels. The results of GloFish's operations since May 12, 2017 are included in the Company's Consolidated Statements of Operations and reported within the Consumer Products segment for Fiscal 2017.
- On May 18, 2017, Spectrum Brands completed the purchase of the remaining 44.0% non-controlling interest of Shaser, Inc. ("Shaser") for $12.6 million.
- On June 10, 2017, Spectrum Brands initiated a voluntary safety recall of various rawhide chew products for dogs sold by our Consumer Products segment due to possible chemical contamination. Spectrum Brands recognized a loss of $35.8 million for Fiscal 2017 associated with the recall, which comprised of inventory write-offs of $15.0 million, customer losses of $7.1 million and $13.7 million of incremental costs to dispose of product and operational expenses due to a temporary shutdown of production facilities. Spectrum Brands suspended production at facilities impacted by the product safety recall and completed a comprehensive manufacturing review and recommenced production during Fiscal 2017. See Note 21, Commitments and Contingencies, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information.
- During Fiscal 2017, Spectrum Brands entered into the following four amendments to the credit agreement governing its term loans ("Credit Agreement"): (i) reduced the interest rate margins applicable to the U.S. dollar denominated term loan facility (the "USD Term Loan") to adjusted International Exchange London Interbank Offered Rate ("LIBOR") subject to a 0.75% floor plus margin of 2.50% per annum, or base rate with a 1.75% floor plus margin of 1.50% per annum; (ii) expanded the overall capacity of its revolving credit facility (the "Revolver Facility") to $700.0 million, reducing the interest rate margin to either adjusted LIBOR plus margin ranging from 1.75% to 2.25%, or base rate plus margin ranging from 0.75% to 1.25%, reducing the commitment fee to 35 bps, and extending the maturity to March 2022; (iii) reduced the interest rate margins applicable to its USD Term Loan to either adjusted LIBOR plus margin of 2.00% per annum, or base rate plus margin of 1.00% per annum; and (iv) increased its USD Term Loan by $250.0 million of incremental borrowings and removing the floor which both LIBOR and base rates were subject to.
- On May 24, 2017, Spectrum Brands extinguished its Euro denominated term loan facility.
- On September 20, 2016, Spectrum Brands issued €425.0 million aggregate principal amount of 4.00% unsecured notes due 2026 (the "4.00% Notes"). The proceeds from the 4.00% Notes were used to repay Spectrum Brands' outstanding 6.375% unsecured notes due 2020 (the "6.375% Notes") and pay fees and expenses in connection with the refinancing. Spectrum Brands repurchased $390.3 million aggregate principal amount of the 6.375% Notes through a cash tender offer on September 20, 2016, with the remaining outstanding aggregate principal amount of $129.7 million subsequently redeemed by Spectrum Brands during Fiscal 2017.

Corporate and Other

- Omar Asali, President, Chief Executive Officer ("CEO") and a director of HRG ceased his employment with HRG and resigned from the Board of Directors of HRG and its subsidiaries effective as of April 14, 2017.
- Joseph Steinberg, the Chairman of the Board of Directors of HRG, was appointed to the additional position of CEO effective as of April 14, 2017.
- On March 22, 2017, Ehsan Zargar, HRG's then General Counsel and Corporate Secretary, was appointed to the additional positions of Executive Vice President and Chief Operating Officer, effective as of January 1, 2017.
- On January 13, 2017, the Company entered into a loan agreement ("2017 Loan"), pursuant to which it may borrow up to an aggregate amount of $150.0 million. The 2017 Loan bears interest at an adjusted LIBOR plus 2.35% per annum, payable quarterly and a commitment fee of 75 bps. As of September 30, 2017, the Company had drawn $50.0 million under the 2017 Loan. The maturity date of the 2017 Loan is July 13, 2018, with an option for early termination by the borrower.
- On November 17, 2016, the Company announced that its Board of Directors had initiated a process to explore and evaluate strategic alternatives available to the Company with a view toward enhancing shareholder value. Strategic alternatives may include, but are not limited to, a merger, sale or other business combination involving the Company and/or its assets.

- During Fiscal 2017, we continued the wind-down of the operations of Salus and as of September 30, 2017, there were no asset-based loans outstanding.

Discontinued Operations

- On April 17, 2017, FGL terminated its Agreement and Plan of Merger (as amended, the “Anbang/FGL Merger Agreement”) by and among FGL, Anbang Insurance Group Co., Ltd. and its affiliates (collectively, “Anbang”). Prior to its termination, the Anbang/FGL Merger Agreement was amended on November 3, 2016 and on February 9, 2017, each time to extend the outside termination date. As a result of the termination of the Anbang/FGL Merger Agreement, FGL had no remaining obligations thereunder and could enter into an alternative transaction.
- On May 24, 2017, FGL entered into an Agreement and Plan of Merger (the “FGL Merger Agreement”) with CF Corporation (“CF Corp”), FGL U.S. Holdings Inc., an indirect wholly owned subsidiary of CF Corp (“CF/FGL US”) and FGL Merger Sub Inc., a direct wholly owned subsidiary of CF/FGL US, pursuant to which CF Corp has agreed to acquire FGL for $31.10 per share (the “FGL Merger”). FGL expects to be in a position to close the FGL Merger before the end of calendar year 2017, subject to receipt of approval from the Iowa Insurance Division. See Note 1, Basis of Presentation and Nature of Operations, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information.
- On May 24, 2017, Front Street entered into a Share Purchase Agreement (the “Front Street Purchase Agreement”) pursuant to which, subject to the terms and conditions set forth therein, Front Street has agreed to sell (the “Front Street Sale”) to CF/FGL US all of the issued and outstanding shares of (i) Front Street Cayman and (ii) Front Street Bermuda (collectively, the “Acquired Companies”). The purchase price is $65.0 million, subject to customary adjustments for transaction expenses. The required regulatory approvals in connection with the transaction have been received and the closing of the transaction is expected to take place before the end of calendar year 2017, subject to the satisfaction of other customary closing conditions, including the consummation of the FGL Merger. See Note 1, Basis of Presentation and Nature of Operations, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information.
- On May 24, 2017, HRG, FS Holdco II Ltd. (“FS Holdco”), CF Corp and CF/FGL US agreed that FS Holdco may, at its option, cause CF/FGL US and FS Holdco to make a joint election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended , with respect to the FGL Merger and the deemed share purchases of FGL’s subsidiaries (the “338 Tax Election”). The Company currently expects to exercise the 338 Tax Election. See Note 1, Basis of Presentation and Nature of Operations, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information. Also see Exhibit 99.2 “Risk Factors-While, as of the date of this report, we expect to exercise the 338 Tax Election and to receive tax benefits from making such election there can be no assurance that such an election will be made or that we will receive any of the benefits from such an election.”
- Effective December 29, 2017, Spectrum Brands’ Board of Directors approved a plan to explore strategic alternatives, including the planned sale of Spectrum Brands’ GBA business. The assets and liabilities associated with the GBA business have been classified as held for sale and the respective operations have been classified as discontinued operations and reported separately for all periods presented. The exclusion of the GBA business from the results of operations from continuing operations may have a significant impact on the comparability of consolidated results of operations. See Note 5, Divestitures, to our Consolidated Financial Statements, included in Exhibit 99.6 of this report for additional information on the assets and liabilities classified as held for sale and discontinued operations.

Key financial highlights

- Net loss from continuing operations attributable to controlling interest increased $75.3 million to $121.1 million, or $0.61 per basic and diluted common share attributable to controlling interest in Fiscal 2017, compared to $45.8 million, or $0.23 per basic and diluted common share attributable to controlling interest in Fiscal 2016. The increase in net loss per share was primarily due to lower operating profit and a higher effective income tax rate, partially offset by lower interest expenses.
- Corporate cash and investments were approximately $93.0 million at September 30, 2017.
- Our Consumer Products segment’s operating income for Fiscal 2017 decreased $89.6 million, or 21.5%, to $328.1 million from $417.7 million for Fiscal 2016. The decrease was primarily due to a $46.4 million increase in restructuring and related charges primarily attributable to restructuring initiatives in the hardware and home improvement and global auto care product lines; incremental costs of $35.8 million from the rawhide safety recall; and $13.6 million increase in impairment charges on intangible assets.
- Our Consumer Products segment’s adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA” see additional discussion included in the “Non-GAAP Measurements” section below) of $639.2 million decreased slightly compared to Adjusted EBITDA of $641.4 million for Fiscal 2016. Adjusted EBITDA margin represented 21.2% of sales in both Fiscal 2017 and Fiscal 2016.
- Our Corporate and Other segment’s operating loss for Fiscal 2017 decreased $37.1 million to an operating loss of $45.7 million from $82.8 million for the Fiscal 2016 primarily due to decreases in corporate stock-based compensation, payroll and bonus expenses, coupled with lower impairments and loan loss provision expenses on the asset-based loan portfolio and the

effects of the continued run-off of the Salus portfolio, the Company's sale of its ownership interest in CorAmerica, and the wind-down of operations of Energy & Infrastructure Capital, LLC ("EIC").

- During Fiscal 2017, we received cash dividends of approximately $68.5 million from our subsidiaries, including $56.3 million and $12.2 million from Spectrum Brands and FGL, respectively.

Results of Operations

Fiscal 2017 Compared to Fiscal 2016, and Fiscal 2016 Compared to Fiscal 2015

Presented below is a table that summarizes our results of operations and compares the amount of the change between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
	2017	2016	2015	2017 compared to 2016	2016 compared to 2015
Revenues:					
Consumer Products	$ 3,009.5	$ 3,029.4	$ 2,598.2	$ (19.9)	$ 431.2
Corporate and Other	1.1	8.9	63.4	(7.8)	(54.5)
Total revenues	$ 3,010.6	$ 3,038.3	$ 2,661.6	$ (27.7)	$ 376.7
Operating income (loss):					
Consumer Products	$ 328.1	$ 417.7	$ 246.2	$ (89.6)	$ 171.5
Corporate and Other and eliminations	(45.1)	(82.8)	(295.0)	37.7	212.2
Consolidated operating income (loss)	283.0	334.9	(48.8)	(51.9)	383.7
Interest expense	(309.9)	(334.5)	(321.7)	24.6	(12.8)
Gain on deconsolidation of subsidiary	—	—	38.5	—	(38.5)
Other (expense) income, net	(4.2)	8.8	15.0	(13.0)	(6.2)
(Loss) income from continuing operations before income taxes	(31.1)	9.2	(317.0)	(40.3)	326.2
Income tax expense (benefit)	38.1	(58.4)	1.3	96.5	(59.7)
Net (loss) income from continuing operations	(69.2)	67.6	(318.3)	(136.8)	385.9
Income (loss) from discontinued operations, net of tax	342.4	(101.5)	(194.1)	443.9	92.6
Net income (loss)	273.2	(33.9)	(512.4)	307.1	478.5
Less: Net income attributable to noncontrolling interest	167.2	164.9	44.4	2.3	120.5
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)	$ 304.8	$ 358.0

Revenues. Revenues for Fiscal 2017 decreased $27.7 million, or 0.9%, to $3,010.6 million from $3,038.3 million for Fiscal 2016. The decrease was primarily due to lower net sales from our Consumer Products segment and lower revenues generated by Salus as a result of run-off of the asset-backed loan portfolio.

Revenues for Fiscal 2016 increased $376.7 million, or 14.2%, to $3,038.3 million from $2,661.6 million for Fiscal 2015. The increase was primarily due to growth from acquisitions and organic net sales from our Consumer Products segment. These increases were partially offset by negative impact of foreign exchange in the Consumer Products segment, lower sales revenue associated with FOH that was deconsolidated in Fiscal 2015, and lower investment income as a result of the decrease in the asset-based loan portfolio of Salus.

Consolidated operating income. Consolidated operating income for Fiscal 2017 decreased $51.9 million, or 15.5%, to $283.0 million from $334.9 million for Fiscal 2016. The decrease was primarily driven by lower operating profit in our Consumer Products segment as a result of lower volumes and the negative impact of foreign exchange rates, as well as Spectrum Brands' incremental costs of $35.8 million from the rawhide safety recall and additional restructuring costs of $46.4 million. The decrease was partially offset by lower impairments and stock based compensation expense in our Corporate and Other segment.

Consolidated operating income for Fiscal 2016 increased $383.7 million, or 786.3%, to $334.9 million from a $48.8 million loss for Fiscal 2015. The increase was mainly due to increased profitability in our Consumer Products segment, lower impairments and lower selling, acquisition, operating and general expenses in the Corporate and Other segment.

Interest expense. Interest expense decreased $24.6 million to $309.9 million for Fiscal 2017 from $334.5 million for Fiscal 2016 primarily due to lower borrowing costs and incremental premium paid from debt redemption in the prior year due to the refinancing activities at our Consumer Products segment.

Interest expense increased $12.8 million to $334.5 million for Fiscal 2016 from $321.7 million for Fiscal 2015. The increase was primarily due to the refinancing activities at our Consumer Products segment previously discussed.

Gain on deconsolidation of subsidiary. FOH was deconsolidated in Fiscal 2015, which resulted in a gain of $38.5 million upon the elimination of FOH's cumulative historical losses through April 19, 2015, the date FOHG filed for bankruptcy. Following the completion of the bankruptcy of FOHG, such entities ceased to be subsidiaries of HRG.

Other (expense) income, net. Other income decreased $13.0 million to $4.2 million other expense for Fiscal 2017 compared to $8.8 million other income for Fiscal 2016 driven by $8.0 million gain on the extinguishment of notes issued by HGI Energy recognized during Fiscal 2016.

Other income for Fiscal 2016 decreased $6.2 million to $8.8 million from $15.0 million for Fiscal 2015. The income for Fiscal 2015 was primarily due to unrealized gains on our ownership interest in HC2 Holdings Inc. ("HC2") which was sold during the first fiscal quarter of 2016; and a gain on contingent purchase price reduction and associated interest income as a result of a settlement with OM Group (UK) Limited ("OMGUK") during Fiscal 2015 of a purchase price adjustment in connection with HRG's acquisition of FGL's subsidiaries; partially offset by foreign exchange losses on asset-based loans denominated in Canadian Dollars for which Salus bears the foreign exchange exposure.

Income Taxes. Our tax rates are affected by many factors, including our mix of worldwide earnings related to operations in various taxing jurisdictions, changes in tax legislation and the character of our income.

For Fiscal 2017, our effective tax rate of (122.5)% differed from the expected U.S. statutory tax rate of 35.0% and was primarily impacted by U.S. pretax losses in the U.S. where the tax benefits were not more-likely-than-not to be realized, resulting in the recording of valuation allowance. Partially offsetting this increase in effective tax rate were the effects of income earned by Spectrum Brands outside of the U.S. that is subject to statutory rates lower than 35.0%. In addition, Spectrum Brands recognized a $6.6 million tax benefit for the recognition of additional federal and state tax credits.

For Fiscal 2016, our effective tax rate of (634.8)% differed from the expected U.S. statutory tax rate and was primarily impacted by the release of domestic valuation allowance of $111.1 million by Spectrum Brands resulting from the expected utilization of a portion of Spectrum Brands' U.S. net operating loss carryforwards that were previously recorded with valuation allowance, partially offset by an increase in valuation allowance needed for current year losses from the Corporate and Other segment in the U.S. that are not more-likely-than-not to be realized.

For Fiscal 2015, our effective tax rate of (0.4)% differed from the expected U.S. statutory tax rate and was impacted by pretax losses including significant impairment and bad debt expense in our Corporate and Other segment 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. In addition, for Fiscal 2015, the Company recognized a $22.8 million income tax benefit from the reversal of a portion of Spectrum Brands' U.S. valuation allowance on deferred tax assets in connection with the acquisition of AAG.

See Note 18, Income Taxes, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information.

Income (loss) from discontinued operations, net of tax. Income from discontinued operations, net of tax for Fiscal 2017 was $342.4 million compared to a loss from discontinued operations, net of tax of $101.5 million for Fiscal 2016. The $443.9 million increase was driven by a $389.2 million increase related to the Insurance Operations and a $95.5 million increase related to Spectrum Brands' GBA business; offset by $40.8 million income from discontinued operations, net of tax related to Compass for Fiscal 2016. The $389.2 million increase related to the Insurance Operations was due to (i) a $304.4 million decrease in the write-down of the carrying value of the assets of businesses held for sale to fair value less cost to sell; (ii) $54.4 million increase in income attributable to the Insurance Operations; and (iii) reversal of the $15.2 million estimated alternative minimum tax liability established in Fiscal 2016 as a result of the Company's current intent in Fiscal 2017 to exercise the 338 Tax Election which is not expected to result in a taxable gain; partially offset by income from discontinued operations from Compass of $40.8 million prior to the sale in Fiscal 2016. The $95.5 million increase attributable to the Consumer Products Segment was due to (i) cost improvements; (ii) decrease in interest expense allocated to discontinued operations from refinancing activity previously discussed; and (iii) and lower income tax expense driven by an incremental $25.5 million expense during the year ended September 30, 2016 to record a tax contingency reserve for a tax exposure in Germany where a local court ruled against our characterization of certain assets as amortizable under German tax law.

At September 30, 2017, the carrying value of the Company's interest in FGL was $402.2 million higher than the estimated fair value less cost to sell of FGL. As a result, during Fiscal 2017, we recorded a $39.4 million write-down of assets of business held for sale in addition to the $362.8 million already recorded in Fiscal 2016 (mostly due to the increase in unrealized gains, net of offsets in FGL's investment portfolio). The cumulative write-down could be partially reversed if the carrying value of FGL decreases in future reporting periods. If the FGL Merger is consummated, the amount of AOCI related to FGL will be recognized through (loss) income from discontinued operations on the statement of operations and could result in a gain from discontinued operations. In addition, at September 30, 2017, the carrying value of the Company's interest in Front Street was $19.0 million higher than the fair value less cost to sell based on the sales price of Front Street and as a result, during Fiscal 2017, the Company recorded a $19.0

million write-down of assets of businesses held for sale.

The increase in net income attributable to the Insurance Operations of $54.4 million was driven primarily by the change in the fixed index annuity (“FIA”) present value of future credits and guarantee liability that decreased $172.9 million during Fiscal 2017 compared to an increase of $101.5 million for Fiscal 2016 due to the increase in longer duration risk free rates in the current period compared to a decrease in longer duration risk free rates in the prior period. Also contributing to the increase in net income attributable to the Insurance Operations was higher net investment income driven by higher assets under management. These increases were partially offset by credit-related impairment losses of $26.3 million on available-for-sale debt securities; higher amortization of intangibles and income tax expense; as well as lower operating income on Front Street’s reinsurance agreements with third parties and the established full valuation allowance against Front Street’s deferred tax assets during Fiscal 2017.

Loss from discontinued operations, net of tax was $101.5 million for Fiscal 2016 as compared to $194.1 million for Fiscal 2015. The $92.6 million decrease in loss from discontinued operations, net of tax was primarily driven by a decrease in loss attributable to Compass of $409.4 million and an increase in income from discontinued operations, net of tax of $22.0 million attributable to Spectrum Brands’ GBA business, offset by a decrease in income attributable to the Insurance Operations of $294.8 million.

The $409.4 million decrease in loss attributable to Compass was primarily due to a decrease of ceiling test impairments in Fiscal 2016 of $391.9 million year over year; a gain on sale of oil and gas properties of $105.6 million in Fiscal 2016; and $53.6 million gain on disposal of Compass; partially offset by a gain upon gaining control of an equity method investment of $141.2 million in Fiscal 2015. The $22.0 million decrease attributable to the Consumer Products Segment was due to (i) lowered income taxes due to the incremental tax contingency reserve previously discussed; (ii) offset by increased operating margins from cost improvements, lower integration and restructuring related charges, and product mix; and (iii) decrease in interest expense allocated to discontinued operations from refinancing activity previously discussed.

The decrease in income of $294.8 million attributable to the Insurance Operations was driven by the write-down of the carrying value of the assets of businesses held for sale to fair value less cost to sell of $362.8 million for Fiscal 2016; and the $15.2 million income tax expense recorded in Fiscal 2016 due to the effects of classifying the Company’s ownership interest in FGL as held for sale following the Anbang/FGL Merger Agreement; partially offset by $83.2 million increase in net income attributable to the Insurance Operations.

The increase in net income attributable to the Insurance Operations of $83.2 million was driven primarily by higher net investment income due to increased average assets under management and higher earned yields from repositioning activities, tender offer consideration and bond prepayment income; and higher insurance and investment product fees due to increases in rider fees on FIA policies and in cost of insurance charges on universal life policies. These increases were partially offset by higher amortization of intangibles and income tax expense.

Noncontrolling Interest. The net income attributable to noncontrolling interest reflects the share of the net income of our subsidiaries, which are not wholly-owned, attributable to the noncontrolling interest. Such amount varies in relation to such subsidiary’s net income or loss for the period and the percentage interest not owned by HRG.

Consumer Products Segment

Divestitures

The assets and liabilities associated with the GBA segment have been classified as held for sale and the respective operations have been classified as discontinued operations and reported separately for all periods presented. The exclusion of the GBA segment from the results of operations from continuing operations may have a significant impact on the comparability of consolidated results of operations. See Note 5, Divestitures, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information on the assets and liabilities classified as held for sale and discontinued operations.

Acquisitions

The following acquisition activity has a significant impact on the comparability of the financial results of our Consumer Products segment:

- PetMatrix - On June 1, 2017, Spectrum Brands completed the acquisition of PetMatrix, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. The results of PetMatrix’s operations are included in the Company’s Consolidated Statements of Operations for Fiscal 2017.
- GloFish - On May 12, 2017, Spectrum Brands completed the acquisition of assets consisting of the GloFish branded operations, including transfer of the GloFish® brand, related intellectual property and operating agreements. The GloFish operations primarily consist of the development and licensing of fluorescent fish for sale through mass retail and online channels. The results of GloFish’s operations are included in the Company’s Consolidated Statements of Operations for Fiscal 2017.
- AAG - On May 31, 2015, Spectrum Brands completed the acquisition of AAG, a consumer products company consisting primarily of Armor All® branded appearance products, STP® branded performance chemicals, and A/C PRO® branded

do-it-yourself automotive air conditioner recharge products. The results of AAG's operations are included in the Company's Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015.

- Salix - On January 16, 2015, Spectrum Brands completed the acquisition of Salix, a vertically integrated producer and distributor of natural rawhide dog chews, treats and snacks. The results of Salix's operations are included in the Company's Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015.
- European IAMS and Eukanuba - On December 31, 2014, Spectrum Brands completed the acquisition of Procter & Gamble's European IAMS and Eukanuba, including its brands for dogs and cats. The results of the European IAMS and Eukanuba's operations are included in the Company's Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015.

See Note 3, Acquisitions, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information for further details regarding acquisition activity.

Spectrum Brands continually seeks to improve its operational efficiency, match the manufacturing capacity and product costs to market demand and better utilize its manufacturing resources. Spectrum Brands has undertaken various initiatives to reduce manufacturing and operating costs. The most significant of these initiatives are:

- GAC Business Rationalization Initiatives, which began during the third quarter of Fiscal 2016 and anticipated to be incurred through September 30, 2018;
- PET Rightsizing Initiative, which began during the second quarter of Fiscal 2017 and is anticipated to be incurred through September 30, 2018;
- HHI Distribution Center Consolidation, which began during the second quarter of Fiscal 2017 and is anticipated to be incurred through September 30, 2018;
- HHI Business Rationalization Initiatives, which began during the second quarter of Fiscal 2014 and was completed as of September 30, 2016; and
- Global Expense Rationalization Initiatives, which began in the third quarter of Fiscal 2013 and was completed as of September 30, 2016.

See Note 4, Restructuring and Related Charges, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information for further restructuring and related activity.

Presented below is a table that summarizes the results of operations of our Consumer Products segment and compares the amount of the change between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
	2017	**2016**	**2015**	**2017 compared to 2016**	**2016 compared to 2015**
Net sales	$ 3,009.5	$ 3,029.4	$ 2,598.2	$ (19.9)	$ 431.2
Cost of goods sold	1,833.5	1,791.7	1,619.7	41.8	172.0
Consumer products segment gross profit	1,176.0	1,237.7	978.5	(61.7)	259.2
Selling, acquisition, operating and general expenses	847.9	820.0	732.3	27.9	87.7
Operating income - Consumer Products segment	$ 328.1	$ 417.7	$ 246.2	$ (89.6)	$ 171.5

Net sales. Net sales for Fiscal 2017 decreased $19.9 million, or 0.7%, to $3,009.5 million from $3,029.4 million for Fiscal 2016 as a result of the negative effect of foreign exchange rates of $4.3 million and decreases of organic net sales in global pet supplies products, home and garden control products and global auto care product lines. These decreases in net sales were partially offset by the effects of acquisitions of PetMatrix and GloFish during the year of $25.6 million and $2.5 million, respectively, and increases of organic net sales in the hardware and home improvement products. Organic net sales excludes the impact of foreign currency translation and acquisitions, and is considered a non-GAAP measurement (See "Non-GAAP Measures" section below for reconciliation of net sales to organic net sales).

Consolidated net sales by product line for each of those respective periods are as follows (in millions):

	Fiscal			Increase (Decrease)	
Product line net sales	**2017**	**2016**	**2015**	**2017 compared to 2016**	**2016 compared to 2015**
Hardware and home improvement products	$ 1,276.1	$ 1,241.0	$ 1,205.5	$ 35.1	$ 35.5
Global pet supplies	793.2	825.7	758.2	(32.5)	67.5
Home and garden control products	493.3	509.0	474.0	(15.7)	35.0
Global auto care	446.9	453.7	160.5	(6.8)	293.2
Total net sales to external customers	$ 3,009.5	$ 3,029.4	$ 2,598.2	$ (19.9)	$ 431.2

The following table details the principal components of the change in the Consumer Products segment net sales from Fiscal 2016 to Fiscal 2017 (in millions):

	Net Sales
Fiscal 2016 Net sales	$ 3,029.4
Increase due to acquisitions	28.1
Increase in hardware and home improvement products	32.4
Decrease in global auto care	(6.5)
Decrease in home and garden control products	(15.7)
Decrease in global pet supplies	(53.9)
Foreign currency impact, net	(4.3)
Fiscal 2017 Net sales	$ 3,009.5

Net sales in hardware and home improvement products increased $35.1 million, or 2.8%, for Fiscal 2017 compared to Fiscal 2016, with an increase in organic net sales of $32.4 million, or 2.6%, mainly attributable to an increase in security and locksets of $28.7 million due to increases in NA of $39.5 million from the introduction of new products with key retailers, expansion in electronic based products, promotion sales in e-commerce channel, increased volumes with non-retail wholesale and builder channels, and the introduction of Tell product into retail channels; partially offset by reduction in LATAM sales of $11.1 million driven by the exit of lower margin business of $9.4 million. Plumbing increased $6.7 million due to increases in NA of $8.1 million from promotional sales volumes with retailers and e-commerce channels, plus the introduction of new products with key retailers. The increases were partially offset by decreases in hardware of $3.0 million due to exit of lower margin business.

Net sales in global auto care decreased $6.8 million, or 1.5%, for Fiscal 2017 compared to Fiscal 2016, with an organic sales decrease of $6.5 million, or 1.4%, primarily driven by decreased sales in auto appearance products of $6.7 million due to cooler and wet weather conditions and slowed point of sale (“POS”) during the summer months, and mass and auto retailer inventory reduction programs; partially offset by new product introductions.

Net sales and organic sales in home and garden control products decreased $15.7 million, or 3.1%, for Fiscal 2017 compared to Fiscal 2016, primarily attributable to decreases in repellent products and lawn and garden control products of $16.8 million and $3.6 million, respectively, primarily due to weather conditions decreasing seasonal inventory sales, a reduction in distribution due to retail inventory management programs, coupled with higher demand driven by Zika concerns in the prior year; partially offset by an increase in household insect control products of $4.7 million driven by stronger POS and volume growth with key retailers and the introduction of new products and increased market share with key retail partners.

Net sales in global pet supplies decreased $32.5 million, or 3.9%, for Fiscal 2017 compared to Fiscal 2016, with an organic net sales decrease of $53.9 million, or 6.5%. Net sales were negatively impacted by $7.1 million for customers returns attributed to the pet safety recall discussed above. Excluding the impact of the PetMatrix acquisition and product safety recall discussed above, companion animal sales decreased $37.0 million primarily due to a decrease in EMEA of $23.8 million from lower distribution and softer POS from increased competition and a reduction of $16.2 million for the acceleration of the exit of a pet food tolling agreement and a decrease in NA of $14.7 million from retail inventory reduction management programs, reduced listings and soft POS with pet specialty retailers, and low margin product exits of $5.2 million. Aquatic organic net sales decreased $9.8 million due to decreases in NA of $11.1 million from retail inventory reduction management programs and soft category POS with pet specialty retailers, partially offset by increases in EMEA of $2.1 million due to promotional sales offset by slower seasonal weather sales.

Net sales for Fiscal 2016 increased $431.2 million, or 16.6%, to $3,029.4 million from $2,598.2 million for Fiscal 2015. The increase was primarily due to the impact of the acquisitions in AAG, European IAMS and Eukanuba and Salix that accounted for $277.3 million, $44.2 million and $30.3 million, respectively, and the growth in organic net sales across hardware and home improvement products, home and garden control products, global auto care and global pet supplies. These increases were partially offset by the negative impact of foreign exchange of $23.7 million.

The following table details the principal components of the change in the Consumer Products segment net sales from Fiscal 2015 to Fiscal 2016 (in millions):

	Net Sales
Fiscal 2015 Net sales	$ 2,598.2
Acquisition of AAG	277.3
Acquisition of European IAMS and Eukanuba	44.2
Acquisition of Salix	30.3
Increase in hardware and home improvement products	50.2
Increase in home and garden control products	35.1
Increase in global auto care	16.6
Increase in global pet supplies	1.2
Foreign currency impact, net	(23.7)
Fiscal 2016 Net sales	$ 3,029.4

Net sales in hardware and home improvement products increased $35.5 million, or 2.9%, for Fiscal 2016 compared to Fiscal 2015, with organic net sales increase of $50.2 million, or 4.2%, primarily attributable to an increase in the security and locksets category of $40.0 million due to an increase in POS, new product listings with key retail customers, increases in e-commerce volumes, and market growth with non-retail customers, partially offset by a $5.5 million decrease in sales with private label customers due to the transition in production of higher-margin branded products; an increase in plumbing products of $14.7 million from the introduction of new products and promotional sales with key retail customers. These increases were partially offset by a $3.7 million decrease in hardware products driven by a $22.8 million decrease for the expiration of a customer tolling agreement and planned exit of unprofitable business, mitigated by volume growth at existing retail and market expansion with non-retail customers in NA.

Net sales in home and garden control products increased $35.0 million, or 7.4%, for Fiscal 2016 compared to Fiscal 2015, with an organic net sale increase of $35.1 million, or 7.4%, primarily attributable to increases in repellent products growth of $15.7 million due to volume growth with key retailers and increased demand in response to the Zika virus; an increase in household insect control products of $10.3 million from volume growth with key retailers; and an increase in lawn and garden control products of $9.0 million due to an extended outdoor season due to warmer weather and early season retail shipments.

Net sales in global auto care increased $293.2 million for Fiscal 2016, including acquisition sales of $277.3 million. For the period of May 21, 2016 through September 30, 2016, organic net sales increased $16.6 million, or 10.3%, compared to the period of May 21, 2015 through September 30, 2015, primarily driven by increased sales volumes from refrigerant products and the introduction of private label products with a key customer.

Net sales in global pet supplies increased $67.5 million, or 8.9%, for Fiscal 2016 compared to Fiscal 2015, with organic net sales increase of $1.2 million, or 0.2%. Net sales were positively impacted by $74.5 million due to the acquisition of European IAMS and Eukanuba with $44.2 million and Salix with $30.3 million. Aquatic sales increased $1.1 million due to timing of prior year holiday shipments, partially offset with the exit of lower margin business. Excluding the impact of acquisitions, companion animal sales were consistent with prior year due to increased competition at key retailers, offset by growth with independent pet retailers, timing of promotional activity, and exiting of certain private label business.

Cost of goods sold / Consumer products segment gross profit. Consumer products segment gross profit, representing net consumer products sales minus consumer products cost of goods sold, decreased $61.7 million from $1,237.7 million for Fiscal 2016 to $1,176.0 million for Fiscal 2017. Gross profit margin for Fiscal 2017 decreased to 39.1% from 40.9% in Fiscal 2016 primarily due to a decrease in organic net sales, the pet safety recall and incremental costs and inefficiencies from the HHI and GAC restructuring initiatives discussed above.

Consumer products segment gross profit for Fiscal 2016 was $1,237.7 million compared to $978.5 million for Fiscal 2015. The increase in gross profit was primarily attributable to increase in net sales and gross profit margin. Gross profit margin for Fiscal 2016 increased to 40.9% from 37.7% in Fiscal 2015 primarily driven by the AAG acquisition, and a shift towards higher margin product sales and continuing cost improvements across segments.

Selling, acquisition, operating and general expenses. Selling, acquisition, operating and general expenses increased by $27.9 million, or 3.4%, to $847.9 million for Fiscal 2017, from $820.0 million for Fiscal 2016 due to an increase in selling and general and administrative expenses of $4.1 million primarily from the incremental expenses from the operations of acquired businesses during the year and costs associated with the pet recall previously discussed, increase in restructuring and related charges of $28.5 million primarily attributable to the HHI and GAC restructuring initiatives discussed above, and an increase in impairment charges of $16.3 million; offset by decreased acquisition and integration related charges of $18.5 million primarily from reduced integration costs from the GAC and HHI acquisitions.

Selling, acquisition, operating and general expenses increased by $87.7 million, or 12.0%, to $820.0 million for Fiscal 2016 from

$732.3 million for Fiscal 2015 due to an increase in selling and general and administrative expenses of $103.6 million due to increased net sales, prior year acquisitions and increased share based compensation of $16.2 million; partially offset by a decrease in acquisition and integration costs of $20.1 million and decreased restructuring and related charges of $4.3 million.

Corporate and Other Segment

Presented below is a table that summarizes the results of operations of our Corporate and Other segment and compares the amount of the change between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
	2017	2016	2015	2017 compared to 2016	2016 compared to 2015
Corporate and Other segment revenues	$ 1.1	$ 8.9	$ 63.4	$ (7.8)	$ (54.5)
Cost of consumer products and other goods sold	—	—	30.9	—	(30.9)
Selling, acquisition, operating and general expenses	46.8	91.7	327.5	(44.9)	(235.8)
Total Corporate and Other segment operating costs and expenses	46.8	91.7	358.4	(44.9)	(266.7)
Operating loss - Corporate and Other segment	$ (45.7)	$ (82.8)	$ (295.0)	$ 37.1	$ 212.2

Corporate and Other segment revenues. Presented below is a table that summarizes the Corporate and Other segment revenues by product line and compares the amount of the change between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
Corporate and Other segment revenues	2017	2016	2015	2017 compared to 2016	2016 compared to 2015
Asset management	$ 1.1	$ 8.9	$ 22.2	$ (7.8)	$ (13.3)
Women's apparel and related products	—	—	42.7	—	(42.7)
Inter-company eliminations	—	—	(1.5)	—	1.5
Corporate and Other segment revenues	$ 1.1	$ 8.9	$ 63.4	$ (7.8)	$ (54.5)

Asset Management

Revenues decreased $7.8 million to $1.1 million for Fiscal 2017 from $8.9 million for Fiscal 2016. This decrease was primarily driven by lower revenue generated by Salus as a result of the continued run-off of the remaining outstanding amount of Salus loans primarily attributable to paydowns on existing loans, coupled with the effect of the Company's sale of its ownership interest in CorAmerica and the wind-down of the operations of EIC.

Revenues decreased $13.3 million to $8.9 million for Fiscal 2016 from $22.2 million for Fiscal 2015. This decrease was primarily driven by lower revenue generated by Salus as a result of the run-off of the remaining outstanding amount of Salus loans primarily attributable to paydowns on existing loans and a lack of new loan originations by Salus.

Women's apparel and related products

Revenues from Women's apparel and related products reported within the "Net sales" caption for Fiscal 2015 represent sales from FOH. FOH was deconsolidated in the third quarter of Fiscal 2015 following the declaration of bankruptcy by FOHG in April 2015. Following the completion of the bankruptcy of FOHG, such entities ceased to be subsidiaries of HRG.

Cost of goods sold. Cost of goods sold for Fiscal 2015 represents FOH cost of consumer products and other goods sold for Fiscal 2015.

Selling, acquisition, operating and general expenses. Presented below is a table that summarizes the Selling, acquisition, operating and general expenses of our Corporate and Other segment by product line, and compares the amount of the change between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
Selling, acquisition, operating and general expenses	2017	2016	2015	2017 compared to 2016	2016 compared to 2015
Corporate	$ 40.4	$ 52.2	$ 103.9	$ (11.8)	$ (51.7)
Asset management	6.4	39.5	123.6	(33.1)	(84.1)
Women's apparel and related products	—	—	100.0	—	(100.0)
Selling, acquisition, operating and general expenses - Corporate and Other segment	$ 46.8	$ 91.7	$ 327.5	$ (44.9)	$ (235.8)

Corporate

Selling, acquisition, operating and general expenses decreased $11.8 million to $40.4 million for Fiscal 2017 from $52.2 million for Fiscal 2016. The decrease was primarily due to a decrease in stock-based compensation expense of $8.6 million and payroll and bonus expenses, partially offset by severance costs related to headcount reduction and an increase in legal expenses related to the exploration and evaluation of strategic alternatives available to the Company with a view toward enhancing shareholder value.

Selling, acquisition, operating and general expenses decreased $51.7 million to $52.2 million for Fiscal 2016 from $103.9 million for Fiscal 2015. The decrease was primarily due to the absence in Fiscal 2016 of $34.1 million of severance costs associated with the departure of Philip Falcone, the Company's former CEO, in December 2014 (the "Falcone Departure") and other HRG employee departures; a decrease of $5.2 million in bonus and stock based compensation; and a decrease in overall overhead cost for Fiscal 2016 when compared to Fiscal 2015. The lower compensation expense was driven by fewer participants in HRG's bonus pool, which was partially offset by higher performance-based bonuses for the remaining participants.

Asset Management

Selling, acquisition, operating and general expenses decreased $33.1 million to $6.4 million for Fiscal 2017 from $39.5 million for Fiscal 2016. The decrease in selling, acquisition, operating and general expenses reflect $10.7 million goodwill and intangibles impairment at CorAmerica for Fiscal 2016, as well as a decrease in impairments and loan loss provision expenses on the asset-based loan portfolio of $11.0 million. Also contributing to the decrease were the effects of the run-off of the Salus portfolio, the Company's sale of its ownership interest in CorAmerica, and the wind-down of the operations of EIC.

Selling, acquisition, operating and general expenses decreased $84.1 million to $39.5 million for Fiscal 2016 from $123.6 million for Fiscal 2015. The decrease in selling, acquisition, operating and general expenses reflected lower impairments and bad debt expense, the run-off of the Salus portfolio, the effect of the Company's sale of its ownership interest in CorAmerica and the wind-down of the operations of EIC. Impairments and bad debt expense for Fiscal 2016 were $23.5 million, which consisted of $12.8 million net increase to the provision for credit losses on Salus' asset-based loan portfolio and goodwill impairment of $10.7 million at CorAmerica. Impairments and bad debt expense for Fiscal 2015 were $88.0 million, which was primarily due to impairments on the loan to RadioShack, a former borrower of Salus.

Women's apparel and related products

Selling, acquisition, operating and general expenses for Fiscal 2015 were $100.0 million, including $60.2 million of impairments to goodwill and intangible assets due to a change in view of the strategic direction of FOH following the Falcone Departure during the first quarter of Fiscal 2015, which triggered goodwill and intangibles impairment tests, as well as costs related to the bankruptcy filing of FOHG during Fiscal 2015.

Non-GAAP Measurements

Our Consumer Products segment results contain non-GAAP metrics such as organic net sales and Adjusted EBITDA. While we believe organic net sales and Adjusted EBITDA are useful supplemental information, such adjusted results are not intended to replace the Company's financial results in accordance with generally accepted accounting principles ("GAAP") or the GAAP financial results of our Consumer Products segment and should be read in conjunction with those GAAP results.

Organic Net Sales — Consumer Products

Organic net sales is defined as net sales excluding the effect of changes in foreign currency exchange rates and/or impact from acquisitions (where applicable). Spectrum Brands' management believes this non-GAAP measure provides useful information to investors because it reflects regional and operating performance from Spectrum Brands' activities without the effect of changes in currency exchange rate and/or acquisitions. Spectrum Brands uses organic net sales as one measure to monitor and evaluate their regional and segment performance. Organic growth is calculated by comparing organic net sales to net sales in the prior year. The effect of changes in currency exchange rates is determined by translating the period's net sales using the currency exchange rates that were in effect during the prior comparative period. Net sales are attributed to the geographic regions based on the country of destination. Spectrum Brands excludes net sales from acquired businesses in the current year for which there are no comparable sales in the prior period.

The following is a reconciliation of net sales to organic net sales for Fiscal 2017 compared to net sales for Fiscal 2016, and the net sales to organic net sales for Fiscal 2016 compared to Fiscal 2015, respectively:

Fiscal 2017	Net Sales	Effect of Changes in Currency	Net Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Net Sales	Net Sales September 30, 2016	Variance	% Variance
Hardware and home improvement products	$ 1,276.1	$ (2.7)	$ 1,273.4	$ —	$ 1,273.4	$ 1,241.0	$ 32.4	2.6 %
Global pet supplies	793.2	6.7	799.9	(28.1)	771.8	825.7	(53.9)	(6.5)%
Home and garden control products	493.3	—	493.3	—	493.3	509.0	(15.7)	(3.1)%
Global Auto care	446.9	0.3	447.2	—	447.2	453.7	(6.5)	(1.4)%
Total	$ 3,009.5	$ 4.3	$ 3,013.8	$ (28.1)	$ 2,985.7	$ 3,029.4	$ (43.7)	(1.4)%

Fiscal 2016	Net Sales	Effect of Changes in Currency	Net Sales Excluding Effect of Changes in Currency	Effect of Acquisitions	Organic Net Sales	Net Sales September 30, 2015	Variance	% Variance
Hardware and home improvement products	$ 1,241.0	$ 14.7	$ 1,255.7	$ —	$ 1,255.7	$ 1,205.5	$ 50.2	4.2%
Global pet supplies	825.7	8.2	833.9	(74.5)	759.4	758.2	1.2	0.2%
Home and garden control products	509.0	0.1	509.1	—	509.1	474.0	35.1	7.4%
Global auto care	453.7	0.7	454.4	(277.3)	177.1	160.5	16.6	10.3%
Total	$ 3,029.4	$ 23.7	$ 3,053.1	$ (351.8)	$ 2,701.3	$ 2,598.2	$ 103.1	4.0%

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP metric used by Spectrum Brands that Spectrum Brands' management believes provides useful information to investors because it reflects ongoing operating performance and trends, excluding certain non-cash based expenses and/or non-recurring items during each of the comparable periods. It also facilitates comparisons between peer companies since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA is also used for determining compliance with Spectrum Brands' debt covenant. See Note 13, Debt, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional details.

EBITDA is calculated by excluding income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from our Consumer Products segment's net income. Adjusted EBITDA further excludes: (1) stock-based compensation expense as it is a non-cash based compensation cost, see Note 20, Stock-based Compensation, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for further details; (2) acquisition and integration charges that consist of transaction costs from acquisition transactions during the period or subsequent integration related project costs directly associated with the acquired business, see Note 3, Acquisitions, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for further details; (3) restructuring and related charges, which consist of project costs associated with restructuring initiatives, see Note 4, Restructuring and Related Charges, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for further details; (4) non-cash purchase accounting inventory adjustments recognized in earnings subsequent to an acquisition (when applicable); (5) non-cash asset impairments or write-offs realized (when applicable); and (6) other adjustments as further discussed.

During Fiscal 2017, other adjustments consisted of estimated costs for a non-recurring voluntary recall of rawhide products (see Note 21, Commitments and Contingencies, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for further details), professional fees associated with non-acquisition based strategic initiatives of our Consumer Products segment and an adjustment for the devaluation of cash and cash equivalents denominated in Venezuelan currency. During Fiscal 2016, other adjustments consisted of the onboarding of a key executive and the involuntary transfer of inventory. During Fiscal 2015, other adjustments consisted of costs associated with the exiting of a key executive, coupled with onboarding a key executive, and an adjustment for the devaluation of cash and cash equivalents denominated in Venezuelan currency.

The table below shows a reconciliation of net income to Adjusted EBITDA for the Consumer Products segment (in millions):

	Fiscal		
Reconciliation to reported net income:	**2017**	**2016**	**2015**
Reported net income - Consumer Products segment	$ 125.0	$ 281.1	$ 50.8
Interest expense	160.9	182.0	185.8
Income tax expense	37.3	(50.0)	5.6
Depreciation of properties	69.6	59.2	52.5
Amortization of intangibles	62.0	60.5	53.9
EBITDA - Consumer products segment	454.8	532.8	348.6
Stock-based compensation	47.7	57.2	41.0
Acquisition and integration related charges	15.6	34.1	54.2
Restructuring and related charges	60.4	14.0	19.5
Product Safety Recall	35.8	—	—
Write-off from impairment of intangible assets	16.3	2.7	—
Purchase accounting inventory adjustment	3.3	—	21.7
Venezuela devaluation	0.4	—	2.5
Other	4.9	0.6	6.1
Adjusted EBITDA - Consumer Products segment	$ 639.2	$ 641.4	$ 493.6

Our Consumer Products segment's Adjusted EBITDA decreased $2.2 million, or 0.3%, to $639.2 million in Fiscal 2017 as compared to $641.4 million in Fiscal 2016 primarily driven by a (i) decrease of $5.3 million in home and garden control products due to lower sales volumes and incremental marketing costs, partially offset by product mix improvement and a (ii) decrease of $5.0 million in global auto care due to sales volumes and higher marketing costs for new product introductions, partially offset by improved product mix and pricing adjustments and a $12.8 million increase in the hardware and home improvements products due to increase in sales volumes and cost improvements. Adjusted EBITDA margin represented 21.2% of sales for both Fiscal 2017 and 2016.

Our Consumer Products segment's Adjusted EBITDA increased $147.8 million, or 29.9%, to $641.4 million in Fiscal 2016 as compared to $493.6 million in Fiscal 2015 primarily driven by a (i) $106.1 million increase attributable to AAG operations; (ii) the improved profitability in hardware and home improvement products and home and garden control products due to higher sales, improved product mix and cost improvements that account for $29.9 million of the increase in Adjusted EBITDA; and (iii) an increase of $15.6 million in the global pet supplies product line primarily driven by the acquisition of Salix and European IAMS and Eukanuba. Adjusted EBITDA margin represented 21.2% of sales in Fiscal 2016 as compared to 19.0% in Fiscal 2015.

Liquidity and Capital Resources

HRG

HRG is a holding company. As of September 30, 2017, its liquidity needs are primarily for interest payments on the 7.875% Senior Secured Notes due 2019 (the "7.875% Notes"), the 7.75% Senior Notes due 2022 (the "7.75% Notes") and the 2017 Loan (in total approximately $139.6 million per year), professional fees (including advisory services, legal and accounting fees), salaries, retention and benefits payments, office rent, pension expense, insurance costs and funding certain requirements of our insurance and other subsidiaries. HRG's current source of liquidity is its cash, cash equivalents and investments, and distributions from our subsidiaries and available borrowings.

During Fiscal 2017, we received cash dividends of $68.5 million from our subsidiaries, including $56.3 million and $12.2 million from Spectrum Brands and FGL, respectively.

The ability of HRG's subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions is subject to numerous factors, including restrictions contained in such subsidiary's financing agreements, availability of sufficient funds in such subsidiary, applicable state laws and regulatory restrictions and the approval of such payment by such subsidiary's Board of Directors, which must consider various factors. Furthermore, one or more of our subsidiaries may issue, repurchase, retire or refinance, as applicable, their debt and/or equity securities for a variety of purposes, including in order to, in the future, grow their business, pursue acquisition activities and/or manage their liquidity needs. Any such issuance may limit such subsidiary's ability to make upstream cash distributions.

HRG's liquidity may also be impacted by the capital needs of HRG's subsidiaries and the ability of our subsidiaries to remain in compliance with the covenants governing their indebtedness. Such entities may require additional capital to acquire other businesses, maintain or grow their businesses, make payments on, or remain in compliance with the covenants governing their indebtedness, and/or make upstream cash distributions to HRG.

We expect our cash, cash equivalents and investments to continue to be a source of liquidity except to the extent they may be used to fund the capital needs of our subsidiaries. At September 30, 2017, HRG's corporate cash, cash equivalents and investments were $93.0 million.

We expect that dividends from our subsidiaries along with our cash, cash equivalents and investments and available borrowings to exceed our expected cash requirements and to satisfy our interest obligations, and general administrative expenses for at least the next twelve months. Depending on a variety of factors, including the general state of capital markets, operating needs or business strategies, HRG and/or one or more of its subsidiaries may or may be required to raise additional capital through the issuance of equity, debt, or both. There is no assurance, however, that such capital will be available at that time, in the amounts necessary or on terms satisfactory to HRG or its subsidiaries. HRG would expect to service any additional debt through increasing the dividends we receive or disposing of certain of our holdings, but there can be no assurance that we will be able to do so. We may also seek to repurchase, retire or refinance, as applicable, all or a portion of, our indebtedness, or common stock through open market purchases, tender offers, negotiated transactions or otherwise.

HGI Energy

As of September 30, 2017, HGI Energy has indebtedness of an aggregate $92.0 million under notes issued by HGI Energy for which Front Street, a wholly-owned subsidiary of HRG, bears the economic risk (the "HGI Energy Notes"). The HGI Energy Notes carry interest of 1.5% payable semi-annually. HGI Energy's assets at September 30, 2017 included $89.2 million of marketable securities owned by HGI Energy. HGI Energy has required, and may in the future require, additional capital to conduct its operations and pay interest on the HGI Energy Notes.

On May 8, 2017, the HGI Energy Notes were amended to (i) extend the stated maturity date from August 22, 2017 to the earlier of (x) June 30, 2018 and (y) five business days following the date of any occurrence of acquisition of ownership, directly or indirectly, beneficially or of record, by any person or group, other than HRG or its subsidiaries, of common stock representing more than 50.0% of FGL's issued an outstanding common stock and (ii) increase the rate of interest paid by the HGI Energy Notes from 0.7% to 1.5%, effective August 22, 2017.

Spectrum Brands

Spectrum Brands expects to fund its cash requirements, including capital expenditures, dividend, interest and principal payments due in Fiscal 2018 through a combination of cash ($168.2 million at September 30, 2017), cash flows from operations and $680.5 million available borrowings under the asset based lending Revolver Facility. Spectrum Brands expects its capital expenditures for Fiscal 2018 will be approximately $110.0 million to $120.0 million. Going forward, its ability to satisfy financial and other covenants in its senior credit agreements and senior unsecured indentures and to make scheduled payments or prepayments on its debt and other financial obligations will depend on its future financial and operating performance. There can be no assurances that its business will generate sufficient cash flows from operations or that future borrowings under Spectrum Brands' debt agreements, including the Revolver Facility, will be available in an amount sufficient to satisfy its debt maturities or to fund its other liquidity needs.

FGL (Business Held for Sale)

FGL's principal source of liquidity is dividends from Fidelity & Guaranty Life Holdings ("FGH"), whose liquidity is, in turn, principally based on dividends from its operating insurance company subsidiaries, FGL Insurance and FGL NY Insurance. FGL Insurance's and FGL NY Insurance's primary sources of liquidity are cash flows from insurance premiums and fees and investment income. FGL's principal use of cash is to fund contractual benefit payments under their annuity and universal life products. FGL Insurance's and FGL NY Insurance's cash flows associated with collateral received from and posted with counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset declines (or increases), the collateral required to be posted by their counterparties would also decline (or increase). Likewise, when the value of a derivative liability declines (or increases), the collateral FGL NY Insurance and FGL Insurance are required to post to their counterparties would also decline (or increase). FGH also maintains lines of credit and long-term debt financing, which provide liquidity but also require debt service.

FGL's principal use of liquidity is to pay dividends to its stockholders, including HRG. Its ability to pay dividends is limited by regulatory and capital adequacy considerations and contractual limitations, including the FGL Merger Agreement, and other limitations applicable to its subsidiaries.

Front Street (Business Held for Sale)

Front Street's liquidity needs consist primarily of supporting the capitalization of its reinsurance business. As of September 30, 2017, Front Street Cayman and Front Street Bermuda maintained regulatory capital in excess of their minimum requirements. Front Street Cayman's reinsurance obligations are collateralized by the assets in the funds withheld accounts of ceding companies. Front Street Cayman does not expect to need additional liquidity in the near-term, but there can be no assurance that its capitalization or the funds withheld assets will be sufficient in the future to meet applicable regulatory requirements or its reinsurance obligations in the event of impairments in the funds withheld assets.

Discussion of Consolidated Cash Flows

Summary of Consolidated Cash Flows

Presented below is a table that summarizes the cash provided or used in our activities and the amount of the respective increases or decreases in cash provided or used from those continuing activities between the fiscal periods (in millions):

	Fiscal			Increase / (Decrease)	
Net change in cash due to continuing operating activities:	**2017**	**2016**	**2015**	**2017 compared to 2016**	**2016 compared to 2015**
Consumer Products	$ 340.8	$ 461.7	$ 205.6	$ (120.9)	$ 256.1
Corporate and Other	(185.7)	(187.6)	(151.8)	1.9	(35.8)
Net change in cash due to continuing operating activities	155.1	274.1	53.8	(119.0)	220.3
Net change in cash due to continuing investing activities	(349.2)	161.6	(1,035.2)	(510.8)	1,196.8
Net change in cash due to continuing financing activities	(282.5)	(727.0)	792.8	444.5	(1,519.8)
Effect of exchange rate changes on cash and cash equivalents	2.7	(1.4)	(29.7)	4.1	28.3
Net change in cash and cash equivalents in continuing operations	$ (195.1)	$ (178.0)	$ (30.4)	$ (17.1)	$ (147.6)

Operating Activities

Cash provided by operating activities from continuing operations totaled $155.1 million for Fiscal 2017 as compared to $274.1 million for Fiscal 2016. The $119.0 million decline in cash provided by operating activities from continuing operations was the result of a $120.9 million decrease in cash provided by the Consumer Products segment primarily due to (i) cash invested in working capital of $118.6 million from reduced seasonal inventory volumes and operating inefficiencies driven by restructuring initiatives, and a one-time settlement payment to Stanley Black & Decker of $23.2 million, offset by incremental cash generated from Spectrum Brands' operations of $5.1 million; (ii) an increase in cash paid for acquisition, integration and restructuring related activities of $39.2 million primarily for ongoing restructuring initiatives and integration of newly acquired businesses; (iii) an increase in corporate expenditures of $7.3 million for continued investment in shared service operations; and (iv) an increase in cash paid for income taxes of $2.1 million. Partially offsetting these cash outflows were: (i) a decrease in cash paid for interest of $53.4 million, excluding a non-recurring tender premium of $4.6 million for the redemption of the 6.375% Notes, due to a reduction in annualized interest costs from refinancing activities.

Cash provided by operating activities from continuing operations totaled $274.1 million for Fiscal 2016 compared to $53.8 million for Fiscal 2015. The $220.3 million improvement was primarily as a result of a $256.1 million increase in cash provided by the Consumer Products segment primarily due to: (i) incremental cash generated from the segment operations of $270.4 million due to growth in net sales, acquisitions and cost management initiatives, including cash contributed by working capital of $118.8 million, primarily from decreases of receivables and inventory due to working capital management initiatives; (ii) a decrease in cash paid for interest of $12.0 million, excluding a non-recurring tender premium of $15.6 million for the redemption of the 6.375% Notes, from a decrease in annualized interest costs; and (iii) a decrease in cash paid for income taxes of $19.0 million, which was partially offset by (a) an increase in cash paid for restructuring and acquisition, integration and restructuring activities of $25.9 million, primarily for integration of previously acquired businesses; and (b) increased payments towards corporate expenditures of $3.8 million due to increased compensation costs and investment in shared services. Partially offsetting these inflows was a $35.8 million increase in cash used by the Corporate and Other segment driven by $61.6 million cash received from the settlement of a purchase price adjustment with OMGUK during Fiscal 2015 discussed above.

Investing Activities

Cash used in investing activities from continuing operations was $349.2 million for Fiscal 2017 and was primarily related to acquisitions, net of cash acquired, of PetMatrix and GloFish by Spectrum Brands of $304.7 million and capital expenditures of

$77.8 million associated with incremental investment in capacity expansion and cost reduction projects, partially offset by cash proceeds from the net repayment of asset-based loans at Salus of $30.9 million.

Cash provided by investing activities from continuing operations during Fiscal 2016 was $161.6 million primarily driven by (i) $170.9 million of cash provided from the net repayment of asset-based loans; (ii) $35.1 million from the sale of our ownership interest in HC2; and (iii) $19.6 million proceeds from sale of assets. Partially offsetting these inflows were purchases of property, plant and equipment by Spectrum Brands of $61.0 million.

Cash used in investing activities from continuing operations during Fiscal 2015 was $1,035.2 million primarily driven by (i) $1,309.9 million used for Spectrum Brands' acquisitions of AAG, Salix, European IAMS and Eukanuba and Tell; and the Company's purchase of additional interest in Compass; (ii) $56.6 million of capital expenditures; and (iii) $24.0 million capital contribution to Front Street. Partially offsetting these outflows were (i) $282.9 million of cash provided from the net repayment of asset-based loans and (ii) $70.8 million of cash provided from the sale of investments.

Financing Activities

Cash used in financing activities from continuing operations during Fiscal 2017 was $282.5 million primarily related to (i) debt repayment of $251.9 million, including $129.7 million for the redemption of Spectrum Brands' 6.375% Notes, $61.3 million for the extinguishment of Spectrum Brands' Euro denominated term loan facility, $41.6 million of scheduled amortizing payments of debt by Spectrum Brands and $28.5 million of debt repayment by Salus; (ii) Spectrum Brands' repurchases of their common stock and the purchase of the remaining non-controlling interest of Shaser of $252.5 million and $12.6 million, respectively; (iii) share-based award tax withholding payments of $40.8 million; and (iv) dividend paid by Spectrum Brands to noncontrolling interests of $39.9 million; partially offset by (i) proceeds, net of debt issuance costs, from the Revolver Facility and other notes by Spectrum Brands of $259.7 million and the 2017 Loan by HRG of $48.9 million and (ii) proceeds from the exercise of stock options of $6.5 million.

Cash used in financing activities from continuing operations was $727.0 million for Fiscal 2016 and was primarily related to the (i) $1,087.1 million repayment of debt primarily by Spectrum Brands and Salus; (ii) purchases of Spectrum Brands stock of $52.0 million; (iii) dividend paid by Spectrum Brands to noncontrolling interests of $37.3 million and (iv) share-based award tax withholding payments of $28.7 million, partially offset by new borrowing by Spectrum Brands under the 4.00% Notes, net of financing costs $475.1 million.

Cash provided by financing activities from continuing operations during Fiscal 2015 was $792.8 million primarily related to (i) the $3,660.3 million proceeds from issuance of debt, net of financing costs to fund certain acquisitions, organic growth and refinance debt with lower interest rates and (ii) the $281.0 million of cash provided by the issuance of Spectrum Brands common stock in relation to the funding for the acquisition of AAG. These inflows were offset by (i) the repayment of debt, including tender and call premiums of $3,034.1 million; (ii) $49.6 million used for the purchases of shares of Spectrum Brands as well as on additional interest in CorAmerica; (iii) payment of dividends by our partially owned subsidiaries to noncontrolling interest holders of $31.0 million; (iv) common stock repurchases of $22.2 million; and (v) share-based award tax withholding payments of $21.0 million.

Debt Financing Activities

At September 30, 2017, HRG and its subsidiaries were in compliance with their respective covenants under their respective debt documents. See Note 13, Debt, to our Consolidated Financial Statements included in Exhibit 99.6 of this report for additional information regarding the Company and its subsidiaries' debt activities during Fiscal 2017.

Contractual Obligations

The following table summarizes our contractual obligations from continuing operations as of September 30, 2017 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in millions) and excludes certain other obligations that have been reflected on our Consolidated Balance Sheets as of September 30, 2017 included in this report.

	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Contractual obligations of business held for use:					
Debt, excluding capital lease [a]	$ 5,602.2	$ 155.1	$ 895.2	$ 2,230.9	$ 2,321.0
Interest payments, excluding capital lease [a]	1,590.5	315.4	555.2	440.0	279.9
Capital lease [b]	199.7	6.3	15.2	17.5	160.7
Operating lease [c]	110.5	25.9	38.6	20.2	25.8
Employee benefit [d]	41.3	3.4	7.5	7.8	22.6
Letters of credit [e]	11.7	11.7	—	—	—
Total contractual obligations of business held for use	$ 7,555.9	$ 517.8	$ 1,511.7	$ 2,716.4	$ 2,810.0
Contractual obligations of businesses held for sale:					
Annuity, universal life, and long-term products [f]	$ 35,683.3	$ 2,573.6	$ 4,921.4	$ 4,894.5	$ 23,293.8
Debt, excluding capital lease	415.1	114.6	0.5	300.0	—
Interest payments, excluding capital lease	78.7	20.7	38.9	19.1	—
Capital lease	58.9	7.7	13.5	11.8	25.9
Operating lease	44.8	9.8	16.3	11.9	6.8
Employee benefit	91.0	7.7	16.8	17.8	48.7
Letters of credit	—	—	—	—	—
Total contractual obligations of businesses held for sale	$ 36,371.8	$ 2,734.1	$ 5,007.4	$ 5,255.1	$ 23,375.2

At September 30, 2017, our Consolidated Balance Sheets included $34.6 million of reserves for uncertain tax positions. It is not possible to predict or estimate the timing of payments for these obligations and, accordingly, they are not reflected in the above table.

(a) For more information concerning debt, see Note 13, Debt, to our Consolidated Financial Statements.

(b) Spectrum Brands' capital lease payments due by fiscal year include executory costs and imputed interest.

(c) For more information concerning operating leases, see Note 14, Leases, to our Consolidated Financial Statements.

(d) Employee benefit obligations represent the sum of our estimated future minimum required funding for our qualified defined benefit plans based on actuarially determined estimates and projected future benefit payments from our unfunded postretirement plans. For additional information about our employee benefit obligations, see Note 17, Employee Benefit Obligations, to our Consolidated Financial Statements.

(e) Consists of standby letters of credit that back the performance of certain entities under various credit facilities, insurance policies and lease arrangements.

(f) Consists of projected payments through the year 2030 that the Insurance operations is contractually obligated to pay to annuity, universal life, and long-term care policyholders. The payments are derived from actuarial models which assume a level interest rate scenario and incorporate assumptions regarding mortality and persistency, when applicable. These assumptions are based on historical experience, but actual amounts will differ.

Off-Balance Sheet Arrangements

Throughout our history, we have entered into indemnifications in the ordinary course of business with our customers, suppliers, service providers, business partners and in connection with the purchase and sale of assets, securities and businesses. Additionally, we have indemnified our directors and officers who are, or were, serving at our request in such capacities. Although the specific terms or number of such arrangements is not precisely quantifiable, we do not believe that future costs associated with such arrangements will have a material impact on our financial position, results of operations or cash flows.

Seasonality

On a consolidated basis, our financial results are approximately equally weighted between quarters, however, sales of certain product categories within our Consumer Products segment tend to be seasonal. Sales in hardware and home improvement products increase during the spring and summer construction period (our third and fourth fiscal quarters). Sales in global pet supplies products remain fairly consistent throughout the year with little variations. Sales in home and garden control products and global auto care typically peak during the first six months of the calendar year (our second and third fiscal quarters) due to customer seasonal purchasing patterns and timing of promotional activities.

Information about our net sales by quarter as a percentage of annual net sales during the last three fiscal years was as follows:

Percentage of Annual Net Consumer Products Sales	**Fiscal**		
Fiscal Quarter Ended	**2017**	**2016**	**2015**
First Quarter	20%	20%	17%
Second Quarter	25%	26%	24%
Third Quarter	29%	30%	30%
Fourth Quarter	26%	24%	29%

Recent Accounting Pronouncements Not Yet Adopted

See Note 2, Significant Accounting Policies and Practices and Recent Accounting Pronouncements to our Consolidated Financial Statements included in Exhibit 99.6 of this report for information about recent accounting pronouncements not yet adopted.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. We believe the following accounting policies are critical to an understanding of our financial statements. The application of these policies requires management's judgment and estimates in areas that are inherently uncertain. Actual results could differ materially from those estimates. Except for the matter discussed below, there have been no material changes to the critical accounting policies and estimates.

General

Assets Held for Sale and Discontinued Operations

The Company reports a business as held for sale when the criteria of ASC Topic 360, *Property, Plant and Equipment* ("ASC 360") are met. 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 business 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 sold or classified as held for sale, in accordance with ASC 360 and 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 "Income (loss) from discontinued operations, net of tax" in the accompanying 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. As discussed in Note 5, Divestitures, on July 1, 2016, the Company entered into an agreement to sell all of its remaining oil and gas interests. Consequently, the Company's investments in oil and gas properties have been reclassified as discontinued operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income in the period that includes the enactment date. The Company has the ability and intent to recover in a tax-free manner assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided, in accordance with ASC Topic 740, *Income Taxes*.

Additionally, taxing jurisdictions could retroactively disagree with our tax treatment of certain items, and some historical transactions have income tax effects going forward. Accounting guidance requires these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner.

In accordance with ASC Topic 740, we establish valuation allowances for deferred tax assets when, in our judgment, we conclude that it is more-likely-than-not that the deferred tax assets will not be realized. We base these judgments on projections of future income, including tax-planning strategies, by individual tax jurisdiction. Changes in industry and economic conditions and the competitive environment may impact the accuracy of our projections. In accordance with ASC Topic 740, during each reporting period, we assess the likelihood that our deferred tax assets will be realized and determine if adjustments to our valuation allowance are appropriate. As a result of this assessment, as of September 30, 2017, our consolidated valuation allowance was $946.7 million. Increase or decreases in our of valuation allowances has had and could have a significant negative or positive impact on our current and future earnings. In Fiscal 2017, 2016 and 2015, we recorded a net expense (benefit), respectively, due to changes in valuation allowances of $81.5 million, $(65.0) million and $180.3 million, respectively. Additionally, our ability to use NOLs and other tax carryforwards could also be adversely affected if the respective companies were deemed to have an “ownership change” within the meaning of Sections 382 and 383 of the Code. An ownership change is generally defined as a greater than 50% increase in equity ownership by “5% shareholders” (as that term is defined for purposes of Sections 382 and 383 of the Code) in any three-year period. We experienced ownership changes in 2013 and in the years prior, which have limited the utilization of a portion of their NOL carryforwards and other carryforward tax attributes.

We prepare and file tax returns based on our interpretation of tax laws and regulations. Our tax returns are subject to examination by various taxing authorities and may result in future tax and interest assessments. For financial reporting purposes, we apply the accounting guidance for uncertain tax positions under ASC Topic 740 which prescribes a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. A reserve for uncertain tax positions is established for those positions that are determined to not be more likely than not of being sustained upon examination based on their technical merits. Our unrecognized tax benefits totaled $20.9 million and $16.5 million as of September 30, 2017 and 2016, respectively. See further discussion in Note 18, Income Taxes, to our Consolidated Financial Statements included in Exhibit 99.6 of this report.

Loss Contingencies

Loss contingencies are recorded as liabilities when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The outcome of existing litigation, the impact of environmental matters and pending or potential examinations by various taxing or regulatory authorities are examples of situations evaluated as loss contingencies. Estimating the probability and magnitude of losses is often dependent upon management’s judgment of potential actions by third parties and regulators. It is possible that changes in estimates or an increased probability of an unfavorable outcome could materially affect our business, financial condition or results of operations.

The establishment of litigation, regulatory and environmental reserves requires judgments concerning the ultimate outcome of pending claims against us and our subsidiaries. In applying judgment, management utilizes opinions and estimates obtained from outside legal counsel to apply the appropriate accounting for contingencies. Accordingly, estimated amounts relating to certain claims have met the criteria for the recognition of a liability. Other claims for which a liability has not been recognized are reviewed on an ongoing basis in accordance with accounting guidance. A liability is recognized for all associated legal costs as incurred. Liabilities for litigation settlements, regulatory matters, environmental settlements, legal fees and changes in these estimated amounts may have a material impact on our financial position, results of operations or cash flows.

See further discussion in Note 21, Commitments and Contingencies, to our Consolidated Financial Statements.

Goodwill, Intangible Assets and Other Long-Lived Assets

Our goodwill, intangible assets and tangible fixed assets are held at historical cost, net of depreciation and amortization, less any provision for impairment. Intangible and tangible assets with determinable lives are amortized or depreciated on a straight line basis over estimated useful lives.

On an annual basis, or more frequently if triggering events occur, we compare the estimated fair value of our reporting units to the carrying value to determine if potential goodwill impairment exists. If the fair value of a reporting unit is less than its carrying value, an impairment loss, if any, is recorded for the difference between the fair value of the reporting unit goodwill and its carrying value. The estimated fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value of the reporting unit, we use a discounted cash flows methodology, which requires us to estimate future revenues, expenses, and capital expenditures and make assumptions about our weighted average cost of capital, and perpetuity growth rate, among other variables. We tested the aggregate estimated fair value of our consumer products reporting units for reasonableness by comparison to Spectrum Brands’ total market capitalization, which includes both its equity and debt securities.

In addition to goodwill, we have indefinite-lived intangible assets that consist of acquired tradenames. On an annual basis, or more frequently if triggering events occur, we compare the estimated fair value of the identified trade names to the carrying value to determine if potential impairment exists. If the fair value is less than its carrying value, an impairment loss is recorded for the excess. The fair value of indefinite-lived intangible assets is determined using an income approach, the relief from royalty methodology, which requires us to make estimates and assumptions about future revenues, royalty rates, and the discount rate, among others.

We also review other definite-lived intangible assets and tangible fixed assets for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. If such indicators are present, the Company performs undiscounted cash flow analyses to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows expected to be generated by the asset did not exceed the carrying value of the asset. If impairment is determined to exist, any related impairment loss is calculated based on fair value.

A considerable amount of judgment and assumptions is required in performing the impairment tests, principally in determining the fair value of each reporting unit and assets subject to impairment testing. While we believe that our judgments and assumptions are reasonable, different assumptions could change the estimated fair value and therefore, additional impairment changes could be required. The Company is subject to financial statement risk in the event that business or economic conditions unexpectedly decline and impairment is realized.

Spectrum Brands has reporting units that are also consistent with Spectrum Brands' product categories: hardware and home improvement, global pet supplies, home and garden, and global auto care. The fair value of hardware and home improvement, global pet supplies, home and garden and global auto care categories, which are also Spectrum Brands' reportable segments, exceeded their carrying value by 93.2%, 38.6%, 352.3% and 12.4%, respectively.

During Fiscal 2016, Spectrum Brands recognized $2.7 million impairment on indefinite life intangible assets due to the reduction in value over certain tradenames in response to changes in management's strategy.

During Fiscal 2017, Spectrum Brands recognized $16.3 million impairment on indefinite life intangible assets due to the reduction in value over certain tradenames in response to changes in management's strategy.

There were no triggering events identified during the year that would require the need for an impairment test over Spectrum Brands' definite-lived assets.

During the third quarter of Fiscal 2016, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the CorAmerica reporting unit. The Company estimated the fair value of the CorAmerica reporting unit using the income approach. Management's estimate of implied fair value of goodwill was zero and, consequently, resulted in a goodwill impairment charge of $10.7 million. The goodwill impairment charge was reflected in "Selling, acquisition, operating and general expenses" on the accompanying Consolidated Statements of Operations.

Effective April 19, 2015, FOHG filed for bankruptcy. Following the completion of the bankruptcy of FOHG, such entities ceased to be subsidiaries of HRG. We recorded an impairment charge of $10.7 million related to FOHG during Fiscal 2016.

See Note 2, Significant Accounting Policies and Practices and Recent Accounting Pronouncements, and Note 11, Goodwill and Intangibles, net, to our Consolidated Financial Statements for more information about our asset impairment determinations.

Pensions

The Company recognizes amounts on the consolidated financial statements related to defined benefit pension plans using a September 30 measurement date. The accounting for these plans requires us to recognize the overfunded and/or underfunded status of each pension plan (i.e. the estimated present value of future benefits, net of plan assets) on the consolidated statement of financial position. The determination of the estimated present value of future benefits includes several important assumptions, particularly around discount rates, expected returns on plan assets, and retirement and mortality rates.

The Company's discount rate assumptions are based on the interest rate of high-quality corporate bonds, with appropriate consideration of our plans' participants' demographics and benefit payment terms. For the year ended September 30, 2017, the Company used discount rates ranging from 1.1% to 7.5%. The Company believes the discount rates used are reflective of the rates at which pension benefits could be effectively settled. If interest rates decline resulting in a lower discount rate, our pension liability will increase along with the related pension expense and required funding contributions.

The Company's expected return on plan assets assumptions are based on our expectation of long-term average rates of return on assets in the pension funds, which reflect both the current and projected asset mix of the funds and consider the historical returns earned on the fund. If the actual rates of return are lower than we assume, our future pension expense and required funding contributions may increase. Actual returns above the assumed level could decrease future pension expense and lower the amount of required funding contributions. For the year ended September 30, 2017, the Company used an expected return on plan assets of 1.1% to 7.0%. If plan assets decline due to poor market performance, the Company's pension liability will increase along with increasing pension expense and required funding contributions may increase.

The Company reviews its actuarial assumptions on an annual basis and makes modifications based on current rates and trends when appropriate. Based on the information provided by independent actuaries and other relevant sources, the Company believes that the assumptions used are reasonable; however, changes in these assumptions could impact our financial position, results of operations or cash flows in the future. See Note 17, Employee Benefit Obligations, to our Consolidated Financial Statements included in Part IV - Item 15. Exhibits, Financial Statements and Schedules for further discussion of our employee benefit plans.

Restructuring and Related Charges

Restructuring charges include, but are not limited to, termination and related costs consisting primarily of one-time termination benefits such as severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by us, include, but are not limited to, other costs directly associated with exit and relocation activities, including impairment of property and other assets, departmental costs of full-time incremental employees, and any other items related to the exit or relocation activities. Costs for such activities are estimated by us after evaluating detailed analyses of the costs to be incurred.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustments and measures undertaken by us to exit certain activities. Costs for such activities are estimated by us after evaluating detailed analyses of the costs to be incurred. Such liabilities could include amounts for items such as severance costs and related benefits (including settlements of pension plans), lease termination payments and any other items directly related to the exit activities. Impairment of property, plant and equipment and other current or long-term assets as a result of restructuring related initiatives are recognized as a reduction of the appropriate asset.

Restructuring and related charges associated with manufacturing and related initiatives are reported in cost of goods sold. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the restructuring initiatives implemented. Restructuring and related charges associated with administrative functions are reported in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the initiatives implemented.

While the actions are carried out as expeditiously as possible, restructuring and related charges are estimates. Changes in estimates resulting in an increase to or a reversal of a previously recorded liability may be required as we execute a restructuring plan. See Note 4, Restructuring and Related Charges, to our Consolidated Financial Statements for further discussion of our restructuring initiatives and related costs.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

*Market Risk Factor***s**

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded.

Through Spectrum Brands, we have market risk exposure from changes in interest rates, foreign currency exchange rates, and commodity prices. Spectrum Brands uses derivative financial instruments to mitigate the risk from such exposures, when appropriate. While we or our subsidiaries may enter into derivative contracts to attempt to manage a portion of an underlying market risk, we or our subsidiaries may not be successful managing the intended risk and/or we or our subsidiaries may reduce or eliminate such arrangements at any time.

Interest Rate Risk

A portion of Spectrum Brands' debt bears interest at variable rates. If market interest rates increase, the interest rate on Spectrum Brands' variable rate debt will increase and will create higher debt service requirements, which would adversely affect Spectrum Brands' cash flow and could adversely impact its results of operations. Spectrum Brands also has bank lines of credit at variable interest rates. The general levels of United States, Canadian and European Union interest rates, London Interbank Offered rate, Canadian Dollar Offered rate and Euro Interbank Offered Rate affect interest expense. Spectrum Brands periodically uses interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life of the swap agreements as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counterparties are included in accrued liabilities or accounts receivable.

At September 30, 2017, the Company had $1,357.9 million, or 23.4%, of its total debt subject to variable interest rates, the majority related to Spectrum Brands' Term Loans of $1,303.2 million. After inclusion of $300.0 million of Spectrum Brands' interest rate swaps expiring in May 2020 fixing a portion of the variable rate debt, $1,057.9 million, or 18.2% of our consolidated debt is subject to variable rates. Assuming an increase to market rates of 1.0% as of September 30, 2017, the Company would incur an increase to interest expense of $10.8 million.

At September 30, 2017, the potential change in fair value of Spectrum Brands' outstanding interest rate derivative instruments assuming a 1 percent decline in interest rates would be a loss of $8.3 million. The net impact on reported earnings, after also including the effect of the change on one year's underlying interest rate exposure on Spectrum Brands' variable rate Term Loan would be a net loss of $1.2 million.

Foreign Exchange Risk

Spectrum Brands is subject to risk from sales and loans to and from its subsidiaries as well as sales to, purchases from and bank lines of credit with, third-party customers, suppliers and creditors, respectively, denominated in foreign currencies. Foreign currency sales and purchases are made primarily in Euro, Pounds Sterling, Mexican Pesos, Canadian Dollars, Australian Dollars and Brazilian Reals. Spectrum Brands manages its foreign exchange exposure from such sales, accounts receivable, intercompany loans, firm purchase commitments, accounts payable and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

At September 30, 2017, Spectrum Brands had $570.7 million equivalent of debt denominated in foreign currencies. Other than Spectrum Brands Canadian-denominated term loan and Euro-denominated 4.00% Notes in the equivalent of $59.0 million and $500.9 million, respectively, recorded in a U.S. Dollar functional entity, the remaining debt is recorded in countries with the same functional currency as the debt. The foreign currency exposure from the Canadian Dollar-denominated term loans are substantially offset by Canadian Dollar-denominated intercompany loan receivables recorded in a U.S. Dollar functional entity and the 4.00% Notes are held as a net investment hedge of the translation of the Company's net investment in Euro-denominated subsidiaries.

As of September 30, 2017, the potential change in fair value of outstanding foreign exchange derivative instruments of Spectrum Brands, assuming a 10% unfavorable change in the underlying exchange rates, would be a loss of $13.1 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of $1.0 million.

Commodity Price Risk

Spectrum Brands is exposed to fluctuations in market prices for purchases of brass used in their manufacturing processes. Spectrum Brands uses commodity swaps and calls to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to the anticipated purchases of the commodities. The cost of calls is amortized over the life of the contracts and recorded in cost of goods sold, along with the effects of the swap and call contracts. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

As of September 30, 2017, the potential change in fair value of outstanding commodity price derivative instruments of Spectrum Brands, assuming a 10% decline in the underlying commodity prices, would be a loss of $0.7 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of $0.7 million.

Exhibit 99.6

Financial Statements

HRG GROUP, INC. AND SUBSIDIARIES

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of September 30, 2017 and 2016	F-3
Consolidated Statements of Operations for the Years Ended September 30, 2017, 2016 and 2015	F-4
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended September 30, 2017, 2016 and 2015	F-5
Consolidated Statements of Shareholders’ Equity for the Years Ended September 30, 2017, 2016 and 2015	F-6
Consolidated Statements of Cash Flows for the Years Ended September 30, 2017, 2016 and 2015	F-7
Notes to Consolidated Financial Statements	F-8
(1) Basis of Presentation and Nature of Operations	F-8
(2) Significant Accounting Policies and Practices and Recent Accounting Pronouncements	F-10
(3) Acquisitions	F-19
(4) Restructuring and Related Charges	F-22
(5) Divestitures	F-23
(6) Securitizations and Variable Interest Entities	F-27
(7) Fair Value of Financial Instruments	F-27
(8) Receivables, net	F-29
(9) Inventories, net	F-29
(10) Property, Plant and Equipment, net	F-30
(11) Goodwill and Intangibles, net	F-30
(12) Accounts Payable and Other Current Liabilities	F-31
(13) Debt	F-32
(14) Leases	F-37
(15) Derivative Financial Instruments	F-37
(16) Shareholders’ Equity	F-40
(17) Employee Benefit Obligations	F-41
(18) Income Taxes	F-43
(19) Related Party Transactions	F-48
(20) Stock-Based Compensation	F-49
(21) Commitments and Contingencies	F-51
(22) Insurance Subsidiary — Financial Information	F-53
(23) Segment and Geographic Data	F-55
(24) Earnings Per Share	F-56
(25) Consolidating Financial Information	F-57
(26) Subsequent Events	F-61
(27) Quarterly Results (Unaudited - See Accompanying Accountants’ Report)	F-64
Schedule II — Condensed Financial Information of Registrant	F-67

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
HRG Group, Inc.:

We have audited the accompanying consolidated balance sheets of HRG Group, Inc. and subsidiaries (the Company) as of September 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2017. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule II are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HRG Group, Inc. and subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated November 20, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP
New York, New York
November 20, 2017
except for the effects of changes in discontinued operations, as discussed in Notes 1, 5, 15, and subsequent event, as discussed in Note 26, as to which the date is March 30, 2018.

HRG GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except per share and share amounts)

	September 30, 2017	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 270.1	$ 465.2
Trade receivables, net (Note 8)	266.0	245.6
Other receivables, net (Note 8)	19.7	23.8
Inventories, net (Note 9)	496.3	449.9
Prepaid expenses and other current assets	54.8	38.2
Current assets of businesses held for sale	28,929.2	601.0
Total current assets	30,036.1	1,823.7
Property, plant and equipment, net (Note 10)	503.9	367.4
Goodwill (Note 11)	2,277.1	2,133.3
Intangibles, net (Note 11)	1,612.0	1,534.8
Deferred charges and other assets	43.7	62.8
Noncurrent assets of businesses held for sale (Note 5)	1,376.9	27,658.1
Total assets	$ 35,849.7	$ 33,580.1
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 13)	$ 161.4	$ 239.3
Accounts payable (Note 12)	373.1	316.0
Accrued wages and salaries (Note 12)	55.4	101.8
Accrued interest (Note 12)	78.0	68.3
Other current liabilities	125.8	103.7
Current liabilities of businesses held for sale	26,851.3	412.1
Total current liabilities	27,645.0	1,241.2
Long-term debt, net of current portion (Note 13)	5,543.7	5,226.3
Employee benefit obligations (Note 17)	38.6	48.0
Deferred tax liabilities (Note 18)	493.2	512.1
Other long-term liabilities	26.2	26.0
Noncurrent liabilities of businesses held for sale	156.1	24,709.3
Total liabilities	33,902.8	31,762.9
Commitments and contingencies (Note 21)		
HRG Group, Inc. shareholders' equity (Note 16):		
Common stock, $0.01 par; 500,000.0 thousand shares authorized; 200,624.9 thousand and 200,789.1 thousand shares issued and outstanding at September 30, 2017 and 2016, respectively.	2.0	2.0
Additional paid-in capital	1,372.9	1,447.1
Accumulated deficit	(925.9)	(1,031.9)
Accumulated other comprehensive income	309.0	220.9
Total HRG Group, Inc. shareholders' equity	758.0	638.1
Noncontrolling interest	1,188.9	1,179.1
Total shareholders' equity	1,946.9	1,817.2
Total liabilities and equity	$ 35,849.7	$ 33,580.1

See accompanying notes to consolidated financial statements.

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

	Year ended September 30,		
	2017	2016	2015
Revenues:			
Net sales	$ 3,009.5	$ 3,029.4	$ 2,640.9
Net investment income	1.1	8.9	20.7
Total revenues	3,010.6	3,038.3	2,661.6
Operating costs and expenses:			
Cost of goods sold	1,833.5	1,791.7	1,650.6
Selling, acquisition, operating and general expenses	894.1	911.7	1,059.8
Total operating costs and expenses	2,727.6	2,703.4	2,710.4
Operating income (loss)	283.0	334.9	(48.8)
Interest expense	(309.9)	(334.5)	(321.7)
Gain on deconsolidation of subsidiary	—	—	38.5
Other (expense) income, net	(4.2)	8.8	15.0
(Loss) income from continuing operations before income taxes	(31.1)	9.2	(317.0)
Income tax expense (benefit)	38.1	(58.4)	1.3
Net (loss) income from continuing operations	(69.2)	67.6	(318.3)
Income (loss) from discontinued operations, net of tax	342.4	(101.5)	(194.1)
Net income (loss)	273.2	(33.9)	(512.4)
Less: Net income attributable to noncontrolling interest	167.2	164.9	44.4
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)
Amounts attributable to controlling interest:			
Net loss from continuing operations	$ (121.1)	$ (45.8)	$ (299.3)
Net income (loss) from discontinued operations	227.1	(153.0)	(257.5)
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)
Net income (loss) per common share attributable to controlling interest:			
Basic loss from continuing operations	$ (0.61)	$ (0.23)	$ (1.51)
Basic income (loss) from discontinued operations	1.14	(0.77)	(1.30)
Basic	$ 0.53	$ (1.00)	$ (2.81)
Diluted loss from continuing operations	$ (0.61)	$ (0.23)	$ (1.51)
Diluted income (loss) from discontinued operations	1.14	(0.77)	(1.30)
Diluted	$ 0.53	$ (1.00)	$ (2.81)

See accompanying notes to consolidated financial statements.

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

	Year ended September 30,		
	2017	2016	2015
Net income (loss)	$ 273.2	$ (33.9)	$ (512.4)
Other comprehensive income (loss):			
Foreign currency translation gains (losses)	29.1	(8.5)	(112.9)
Net unrealized (loss) gain on derivative instruments			
Changes in derivative instruments before reclassification adjustment	(31.6)	11.1	11.4
Net reclassification adjustment for gains included in net income (loss)	(10.8)	(1.1)	(27.5)
Changes in derivative instruments after reclassification adjustment	(42.4)	10.0	(16.1)
Changes in deferred income tax asset/liability	13.3	(2.8)	5.2
Deferred tax valuation allowance adjustments	—	(0.1)	(2.2)
Net unrealized (loss) gain on hedging derivative instruments	(29.1)	7.1	(13.1)
Actuarial adjustments to pension plans			
Changes in actuarial adjustments before reclassification adjustment	23.5	(41.7)	(13.6)
Net reclassification adjustment	5.5	2.4	1.4
Changes in actuarial adjustments to pension plans	29.0	(39.3)	(12.2)
Changes in deferred income tax asset/liability	(8.5)	10.8	3.6
Deferred tax valuation allowance adjustments	—	—	(3.1)
Net actuarial adjustments to pension plans	20.5	(28.5)	(11.7)
Unrealized investment gains (losses):			
Changes in unrealized investment gains (losses) before reclassification adjustment	176.5	784.5	(643.8)
Net reclassification adjustment for losses included in net income	17.9	8.8	28.8
Changes in unrealized investment gains (losses) after reclassification adjustment	194.4	793.3	(615.0)
Adjustments to intangible assets	(40.3)	(258.3)	219.7
Changes in deferred income tax asset/liability	(54.5)	(185.7)	138.7
Net unrealized gains (losses) on investments	99.6	349.3	(256.6)
Changes in non-credit related other-than-temporary impairment	—	(1.4)	—
Net change to derive comprehensive income (loss) for the period	120.1	318.0	(394.3)
Comprehensive income (loss)	393.3	284.1	(906.7)
Less: Comprehensive income (loss) attributable to the noncontrolling interest:			
Net income	167.2	164.9	44.4
Other comprehensive income (loss)	28.0	56.0	(108.0)
	195.2	220.9	(63.6)
Comprehensive income (loss) attributable to the controlling interest	$ 198.1	$ 63.2	$ (843.1)

See accompanying notes to consolidated financial statements.

Table of Contents

HRG GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity	Noncontrolling Interest ("NCI")	Total Equity
	Shares	Amount						
Balances at September 30, 2014	202.3	$ 2.0	$ 1,472.3	$ (276.3)	$ 243.6	$ 1,441.6	$ 815.4	$ 2,257.0
Net loss	—	—	—	(556.8)	—	(556.8)	44.4	(512.4)
Unrealized investment losses, net	—	—	—	—	(206.1)	(206.1)	(50.5)	(256.6)
Other unrealized losses	—	—	—	—	(7.5)	(7.5)	(5.6)	(13.1)
Actuarial adjustments to pension plans	—	—	—	—	(7.0)	(7.0)	(4.7)	(11.7)
Translation adjustment	—	—	—	—	(65.7)	(65.7)	(47.2)	(112.9)
Comprehensive loss						(843.1)	(63.6)	(906.7)
Repurchase of common stock	(1.7)	(0.1)	(22.1)	—	—	(22.2)	—	(22.2)
Proceeds from public offering of subsidiary shares, net	—	—	29.9	—	1.3	31.2	249.8	281.0
Purchases of subsidiary stock	—	—	(76.8)	—	0.7	(76.1)	15.1	(61.0)
Exercise of stock options	0.7	—	4.1	—	—	4.1	—	4.1
Stock compensation	1.4	0.1	71.0	—	—	71.1	18.9	90.0
Restricted stock surrendered for tax withholding	(1.3)	—	(19.9)	—	—	(19.9)	(1.1)	(21.0)
NCI in acquired subsidiary	—	—	—	—	—	—	0.8	0.8
Dividend paid by subsidiary to NCI	—	—	—	—	—	—	(33.9)	(33.9)
Balances at September 30, 2015	201.4	2.0	1,458.5	(833.1)	(40.7)	586.7	1,001.4	1,588.1
Net loss	—	—	—	(198.8)	—	(198.8)	164.9	(33.9)
Unrealized investment gains, net	—	—	—	—	279.3	279.3	68.6	347.9
Other unrealized gains	—	—	—	—	4.1	4.1	3.0	7.1
Actuarial adjustments to pension plans	—	—	—	—	(16.6)	(16.6)	(11.9)	(28.5)
Translation adjustment	—	—	—	—	(4.8)	(4.8)	(3.7)	(8.5)
Comprehensive income						63.2	220.9	284.1
Purchases of subsidiary stock	—	—	(34.6)	—	(0.4)	(35.0)	(19.5)	(54.5)
Exercise of stock options	0.6	—	4.4	—	—	4.4	—	4.4
Stock compensation	—		42.9	—	—	42.9	21.4	64.3
Restricted stock surrendered for tax withholding	(1.2)	—	(24.1)	—	—	(24.1)	(4.6)	(28.7)
Dividend paid by subsidiary to NCI	—	—	—	—	—	—	(40.5)	(40.5)
Balances at September 30, 2016	200.8	2.0	1,447.1	(1,031.9)	220.9	638.1	1,179.1	1,817.2
Net income	—	—	—	106.0	—	106.0	167.2	273.2
Unrealized investment gains, net	—	—	—	—	79.1	79.1	20.5	99.6
Other unrealized losses	—	—	—	—	(17.3)	(17.3)	(11.8)	(29.1)
Actuarial adjustments to pension plans	—	—	—	—	12.6	12.6	7.9	20.5
Translation adjustment	—	—	—	—	17.7	17.7	11.4	29.1
Comprehensive income						198.1	195.2	393.3
Purchases of subsidiary stock	—	—	(113.2)	—	(4.0)	(117.2)	(136.0)	(253.2)
Exercise of stock options	0.7	—	6.5	—	—	6.5	—	6.5
Stock compensation	—	—	49.0	—	—	49.0	30.6	79.6
Restricted stock surrendered for tax withholding	(0.9)	—	(30.4)	—	—	(30.4)	(10.4)	(40.8)
NCI in acquired subsidiary	—	—	13.9	—	—	13.9	(26.4)	(12.5)
Dividend paid by subsidiary to NCI	—	—	—	—	—	—	(43.2)	(43.2)
Balances at September 30, 2017	200.6	$ 2.0	$ 1,372.9	$ (925.9)	$ 309.0	$ 758.0	$ 1,188.9	$ 1,946.9

See accompanying notes to consolidated financial statements.

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

	Year ended September 30,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$ 273.2	$ (33.9)	$ (512.4)
Income (loss) from discontinued operations, net of tax	342.4	(101.5)	(194.1)
Net (loss) income from continuing operations	(69.2)	67.6	(318.3)
Adjustments to reconcile net (loss) income to operating cash flows from continuing operations:			
Depreciation of properties and amortization of intangibles	132.2	120.4	107.4
Impairment of intangible assets and goodwill	16.3	13.4	60.2
Loan provision and bad debt expense	1.8	12.8	88.0
Stock-based compensation	52.9	70.8	66.0
Amortization of debt issuance costs	15.5	18.3	17.2
Amortization of debt discount	1.8	2.8	4.8
Write-off of debt discount on retired debt	2.5	5.8	12.8
Deferred income taxes	21.9	(73.6)	(10.9)
Purchase accounting inventory adjustment	3.3	—	21.7
Pet safety recall inventory write-off	15.0	—	—
Gain on contingent purchase price reduction	—	—	(8.5)
Gain on deconsolidation of subsidiary	—	—	(38.5)
Gain on debt extinguishment	—	(8.0)	—
Net recognized losses on investments and derivatives	—	1.2	2.5
Dividends from subsidiaries classified as discontinued operations	12.2	12.2	12.2
Changes in operating assets and liabilities	(51.1)	30.4	37.2
Net change in cash due to continuing operating activities	155.1	274.1	53.8
Net change in cash due to discontinued operating activities	685.0	639.2	236.0
Net change in cash due to operating activities	840.1	913.3	289.8
Cash flows from investing activities:			
Proceeds from investments sold, matured or repaid	—	35.1	70.8
Acquisitions, net of cash acquired	(304.7)	—	(1,309.9)
Net asset-based loan repayments	30.9	170.9	282.9
Capital expenditures	(77.8)	(61.0)	(56.6)
Proceeds from sales of assets	3.9	19.6	1.1
Capital contribution to subsidiary classified discontinued operations	—	—	(24.0)
Other investing activities, net	(1.5)	(3.0)	0.5
Net change in cash due to continuing investing activities	(349.2)	161.6	(1,035.2)
Net change in cash due to discontinued investing activities	(1,253.2)	(1,053.0)	(1,106.1)
Net change in cash due to investing activities	(1,602.4)	(891.4)	(2,141.3)
Cash flows from financing activities:			
Proceeds from issuance of new debt	315.6	484.4	3,705.1
Repayment of debt, including tender and call premiums	(251.9)	(1,087.1)	(3,034.1)
Debt issuance costs	(7.0)	(9.3)	(44.8)
Purchases of subsidiary stock, net	(265.0)	(52.0)	(49.6)
Dividend paid by subsidiary to noncontrolling interest	(39.9)	(37.3)	(31.0)
Share based award tax withholding payments	(40.8)	(28.7)	(21.0)
Common stock repurchased	—	—	(22.2)
Net proceeds from issuance subsidiary common stock	—	—	281.0
Other financing activities, net	6.5	3.0	9.4
Net change in cash due to continuing financing activities	(282.5)	(727.0)	792.8
Net change in cash due to discontinued financing activities	865.5	875.7	938.0
Net change in cash due to financing activities	583.0	148.7	1,730.8
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	(0.4)	—	(2.5)
Effect of exchange rate changes on cash and cash equivalents	3.1	(1.4)	(27.2)
Net change in cash and cash equivalents	(176.6)	169.2	(150.4)
Net change in cash and cash equivalents in discontinued operations	18.5	347.2	(120.0)
Net change in cash and cash equivalents in continuing operations	(195.1)	(178.0)	(30.4)

Cash and cash equivalents at beginning of period	465.2	643.2	673.6
Cash and cash equivalents at end of period	$ 270.1	$ 465.2	$ 643.2
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 323.5	$ 397.7	$ 395.7
Cash paid for taxes, net	37.5	35.9	54.4

See accompanying notes to consolidated financial statements.

HRG GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share and unit measures or as otherwise specified)

(1) Basis of Presentation and Nature of Operations

HRG Group, Inc. ("HRG", and collectively with its respective subsidiaries, the "Company") is a holding company that conducts its operations principally through its operating subsidiaries. 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 presents the results from its business operations in two reportable segments: (i) Consumer Products and (ii) Corporate and Other.

As of September 30, 2017, the Company's Consumer Products segment represents the Company's 59.6% controlling interest in Spectrum Brands Holdings, Inc. ("Spectrum Brands"), of which is a diversified global branded consumer products company. As of September 30, 2017, Company's Corporate and Other segment includes the Company's ownership of Salus Capital Partners, LLC, ("Salus"), which was created for the purpose of serving as an asset-based lender, 99.5% of NZCH Corporation ("NZCH"), a public shell company, HGI Funding, LLC ("HGI Funding") and HGI Energy Holdings, LLC ("HGI Energy"), which are subsidiaries that the Company uses to manage a portion of its available cash and engage in other activities.

As described further below under "Insurance Operations", as of September 30, 2017, the Company conducted its insurance operations through its 80.4% ownership of Fidelity & Guaranty Life ("FGL"), and the Company's other wholly-owned subsidiary, Front Street Re (Delaware) Ltd., ("Front Street"), collectively (the "Insurance Operations"). As described further below, as of September 30, 2017, the Company's Insurance Operations were classified as held for sale in the accompanying Consolidated Balance Sheets and the Insurance Operations were classified as discontinued operations in the accompanying Consolidated Statements of Operations and the Consolidated Statements of Cash Flows and reported separately for all periods presented. Any intercompany transactions between FGL and Front Street have been eliminated in the Company's financial statements. See Note 5, Divestitures.

For the results of operations by segment, and other segment data, see Note 23, Segment and Geographic Data and Note 25, Consolidating Financial Information.

The accompanying Consolidated Financial Statements of the Company included herein have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). 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 U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Certain prior period amounts have been reclassified or combined to conform to the current year presentation.

Fiscal Year End

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. References herein to Fiscal 2017, 2016 and 2015 refer to the fiscal years ended September 30, 2017, 2016 and 2015, respectively.

Consumer Products Segment

The Consumer Products segment represents the Company's 59.6% controlling interest in Spectrum Brands. Through its operating subsidiaries, Spectrum Brands is a diversified global branded consumer products company with positions in multiple product lines and categories: global pet supplies, home and garden control products, hardware and home improvement products and global auto care.

Subsequent to Fiscal 2017, effective December 29, 2017, Spectrum Brands' Board of Directors approved a plan to explore strategic alternatives, including the planned sale of Spectrum Brands' Global Batteries & Appliances ("GBA") segment. Spectrum Brands expects a sale to be realized by December 31, 2018. See Note 5, Divestitures, regarding Spectrum Brands' agreement to sell its Global Batteries and Lighting ("GBL") business and its plans to sell its Home and Personal Care ("HPC") business. The Company reports a business as held for sale when the criteria of Accounting Standard Codification ("ASC") Topic 360, *Property, Plant and Equipment* ("ASC 360") are met. The Company believes ASC 360's criteria for the GBA business have been met as of December 31, 2017. As a result, Spectrum Brands' assets and liabilities associated with the GBA business have been classified as held for sale in the accompanying Consolidated Balance Sheets and the respective operations of the GBA business have been classified as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows; and reported separately for all periods presented. See Note 2, Significant Accounting

Policies and Practices and Recent Accounting Pronouncements- Assets Held for Sale and Discontinued Operations. See Note 5, Divestitures for more information on the assets and liabilities classified as held for sale and discontinued operations. See Note 23, Segment and Geographic Data for more information pertaining to segments of continuing operations. Accordingly, the notes to the consolidated financial statements have been updated to exclude information pertaining to discontinued operations and reflect the only continuing operations of the Company, which includes updates to Note 1, Basis of Presentation and Nature of Operations, Note 2, Significant Accounting Policies and Practices and Recent Accounting Pronouncements, Note 4, Restructuring and Related Charges, Note 5, Divestitures, Note 7, Fair Value of Financial Instruments, Note 8, Receivables, net, Note 9, Inventories, net, Note 10, Property, Plant and Equipment, net, Note 11, Goodwill and Intangibles, net, Note 13, Debt, Note 14, Leases, Note 15, Derivative Financial Instruments, Note 17, Employee Benefit Obligations, Note 18, Income Taxes, Note 20, Stock-based Compensation, Note 21, Commitments and Contingencies, Note 23, Segment and Geographic Data, Note 24, Earnings per Share, Note 25, Consolidating Financial Information, and Note 27, Quarterly Results (Unaudited).

During Fiscal 2017, Spectrum Brands completed the acquisitions of (i) Petmatrix LLC ("Petmatrix"), a manufacturer and marketer of rawhide-free dog chews, for a purchase price of $255.2, (ii) GloFish branded operations ("GloFish"), which primarily consist of the development and licensing of fluorescent fish for sale through mass retail and online channels, for a purchase price of $49.7, and (iii) the remaining 44.0% non-controlling interest of Shaser, Inc. ("Shaser") for a purchase price of $12.6. See Note 3, Acquisitions.

Corporate and Other Segment

In connection with the Transition Agreement, dated as of November 17, 2016, by and between HRG and Omar Asali, Mr. Asali's employment as the President and Chief Executive Officer of HRG, as well as his service on the board of directors of the Company and its subsidiaries, ceased, effective as of April 14, 2017. On April 14, 2017, Mr. Joseph S. Steinberg, the Chairman of the Board of Directors of the Company, was appointed to the additional position of Chief Executive Officer of the Company.

On March 22, 2017, the Company appointed Mr. Ehsan Zargar, our General Counsel and Corporate Secretary, to the additional positions of Executive Vice President and Chief Operating Officer of the Company effective as of January 1, 2017.

Also, on November 28, 2016, the Company and David Maura, Managing Director and Executive Vice President of Investments of the Company, entered into a Separation and Release Agreement pursuant to which Mr. Maura resigned his employment with the Company, but will continue to serve as the Executive Chairman of Spectrum Brands and its subsidiaries and as a member of the Company's Board of Directors.

In addition, as previously announced in November 2016, HRG's Board of Directors initiated a process to review and evaluate strategic alternatives, which may include, but are not limited to, a merger, sale or other business combination involving HRG and/or its assets. HRG has not set a definitive schedule to complete its review of strategic alternatives and it does not intend to provide any further updates until such time as it determines in its sole discretion or as required by law. There can be no assurance that any such process will result in a transaction, or if a transaction is undertaken, as to its terms or timing. The strategic review process may be suspended or terminated at any time without notice.

Insurance Operations

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.

Through Bermuda and Cayman-based subsidiaries, Front Street Re Ltd. ("Front Street Bermuda") and Front Street Re (Cayman) Ltd. ("Front Street Cayman"), Front Street engages in the business of life, annuity and long-term care reinsurance.

On November 8, 2015, Anbang Insurance Group Co., Ltd. and its affiliates (collectively, "Anbang") entered into an Agreement and Plan of Merger (the "Anbang/FGL Merger Agreement") to acquire FGL for $26.80 per share. On April 17, 2017, FGL terminated the Anbang/FGL Merger Agreement. Prior to its termination, the Anbang/FGL Merger Agreement was amended on November 3, 2016 and on February 9, 2017, each time to extend the outside termination date. As a result of the termination of the Anbang/FGL Merger Agreement, FGL had no remaining obligations thereunder.

On May 24, 2017, FGL entered into an Agreement and Plan of Merger (the "FGL Merger Agreement") with CF Corporation ("CF Corp"), FGL U.S. Holdings Inc., an indirect wholly owned subsidiary of CF Corp ("CF/FGL US"), and FGL Merger Sub Inc., a direct wholly owned subsidiary of CF/FGL US, pursuant to which CF Corp has agreed to acquire FGL for $31.10 per share (the "FGL Merger").

Pursuant to the FGL Merger Agreement, the consummation of the FGL Merger is subject to the satisfaction or waiver of the following closing conditions, which have been satisfied: (i) on June 16, 2017, the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (ii) on August 8, 2017, CF Corp held an extraordinary general meeting in lieu of an annual general meeting of shareholders, at which CF Corp's shareholders approved, among other items, all of the proposals relating to the FGL Merger Agreement and the FGL Merger; (iii) on August 14, 2017, FGL filed with the SEC and mailed to its stockholders a definitive information statement in connection with the FGL Merger; (iv) on August 24, 2017, the Vermont Department of Financial Regulation granted its required regulatory approval relating to the FGL Merger; and (v) on November 8, 2017, the New York Department of Financial Services granted its required regulatory approval relating to the FGL Merger. In addition, the consummation of the FGL Merger is also subject to satisfaction or waiver of other closing conditions, including the receipt of regulatory approvals from the Iowa Insurance Division (“IID”) and the absence of any law or order enacted, issued or enforced that is in effect and that prevents or prohibits the consummation of the FGL Merger. With respect to the regulatory approvals from the IID, on November 7, 2017, the IID held a public hearing to consider whether the proposed acquisition of control of Fidelity & Guaranty Life Insurance Company complies with the standards set forth under applicable Iowa insurance laws.

FGL expects to be in a position to close the FGL Merger before the end of calendar year 2017; however, the closing of the FGL Merger and the timing thereof is subject to the IID’s regulatory review and approval process, the results of which cannot be assured. In the event the FGL Merger Agreement is terminated, under certain circumstances, FGL may be required to pay a termination fee to CF Corp in an aggregate amount of $50.0.

In a separate transaction, on May 24, 2017, Front Street entered into a Share Purchase Agreement (the “Front Street Purchase Agreement”) pursuant to which, subject to the terms and conditions set forth therein, Front Street has agreed to sell (the “Front Street Sale”) to CF/FGL US all of the issued and outstanding shares of (i) Front Street Cayman and (ii) Front Street Bermuda (collectively, the “Acquired Companies”). The purchase price is $65.0, subject to customary adjustments for transaction expenses. The definitive documentation contains customary representations, warranties and indemnification obligations. In addition, at the closing of the Front Street Sale, $6.5 of the purchase price will be deposited in escrow for a period of 15 months (as extended to satisfy pending claims at such time) to support certain indemnification obligations of Front Street to CF/FGL US. The required regulatory approvals in connection with the transaction have been received and the closing of the transaction is expected to take place before the end of calendar year 2017, subject to the satisfaction of other customary closing conditions, including the consummation of the FGL Merger. The closing of the FGL Merger is not conditioned upon the closing of the Front Street Sale. Prior to the execution of the Front Street Purchase Agreement, the operations of Front Street were reported in the Company’s Insurance segment.

In addition, on May 24, 2017, HRG, FS Holdco II Ltd. (“FS Holdco”), CF Corp and CF/FGL US entered into an agreement (the “338 Agreement”) pursuant to which CF/FGL US agreed that FS Holdco may, at its option, cause CF/FGL US and FS Holdco to make a joint election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, with respect to the FGL Merger and the deemed share purchases of FGL’s subsidiaries (the “338 Tax Election”). Pursuant to the 338 Agreement, if FS Holdco elects to make the 338 Tax Election, it will be required to pay CF/FGL US $30.0, plus additional specified amounts, in excess of $6.0, determined by reference to FGL’s incremental current tax costs attributable to the 338 Tax Election, if any, and CF/FGL US will be required to pay FS Holdco additional specified amounts, in excess of $6.0, determined by reference to FGL’s incremental current tax savings attributable to the 338 Tax Election, if any. As of the date hereof, the Company expects to exercise the 338 Tax Election. As of September 30, 2017, HRG had approximately $1,840.2 of gross U.S. net operating loss (“NOL”) and capital loss carryforwards - also see Note 18, Income Taxes. If the 338 Tax Election is made, HRG expects to retain such federal NOL and capital loss carryforwards following the sale of its stock in the FGL Merger. If the Company exercises the 338 Tax Election, at September 30, 2017, the Company estimated to receive a $9.6 net payment from CF Corp to HRG, which was reflected in the estimated fair value, less cost to sell of FGL as of September 30, 2017. Nonetheless, there can be no assurance that the Company will receive the expected benefits of such election. In addition, the estimated payment described herein is preliminary and subject to change, and will not be definitively determined until the FGL Merger is closed and the 338 Tax Election is made and the parties to the 338 Agreement complete their review of the election in accordance with the terms of the 338 Agreement. Also, see Note 2, Significant Accounting Policies and Practices and Recent Accounting Pronouncements, “Use of Estimates” section.

(2) Significant Accounting Policies and Practices and Recent Accounting Pronouncements

Principles of Consolidation

The Consolidated Financial Statements include the accounts of HRG and all other entities in which HRG has a controlling financial interest and those variable interest entities (“VIEs”) where the Company is the primary beneficiary. Intercompany accounts and transactions between businesses held for use have been eliminated. Results of operations of acquired companies are included from the dates of acquisition and for VIEs, from the dates that the Company became the primary beneficiary. At September 30, 2017, the non-controlling interest component of total equity primarily represents the 40.4% share of Spectrum Brands and the 19.6% of FGL not owned by HRG.

VIE is an entity that lacks equity investors or whose equity investors do not have a controlling financial interest in the entity through their equity investments. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. A corporation is deemed to have a controlling financial interest and is the primary beneficiary of a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The Company, through its subsidiary, Salus, primarily uses VIEs for its securitization activities, in which Salus transfers whole loans into a trust or other vehicle such that the assets are legally isolated from the creditors of Salus. Assets held in a trust can only be used to settle obligations of the trust. The creditors of these trusts typically have no recourse to Salus except in accordance with the obligations under standard representations and warranties. When Salus is the servicer of whole loans held in a securitization trust, Salus has the power to direct the most significant activities of the trust. Salus consolidates a whole-loan securitization trust if it has the power to direct the most significant activities and also holds securities issued by the trust or has other contractual arrangements, other than standard representations and warranties, that could potentially be significant to the trust. See Note 6, Securitizations and Variable Interest Entities for additional information on the Company's investment in consolidated VIEs.

Assets Held for Sale and Discontinued Operations

The Company reports a business as held for sale when the criteria of Accounting Standard Codification ("ASC") Topic 360, *Property, Plant and Equipment* ("ASC 360") are met. 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 business 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 sold or 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 "Income (loss) from discontinued operations, net of tax" in the accompanying 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. As discussed in Note 5, Divestitures, on July 1, 2016, the Company entered into an agreement to sell all of its remaining oil and gas interests. Consequently, the Company's investments in oil and gas properties have been reclassified as discontinued operations.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid temporary instruments purchased with original maturities of three months or less from date of purchase to be cash equivalents.

Receivables

Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, but generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make adjustments to credit policies as required. Provisions for losses on uncollectible trade receivables are determined based on ongoing evaluations of the Company's receivables, principally on the basis of historical collection experience and evaluations of the risks of nonpayment or return for a given customer. Refer to Note 8, Receivables, net, for further detail.

Inventories

The Company's inventories are valued at the lower of cost or net realizable value. Cost of inventories is determined using the first-in, first-out ("FIFO") method. Refer to Note 9, Inventories, net, for further detail.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Property, plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset; such amortization is included in depreciation expense. The Company uses accelerated depreciation methods for income tax purposes. Useful lives for property, plant and equipment are as follows:

Asset Type	Range
Buildings and improvements	20 to 40 years
Machinery and equipment	2 to 15 years

Expenditures which substantially increase value or extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. The Company records gains and losses on the disposition or retirement of property, plant and equipment based on the net book value and any proceeds received.

Long-lived fixed assets held and used are reviewed for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. If such indicators are present, the Company performs undiscounted cash flow analyses to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows generated did not exceed the carrying value of the asset. If impairment is determined to exist, any related impairment loss is calculated based on fair value. There were no triggering events identified during the year that necessitated an impairment test over property, plant and equipment. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Refer to Note 10, Property, Plant and Equipment, net, for further detail.

Goodwill

Goodwill reflects the excess of acquisition cost over the aggregate fair value assigned to identifiable net assets acquired. Goodwill is not amortized, but instead is assessed for impairment at least annually and as triggering events or indicators of potential impairment are identified. Goodwill has been assigned to reporting units for purposes of impairment testing based upon the relative fair value of the asset to each reporting unit. The Company performs its annual impairment test in the fourth quarter of its fiscal year.

Consumer Products Segment

The reporting units of Spectrum Brands are consistent with the product categories for the Consumer Products segment. The fair value of each reporting unit is compared to its carrying value, including goodwill. In estimating the fair value of their reporting units, Spectrum Brands uses a discounted cash flow methodology, which requires the estimation of future revenues, expenses, and capital expenditures and make assumptions about Spectrum Brands' weighted average cost of capital and perpetuity growth rate, among other variables. Spectrum Brands tests the aggregate estimated fair value of the reporting units by comparison to Spectrum Brands' total market capitalization, including both equity and debt capital. If the fair value of a reporting unit is less than its carrying value, an impairment loss would be recognized equal to that excess; however the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit. See Note 11, Goodwill and Intangibles, net for further details.

Corporate and Other

During Fiscal 2016, the Company determined that sufficient indicators of potential impairment existed to require an interim goodwill impairment analysis for the CorAmerica Capital, LLC ("CorAmerica") reporting unit. The Company estimated the fair value of the CorAmerica reporting unit using the income approach. Under the income approach, the Company calculated the fair value of the CorAmerica reporting unit based on the present value of estimated future cash flows. Management's estimate of implied fair value of goodwill was zero and, consequently, resulted in a goodwill impairment charge of $10.7, which was reflected in "Selling, acquisition, operating and general expenses" in the accompanying Consolidated Statements of Operations for Fiscal 2016.

During Fiscal 2015, the Company concluded that an interim impairment test of goodwill and indefinite-lived intangible assets for its Frederick's of Hollywood Group Inc. ("FOH") reporting unit was necessary. This conclusion was based on certain indicators of impairment, primarily related to the departure of Philip Falcone, the Company's former Chief Executive Officer, in December of 2014, and subsequent change in strategic direction of FOH.

The Company estimated the fair value of the FOH reporting unit using a combination of the income and market multiple approaches. Under the income approach, the Company calculated the fair value of the FOH reporting unit based on the present value of estimated future cash flows. The market data utilized included publicly-traded prices and transaction values of comparable companies with operations considered to be similar to those of the Company's reporting units. Management's estimate of implied fair value of goodwill of $16.2 was below the carrying value for the FOH reporting unit and, consequently, resulted in a goodwill impairment charge of $28.3 for Fiscal 2015.

Intangibles

Intangibles with Indefinite Lives

Indefinite-lived intangible assets (certain trade name intangible assets) are not amortized; but instead are tested for impairment at least annually in the fourth fiscal quarter or as triggering events or indicators of potential impairment are identified.

Impairment of indefinite-lived intangible assets is assessed by comparing the estimated fair value of the identified trade names to their carrying value to determine if potential impairment exists. If the fair value is less than the carrying value, an impairment loss is recorded for the excess. The fair value of indefinite-lived intangible assets is determined using an income approach, the relief from royalty methodology, which requires management to make estimates and assumptions about future revenues, royalty rates, and the discount rate, among others.

Intangibles Impairment Test

Consumer Products

Spectrum Brands performs its annual impairment test in the fourth quarter of its fiscal year. During Fiscal 2017, the Company recognized $16.3 impairment on indefinite life intangible assets due to the reduction in value of certain tradenames in response to changes in management's strategy. During Fiscal 2016, the Company recognized $2.7 impairment on indefinite-lived intangible assets. In connection with its annual impairment testing of indefinite-lived intangible assets, Spectrum Brands concluded that the fair values of its intangible assets exceeded their carrying values resulting in no impairment for Fiscal 2015. These impairments were reflected in "Selling, acquisition, operating and general expenses" in the accompanying Consolidated Statements of Operations.

Corporate and Other

Prior to conducting the goodwill impairment test for the FOH reporting unit discussed above, the Company first evaluated the recoverability of FOH's intangible assets. The Company valued indefinite-lived trade names and trademarks using the income approach, specifically the relief from royalty method. Management estimated the fair value of the trade name and trademarks at $9.9 under this approach, which resulted in an impairment of $31.9 for Fiscal 2015.

Effective April 19, 2015, FOHG Holdings, LLC, FOH and their subsidiaries (together, "FOHG") filed for bankruptcy. Prior to the bankruptcy, three of the Company's consolidated subsidiaries were lenders to FOHG. Following the completion of the bankruptcy of FOHG, such entities ceased to be subsidiaries of HRG and the Company deconsolidated FOHG from the Consolidated Financial Statements. The Company recorded a $38.5 gain on the deconsolidation, reported in "Gain on deconsolidation of subsidiary" in the accompanying Consolidated Statements of Operations and $16.2 of impairments related to certain loans between FOHG and subsidiaries of the Company. The deconsolidation of FOHG also resulted in a decrease of goodwill and intangibles associated with FOHG of $16.2 and $9.9, respectively.

Intangibles with Definite or Estimable Useful Lives

Intangible assets are recorded at cost or at estimated fair value if acquired in a business combination. Customer lists, proprietary technology and certain trade name intangibles are amortized, using the straight-line method, over their estimated useful lives. The range and weighted average useful lives for definite-lived intangibles assets associated with Spectrum Brands' continuing operations are as follows:

Asset Type	Range	Weighted Average
Customer relationships	2 to 20 years	17.9 years
Technology assets	6 to 18 years	11.4 years
Tradenames	5 to 13 years	6.2 years

Definite-lived intangible assets held and used are reviewed for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. If indicators of potential impairment are identified, the Company performs an undiscounted cash flow analysis to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows expected to be generated by the asset did not exceed its carrying value. If impairment is determined to exist, any related impairment loss is calculated based on fair value. There were no triggering events identified during Fiscal 2017, 2016 and 2015 that necessitated an impairment test of definite-lived intangible assets.

Impairment reviews are conducted at the judgment of management when it believes that a change in circumstances in the business or external factors warrants a review. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses, or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. Refer to Note 11, Goodwill and Intangibles, net, for further detail.

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense using the effective interest method over the lives of the related debt agreements. Debt issuance costs were $76.1 and $87.0 as of September 30, 2017 and 2016, respectively, and are included in “Long-term debt, net of current portion” in the accompanying Consolidated Balance Sheets. Amortization of debt issuance costs is recognized as “Interest expense” in the accompanying Consolidated Statements of Operations. See Note 13, Debt for further detail.

Derivative Financial Instruments

Derivative financial instruments are used by the Company’s Consumer Products segment principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company’s Consumer Products segment does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative assets and liabilities are reported at fair value in the Consolidated Balance Sheets. When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. Depending on the nature of derivatives designated as hedging instruments, changes in fair value are either offset against the change in fair value of the hedged assets or liability through earnings or recognized in equity through other comprehensive income until the hedged item is recognized. Any ineffective portion of a financial instrument’s change in fair value is recognized in earnings. For derivatives that do not qualify for hedge accounting treatment, the change in the fair value is recognized in earnings.

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the effective portion of the derivative is reported as a component of Accumulated Other Comprehensive Income (“AOCI”) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income in the period that includes the enactment date. The Company has the ability and intent to recover in a tax-free manner assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided, in accordance with ASC Topic 740, *Income Taxes*.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Accrued interest expense and penalties related to uncertain tax positions are recorded in “Income tax expense (benefit)” in the accompanying Consolidated Statements of Operations.

Refer to Note 18, Income Taxes, for further detail.

Stock-Based compensation

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. HRG uses the simplified method to estimate the expected option term for stock option grants, as the Company does not have a sufficient history of stock option exercises to reliably estimate the expected option term. HRG recognizes stock based compensation expense in income on a straight line basis over the requisite service period for each separately vesting portion of such stock based compensation awards. In certain instances during Fiscal 2017, the Company repurchased restricted stock and other equity upon vesting from its current and former officers and employees to cover the minimum applicable statutory taxes. The Company classifies certain stock awards as liabilities. For these awards, the fair value is classified as a liability in the accompanying Consolidated Balance Sheets, and the liability is marked-to-market through net income at the end of each reporting period, and included in “Selling, acquisition, operating and general expenses” in the accompanying Consolidated Statements of Operations.

Spectrum Brands measures the compensation expense of its stock-based compensation awards, which consist of restricted stock units, based on the fair value of the awards at the date of grant and recognizes these costs on a straight line basis over the requisite service period of the awards. The fair value of the restricted stock units is determined based on the market price of Spectrum Brands' shares of common stock on the grant date.

Refer to Note 20, Stock-based Compensation, for further detail.

Employee Benefit Obligations

The recognition and disclosure provisions of ASC Topic 715: "*Compensation-Retirement Benefits*" ("ASC 715") requires recognition of the overfunded or underfunded status of defined benefit pension and postretirement plans as an asset or liability in the accompanying Consolidated Balance Sheets, and to recognize changes in that funded status in AOCI.

In accordance with the measurement date provisions of ASC 715, the Company measures all of its defined benefit pension and postretirement plan assets and obligations as of September 30, which is the Company's fiscal year end.

Refer to Note 17, Employee Benefit Obligations, for further detail.

Foreign Currency Translation

Local currencies are considered the functional currencies for most of the Company's operations outside the United States ("U.S."). Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses, and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are recorded as a component of equity in AOCI, including the effects of exchange rate changes on intercompany balances of a long-term investment nature.

As of September 30, 2017 and 2016, accumulated losses related to foreign currency translation adjustments of $77.7 and $92.4 (net of taxes and non-controlling interest), respectively, were reflected in the accompanying Consolidated Balance Sheets in AOCI.

Foreign currency transaction gains and losses for transactions denominated in a currency other than the functional currency are reported in the accompanying Consolidated Statements of Operations in the period they occur. Exchange losses on foreign currency transactions aggregating $6.4, $6.8 and $26.8 for Fiscal 2017, 2016 and 2015, respectively, are included in "Other (expense) income, net" in the accompanying Consolidated Statements of Operations.

Revenue Recognition

Net Consumer and Other Product Sales

The Company recognizes revenue from product sales generally upon delivery to the customer, or at the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and risks and rewards of ownership of the product are passed, provided that, there are no uncertainties regarding customer acceptance, there is persuasive evidence that an arrangement exists, the price to the buyer is fixed or determinable, and ability to collect is deemed reasonably assured. The provision for customer returns is based on historical sales and returns and other relevant information. The Company estimates and accrues the cost of returns, which are treated as a reduction of "Net sales" in the accompanying Consolidated Statements of Operations.

The Company enters into promotional arrangements, primarily with retail customers, that entitle such retailers to earn cash rebates from the Company. These arrangements require the Company to estimate and accrue the costs of these programs, which are treated as a reduction of "Net sales" in the accompanying Consolidated Statements of Operations.

The Company also enters into promotional arrangements that target the ultimate consumer. The costs associated with such arrangements are treated as either a reduction of "Net sales" or an increase of "Cost of goods sold," based on the type of promotional program. The Company monitors its commitments under all promotion arrangements and uses various measures, including past experience, to estimate the earned, but unpaid, promotional costs. The terms of the Company's customer-related promotional arrangements and programs are tailored to each customer and documented through written contracts, correspondence or other communications with the individual customers.

The Company also enters into various arrangements, primarily with retail customers, which require the Company to make upfront cash payments in order to secure the right to distribute through such customers. The Company capitalizes these payments provided the payments are supported by a time or volume based arrangement with the retailer, and amortizes the associated payment over the appropriate time or volume based term of the arrangement. Capitalized payments are treated as a reduction of "Net sales" in the accompanying Consolidated Statements of Operations and a corresponding asset is reported in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets.

Net Investment Income

Dividends and interest income recorded in "Net investment income," are recognized when earned, net of related expenses. Amortization of premiums and accretion of discounts are reflected in "Net investment income" over the contractual terms of the investments in a manner that produces a constant effective yield.

Shipping and Handling Costs

Shipping and handling costs, which are included in “Selling, acquisition, operating and general expenses” in the accompanying Consolidated Statements of Operations, include costs incurred with third-party carriers to transport products to customers and salaries and overhead costs related to activities to prepare Spectrum Brands’ products for shipment at Spectrum Brands’ distribution facilities. Spectrum Brands’ shipping and handling costs associated with Spectrum Brands’ continuing operations were $193.2, $192.5 and $162.5 during Fiscal 2017, 2016 and 2015, respectively.

Advertising Costs

Advertising costs, which are included in “Selling, acquisition, operating and general expenses” in the accompanying Consolidated Statements of Operations, include agency fees and other costs to create advertisements, as well as costs paid to third parties to print or broadcast Spectrum Brands’ advertisements and are expensed as incurred. Spectrum Brands’ incurred advertising costs associated with Spectrum Brands’ continuing operations of $30.9, $34.1 and $28.7 during Fiscal 2017, 2016 and 2015, respectively.

Research and Development Costs

Research and development costs are charged to “Selling, acquisition, operating and general expenses” in the period they are incurred. Spectrum Brands’ incurred research and development costs associated with Spectrum Brands’ continuing operations of $59.5, $58.7 and $51.3 during Fiscal 2017, 2016 and 2015, respectively.

Environmental Expenditures

Environmental expenditures that relate to current operations or to conditions caused by past operations are expensed or capitalized as appropriate. The Company determines its liability for environmental matters on a site-by-site basis and records a liability at the time when it is probable that a liability has been incurred and such liability can be reasonably estimated. The estimated liability is not reduced for possible recoveries from insurance carriers. Estimated environmental remediation expenditures are included in the determination of the net realizable value recorded for assets held for sale. Refer to Note 21, Commitments and Contingencies, for further detail.

Legal Matters and Contingencies

The Company records legal fees and accruals in accordance with ASC Topic 450, *“Contingencies”*. Contingencies arising from environmental remediation costs, regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

Restructuring and Related Charges

Restructuring charges include, but are not limited to the costs of one-time termination benefits such as severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by the Company, include, but are not limited to, other costs directly associated with exit and relocation activities, including impairment of property and other assets, departmental costs of full-time incremental employees, and any other items related to the exit or relocation activities. Costs for such activities are estimated by management after evaluating detailed analyses of the costs to be incurred.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustments and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating analyses of the costs to be incurred. Such liabilities or asset reductions could include amounts for items such as severance costs and related benefits, lease termination payments and any other items directly related to the exit activities. Impairment of property and equipment and other current or long-term assets as a result of restructuring related initiatives are recognized as a reduction of the appropriate asset.

Restructuring and related charges associated with manufacturing and related initiatives are recorded in “Cost of goods sold”. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the manufacturing component of a restructuring initiative. Restructuring and related charges associated with administrative functions are recorded in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions reflected in “Selling, acquisition, operating and general expenses”. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the administrative components of the restructuring initiatives implemented.

See Note 4, Restructuring and Related Charges, for further detail.

Acquisition and Integration Related Charges

Acquisition and integration related charges include, but are not limited to, transaction costs (such as banking, legal, accounting and other professional fees directly related to both consummated acquisitions and acquisition targets), termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination expenses associated with integration activity.

Interest Expense

Interest expense on the Company's short-term and long-term debt is recognized as due and any associated premiums, discounts, and costs are amortized (accreted) over the term of the related borrowing utilizing the effective interest method. Interest expense also includes fees on the Company's credit facilities.

Earnings per Share ("EPS")

The Company computes net income (loss) per common share in accordance with ASC Topic 260, *"Earnings per Share."* Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average shares outstanding for the period. Diluted net income (loss) per share is calculated in the same manner, but shares outstanding are adjusted to reflect the potential dilution that would occur if unvested options, warrants, restricted stock units and unvested restricted stock awards were vested. The dilutive effects of such stock-based compensation awards are calculated using the treasury stock method. In periods where losses are recorded, inclusion of potentially dilutive securities in the calculation would decrease the loss per common share and therefore they are not added to the weighted average number of shares outstanding due to their anti-dilutive effect.

Refer to Note 24, Earnings per Share, for further detail.

Comprehensive Income (Loss)

Comprehensive income (loss) includes foreign currency translation gains and losses on assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as a hedge of a net investment in a foreign subsidiary, deferred gains and losses on derivative financial instruments designated as cash flow hedges, actuarial adjustments to pension plans, and unrealized gains (losses) and non-credit related to other-than-temporary impairments ("OTTI") on investment securities classified as available for sale ("AFS") of businesses held for sale. Net unrealized gains and losses on investment securities classified as AFS by the businesses held for sale are reduced by deferred income taxes and adjustments to intangible assets that would have resulted had such gains and losses been realized. The foreign currency translation gains and losses for Fiscal 2017, 2016 and 2015 were primarily attributable to the impact of translation of the net assets of Spectrum Brands' European and Latin American operations, which primarily have functional currencies in Euros, Pounds Sterling, Mexican Peso and Brazilian Real.

Refer to Note 16, Shareholders' Equity, for further detail.

Fair Value Measurements

The Company's measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or non-performance risk, which may include the Company's own credit risk. The Company's estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). The Company categorizes financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined as follows:

Level 1 — Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 — Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 — Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lower level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. However, Level 3 fair value investments may include, in addition to the unobservable or Level 3 inputs, observable components, which are components that are actively quoted or can be validated to market-based sources.

Reclassifications

Certain prior year amounts have been reclassified or combined to conform to the current year presentation. These reclassifications and combinations had no effect on previously reported results of operations or accumulated deficit.

Newly Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. If goodwill impairment is realized, the amount recognized will be the amount by which the carrying amount exceeds the reporting unit's fair value; however the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 must be applied on a prospective basis and will become effective for public entities in the first quarter of the year ended September 30, 2021, with early adoption available. The Company elected to adopt the standard immediately, with no impact to the Consolidated Financial Statements.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. This ASU makes changes to the VIE model and voting interest ("VOE") model consolidation guidance. The Company adopted this ASU using a modified retrospective approach during Fiscal 2017. The adoption of this ASU had no effect on the Company's Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. ASU 2014-09 requires revenue recognition to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract and performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the updates recognized at the date of the initial application along with additional disclosures. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date*, which amends the previously issued ASU 2014-09 to provide for a one year deferral from the original effective date. As a result, the ASU 2014-09 will become effective for the Company beginning in the first quarter of its fiscal year ending September 30, 2019. The Company has performed a preliminary assessment over the impact of the pronouncement and is currently performing detailed assessments over its contracts with customers and the impact to its processes and control environment. The Company has not measured the impact of adoption at this point in its assessment and has not concluded on the overall materiality of the impact of adoption to the Company's consolidated financial statements, or the method of adoption, but has not identified any matters that are considered significant for further disclosure.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which supersedes the lease requirements in ASC 840, *Leases*. ASU 2016-02 requires lessees to recognize lease assets and liabilities on the balance sheet, as well as disclosing key information about leasing arrangements. Although the new ASU 2016-02 requires both operating and finance leases to be disclosed on the balance sheet, a distinction between the two types still exists as the economics of leases can vary. ASU 2016-02 can be applied using a modified retrospective approach, with a number of optional practical expedients relating to the identification and classification of leases that commenced before the effective date, along with the ability to use hindsight in the evaluation of lease decisions, that entities may elect to apply. As a result, the ASU 2016-02 will become effective for the Company beginning in the first quarter of its fiscal year ending September 30, 2020, with early adoption applicable. The Company has not measured the impact of adoption at this point in its assessment and has not concluded on the overall materiality of the impact of adoption to the Company's consolidated financial statements, or determined the method and timing of adoption.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As a result, the ASU 2016-15 will become effective for the Company beginning in the first quarter of its fiscal year ending September 30, 2019, with early adoption applicable. The Company is in the process of evaluating the impact of this update on its financial condition, results of operations or liquidity.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("ASU 2016-16"), which removes the prohibition against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As a result, the ASU 2016-16 will become effective for the Company in the first quarter of fiscal year ending September 30, 2019, with early adoption applicable. The Company is in the process of evaluating the impact of this update on its financial condition, results of operations or liquidity.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810): Interest Held through Related Parties That Are under Common Control* ("ASU 2016-17"), which alters how a decision maker needs to consider indirect interest in a variable interest entity ("VIE") held through an entity under common control. ASU 2016-17 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As a result, the ASU 2016-17 will become effective for the Company in the first quarter of fiscal year ending September 30, 2019, with early adoption applicable. The Company is in the process of evaluating the impact of this update on its financial condition, results of operations or liquidity.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash, a consensus of the FASB Emerging Issues Task Force* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. As a result, the ASU 2016-18 will become effective for the Company in the first quarter of fiscal year ending September 30, 2019, with early adoption applicable. The Company is in the process of evaluating the impact of this update on its financial condition, results of operations or liquidity.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU 2017-07"), which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of operations. ASU 2017-07 provides guidance requiring the service cost component to be recognized consistent with other compensation costs arising from service rendered by employees during the period, and all other components to be recognized separately outside of the subtotal of income from operations. ASU 2017-07 is applied on a retrospective basis, and will become effective for public entities in first quarter of the fiscal year ending September 30, 2019; with early adoption available. The Company is currently assessing the impact this pronouncement will have on the consolidated financial statements and have not yet concluded on the materiality or timing of the adoption.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815)*, which changes the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP, better aligning the entity's risk management activities and financial reporting for hedging relationships. The ASU can only be applied prospectively, and will become effective for the Company beginning in the first quarter of the fiscal year ending September 30, 2020, with early adoption available. The Company is in the process of evaluating the impact of this update on its financial condition, results of operations or liquidity.

(3) Acquisitions

In accordance with ASC Topic 805, *Business Combinations* ("ASC 805"), the Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

PetMatrix

On June 1, 2017, Spectrum Brands completed the acquisition of PetMatrix, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. The results of PetMatrix's operations since June 1, 2017 are included in the Company's Consolidated Statements of Operations within the Consumer Products segment for Fiscal 2017.

Spectrum Brands has recorded an allocation of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the June 1, 2017 (the acquisition date). The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce. The calculation of purchase price and purchase price allocation is as follows:

		Purchase Price
Cash consideration	$	255.2

		Purchase Price Allocation
Cash and cash equivalents	$	0.2
Receivables, net		7.8
Inventories, net		16.0
Property, Plant and Equipment, net		0.8
Goodwill		123.8
Intangibles, net		110.4
Other assets		0.9
Accounts payable and other current liabilities		(4.7)
Net assets acquired	$	255.2

The purchase price allocation resulted in goodwill of $123.8, which is deductible for tax purposes. The values allocated to intangible assets and the weighted average useful lives are as follows:

		Carrying Amount	Weighted Average Useful Life (Years)
Tradenames	$	75.0	Indefinite
Technology		21.0	14
Customer relationships		12.0	16
Non-compete agreement		2.4	5
Total intangibles acquired	$	110.4	

Spectrum Brands performed a valuation of the acquired inventories, tradenames, technologies, customer relationships and non-compete agreements. The following is a summary of significant inputs to the valuation:

Inventory - Acquired inventory consists of branded finished goods that were valued based on the comparative sales method, which estimates the expected sales price of the finished goods inventory, reduced for all costs expected to be incurred in its completion or disposition and a profit on those costs.

Tradenames - Spectrum Brands valued indefinite-lived trade names, DreamBone® and SmartBones®, using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names.

Technology - Spectrum Brands valued technology using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. Spectrum Brands anticipates using these technologies through the legal life of the underlying patents; therefore, the expected useful life of these technologies is based on the remaining life of the underlying patents.

Customer relationships - Spectrum Brands valued customer relationships using an income approach, the multi-period excess earnings method. In determining the fair value of the customer relationships, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used, which are estimated using annual expected growth rates of 2.0% to 20.0%. Spectrum Brands assumed a customer retention rate of up to 98.0%, which is supported by historical retention rates. Income taxes were estimated at 35.0% and amounts were discounted using a rate of 12.0%.

Non-compete agreements - Spectrum Brands valued the non-compete agreement using the income approach that compares the prospective cash flows with and without the non-compete agreement in place. The value of the non-compete agreement is the difference between the discounted cash flows of the business under each of these two alternative scenarios, considering both tax expenditure and tax amortization benefits.

Pro forma results have not been presented as the PetMatrix acquisition is not considered individually significant to the consolidated results of the Company.

GloFish

On May 12, 2017, Spectrum Brands entered into an asset purchase agreement with Yorktown Technologies LP, for the acquisition of assets consisting of the GloFish branded operations, including transfer of the GloFish® brand, related intellectual property and operating agreements. The GloFish operations primarily consist of the development and licensing of fluorescent fish for sale through mass retail and online channels. The results of GloFish's operations since May 12, 2017 are included in the Company's Consolidated Statements of Operations for Fiscal 2017.

Spectrum Brands has recorded an allocation of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the May 12, 2017 acquisition date. The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce, including an experienced research team. The calculation of purchase price and purchase price allocation is as follows:

	Purchase Price
Cash consideration	$ 49.7
	Purchase Price Allocation
Receivables, net	$ 0.4
Property, plant and equipment, net	0.6
Goodwill	11.2
Intangibles, net	37.8
Accounts payable and other current liabilities	(0.3)
Total net assets acquired	$ 49.7

The purchase price allocation resulted in goodwill of $11.2, which is deductible for tax purposes. The values allocated to intangible assets and the weighted average useful lives are as follows:

	Carrying Amount	Weighted Average Useful Life (Years)
Tradenames	$ 6.1	Indefinite
Technology	30.2	13
Customer relationships	1.5	10
Total intangibles acquired	$ 37.8	

Spectrum Brands performed a valuation of the acquired tradenames, technologies and customer relationships. The following is a summary of significant inputs to the valuation:

Tradenames - Spectrum Brands valued indefinite-lived trade names using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names.

Technology - Spectrum Brands valued technology using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. Spectrum Brands anticipates using these technologies through the legal life of the underlying patents; therefore, the expected useful life of these technologies is based on the remaining life of the underlying patents.

Customer relationships - Spectrum Brands valued customer relationships using a replacement cost. The replacement cost approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationships after deducting the cost to recreate key customer relationships. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Income taxes were estimated at 35.0% and amounts were discounted using a rate of 12.0%.

Pro forma results have not been presented with respect to the GloFish acquisition because such acquisition is not considered individually significant to the consolidated results of the Company.

Shaser

On May 18, 2017, Spectrum Brands completed the purchase of the remaining 44.0% non-controlling interest of Shaser with a purchase price of $12.6. Effective May 18, 2017, Shaser is a wholly owned subsidiary of Spectrum Brands and all recognized non-controlled interest associated with Shaser is part of Spectrum Brands' equity.

Acquisition and Integration Costs

Acquisition and integration costs include costs directly associated with the completion of the purchase of net assets or equity interest of a business such as a business combination, equity investment, joint venture or purchase of non-controlling interest. Included costs include transactions costs; advisory, legal, accounting, valuation, and other professional fees; and integration of acquired operations onto Spectrum Brands' shared service platform and termination of redundant positions and locations. The following table summarizes acquisition and integration related charges associated with Spectrum Brands' continuing operations for Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	2016	2015
Hardware & Home Improvement Business	$ 5.6	$ 12.6	$ 7.9
PetMatrix	4.5	—	—
Armored AutoGroup Parent Inc.	2.4	14.1	21.8
GloFish	1.0	—	—
Salix Animal Health LLC	0.7	1.9	10.6
European IAMS and Eukanuba pet food business	0.2	3.5	9.3
Other	1.3	2.6	6.9
Total acquisition and integration related charges	$ 15.7	$ 34.7	$ 56.5

(4) Restructuring and Related Charges

During Fiscal 2017, Spectrum Brands implemented a rightsizing initiative in the global pet supplies product category to streamline certain operations and reduce operating costs (the "Pet Rightsizing Initiative"). The initiative includes headcount reductions and the rightsizing of certain facilities. Total costs associated with this initiative are expected to be approximately $11.0, of which $8.2 has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

During Fiscal 2017, Spectrum Brands implemented an initiative in the hardware and home improvement product category to consolidate certain operations and reduce operating costs (the "HHI Distribution Center Consolidation"). The initiative includes headcount reductions and the exit of certain facilities. Total costs associated with the initiative are expected to be approximately $50.0, of which $27.4 has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

During Fiscal 2016, Spectrum Brands implemented a series of initiatives in the global auto care product category to consolidate certain operations and reduce operating costs (the "GAC Business Rationalization Initiatives"). These initiatives include headcount reductions and the exit of certain facilities. Total costs associated with these initiatives are expected to be approximately $32.0, of which $29.5 has been incurred to date. The balance is anticipated to be incurred through December 31, 2017.

During Fiscal 2014, Spectrum Brands implemented a series of initiatives throughout the hardware and home improvement product category unit to reduce operating costs and exit low margin business outside the U.S. (the "HHI Business Rationalization Initiatives"). These initiatives include headcount reductions, the exit of certain facilities and the sale of a portion of the Hardware & Home Improvement operations. Total costs associated with these initiatives of $16.6 has been incurred and completed as of September 30, 2016.

During Fiscal 2013, Spectrum Brands implemented a series of initiatives to reduce operating costs. These initiatives consisted of headcount reductions in the global pet supplies product categories and within corporate (the "Global Expense Rationalization Initiatives"). Total costs associated with these initiatives of $47.0 has been incurred and completed as of September 30, 2016.

Spectrum Brands has entered or may enter into small, less significant initiatives and restructuring activities to reduce costs and improve margins throughout the organization ("Other Restructuring Activities"). Individually these activities are not substantial, and occur over a shorter time period (less than 12 months).

Table of Contents

The following table summarizes restructuring and related charges associated with Spectrum Brands' continuing operations during Fiscal 2017, 2016 and 2015, and where those charges are classified in the accompanying Consolidated Statements of Operations:

	Fiscal		
Initiatives:	**2017**	**2016**	**2015**
HHI distribution center consolidation	$ 27.4	$ —	$ —
GAC business rationalization initiative	24.2	5.3	—
Pet rightsizing initiative	8.2	—	—
Global Expense Rationalization	0.3	4.6	9.0
HHI business rationalization initiative	—	2.2	9.5
Other restructuring activities	0.3	1.9	1.0
Total restructuring and related charges	$ 60.4	$ 14.0	$ 19.5
Reported as:			
Cost of goods sold	$ 18.1	$ 0.2	$ 1.4
Selling, acquisition, operating and general expenses	42.3	13.8	18.1

The following table summarizes restructuring and related charges associated with Spectrum Brands' continuing operations for Fiscal 2017, 2016 and 2015, and cumulative costs of restructuring initiatives as of September 30, 2017, by cost type. Termination costs consist of involuntary employee termination benefits and severance pursuant to a one-time benefit arrangement recognized as part of a restructuring initiative. Other costs consist of non-termination type costs related to restructuring initiatives such as incremental costs to consolidate or close facilities, relocate employees, cost to retrain employees to use newly deployed assets or systems, lease termination costs, and redundant or incremental transitional operating costs and customer fines and penalties during transition, among others:

	Fiscal				
Cost Type:	**2017**	**2016**	**2015**	**Cumulative costs through September 30, 2017**	**Future costs to be incurred**
Termination benefits	$ 11.2	$ 2.4	$ 1.8	$ 11.1	$ 5.1
Other costs	49.2	11.6	17.7	54.6	25.0
Total restructuring and related charges	$ 60.4	$ 14.0	$ 19.5	$ 65.7	$ 30.1

(5) Divestitures

The following table summarizes the components of "Income (loss) from discontinued operations, net of tax" in the accompanying Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	**2016**	**2015**
Income (loss) from discontinued operations, net of tax attributable to Insurance Operations	$ 170.3	$ (218.9)	$ 75.9
Income from discontinued operations, net of tax attributable to GBA business	172.1	76.6	98.6
Income (loss) from discontinued operations, net of tax attributable to Compass Production Partners, LP ("Compass")	—	40.8	(368.6)
Income (loss) from discontinued operations, net of tax	$ 342.4	$ (101.5)	$ (194.1)

Insurance Operations

As previously discussed in Note 1, Basis of Presentation and Nature of Operations, the Insurance Operations were classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Operations.

The following table summarizes the major categories of assets and liabilities of the Insurance Operations classified as held for sale in the accompanying Consolidated Balance Sheets at September 30, 2017 and 2016:

	September 30, 2017	September 30, 2016
Assets		
Investments, including loans and receivables from affiliates	$ 23,211.1	$ 21,160.6
Funds withheld receivables	742.7	671.6
Cash and cash equivalents	914.5	896.0
Accrued investment income	231.3	213.7
Reinsurance recoverable	2,358.8	2,344.4
Deferred acquisition costs and value of business acquired, net	1,163.6	1,065.5
Other assets	125.4	295.3
Write-down of assets of businesses held for sale to fair value less cost to sell	(421.2)	(362.8)
Total assets of businesses held for sale	$ 28,326.2	$ 26,284.3
Liabilities		
Insurance reserves	$ 24,989.6	$ 23,404.6
Debt	405.0	398.8
Accounts payable and other current liabilities	56.2	63.1
Deferred tax liabilities	68.0	9.9
Other liabilities	831.9	677.4
Total liabilities of businesses held for sale	$ 26,350.7	$ 24,553.8

In accordance with *ASC 360, Property, Plant and Equipment*, long-lived assets classified as held for sale are measured at the lower of their carrying value or fair value less cost to sell at the balance sheet date. At September 30, 2017, the carrying value of the Company's interest in FGL was $402.2 higher than FGL's estimated fair value less cost to sell of $1,471.3. As a result, during Fiscal 2017, the Company recorded a $39.4 write-down of assets of business held for sale, which was in addition to the $362.8 write-down previously recorded at September 30, 2016. At September 30, 2017, the carrying value of the Company's interest in Front Street was $19.0 higher than Front Street's estimated fair value less cost to sell of $65.0. As a result, during Fiscal 2017, the Company recorded a $19.0 write-down of assets of Front Street's business held for sale.

The following table summarizes the components of "Net income (loss) from discontinued operations" in the accompanying Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	2016	2015
Revenues:			
Insurance premiums	$ 43.9	$ 72.5	$ 59.9
Net investment income	1,050.7	985.9	923.0
Net investment gains (losses)	377.4	131.6	(128.8)
Insurance and investment product fees and other	169.5	130.5	93.1
Total revenues	1,641.5	1,320.5	947.2
Operating costs and expenses:			
Benefits and other changes in policy reserves	925.9	893.9	649.0
Selling, acquisition, operating and general expenses	148.2	127.9	124.9
Amortization of intangibles	197.5	78.6	41.8
Total operating costs and expenses	1,271.6	1,100.4	815.7
Operating income	369.9	220.1	131.5
Interest expense	(24.4)	(22.0)	(23.6)
Write-down of assets of businesses held for sale to fair value less cost to sell	(58.4)	(362.8)	—
Net income (loss) before income taxes	287.1	(164.7)	107.9
Income tax expense (a)	116.8	54.2	32.0
Net income (loss)	170.3	(218.9)	75.9
Less: net income attributable to noncontrolling interest	43.7	19.0	23.1
Net income (loss) - attributable to controlling interest	$ 126.6	$ (237.9)	$ 52.8

(a) Included in the income tax expense for Fiscal 2016 was a $15.2 of income tax expense primarily related to the establishment of a deferred tax liability of $367.9 at September 30, 2016, which was a result of classifying the Company's ownership interest in FGL as held for sale following the Anbang/FGL Merger Agreement, partially offset by the recognition of a $94.7 deferred tax asset related to realized capital losses primarily from the Compass Sale and $258.0 reduction of valuation allowances on HRG's net operating and capital loss carryforwards expected to offset the FGL taxable gain at September 30, 2016. The remaining liability is expected to be offset by losses recognized in continuing operations except for $15.2 of estimated alternative minimum taxes. Based on the Company's current intent to exercise the 338 Tax Election related to the FGL Merger, the Company reversed the previously recorded deferred tax liability and deferred tax asset valuation allowance reduction, which resulted in the recognition of a $15.2 income tax benefit in Fiscal 2017.

Consumer Products Segment - GBA business

As previously discussed in Note 1, Description of Business and Basis of Presentation, Spectrum Brands' GBA business was classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows. The following table summarizes the assets and liabilities of Spectrum Brands' GBA business classified as held for sale as of September 30, 2017 and September 30, 2016:

	September 30, 2017	September 30, 2016
Assets		
Trade receivables, net	$ 260.1	$ 237.0
Other receivables, net	24.0	32.7
Inventories, net	279.2	290.7
Prepaid expenses and other current assets	39.7	40.6
Property, plant and equipment, net	196.8	176.0
Deferred charges and other assets	19.3	15.0
Goodwill	348.9	345.2
Intangibles, net	811.9	837.6
Total assets of businesses held for sale	$ 1,979.9	$ 1,974.8
Liabilities		
Current portion of long-term debt	$ 17.3	$ 18.7
Accounts payable	355.9	265.3
Accrued wages and salaries	37.6	43.3
Other current liabilities	89.8	84.8
Long-term debt, net of current portion	51.7	41.5
Deferred income taxes	38.2	33.9
Other long-term liabilities	66.2	80.1
Total liabilities of businesses held for sale	$ 656.7	$ 567.6

The following table summarizes the components of "Net income from discontinued operations" in the accompanying Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	2016	2015
Revenues:			
Net sales	$ 1,997.9	$ 2,010.3	$ 2,092.2
Operating costs and expenses:			
Cost of goods sold	1,299.2	1,328.0	1,400.2
Selling, acquisition, operating and general expenses	465.5	443.8	464.1
Total operating costs and expenses	1,764.7	1,771.8	1,864.3
Operating income	233.2	238.5	227.9
Interest expense	50.2	68.0	86.2
Other expense, net	0.8	3.9	4.9
Income from discontinued operations before income taxes	182.2	166.6	136.8
Income tax expense	10.1	90.0	38.2
Net income from discontinued operations	172.1	76.6	98.6
Net income from discontinued operation attributable to noncontrolling interest	71.6	32.4	41.4
Net income from discontinued operations attributable to controlling interest	$ 100.5	$ 44.2	$ 57.2

Interest expense consists of interest from debt directly held by subsidiaries of the business held for sale, including interest from capital leases, and interest on term loans required to be paid down using proceeds received on disposal on sale of a business within 365 days with the exception for funds used for capital expenditures and acquisitions. There has been no impairment loss recognized as the fair value or expected proceeds from the disposal of the businesses is anticipated to be in excess of the asset carrying values.

Energizer Holdings, Inc.

On January 15, 2018, Spectrum Brands entered into a definitive acquisition agreement (the "GBL Sale Agreement") with Energizer Holdings, Inc. ("Energizer") pursuant to which Energizer has agreed to acquire from Spectrum Brands its GBL business for an aggregate purchase price of $2,000.0 in cash, subject to customary purchase price adjustments.

The GBL Sale Agreement provides that Energizer will purchase the equity of certain subsidiaries of Spectrum Brands, and acquire certain assets and assume certain liabilities of other subsidiaries used or held for the purpose of the GBL business.

In the GBL Sale Agreement, Spectrum Brands and Energizer have made customary representations and warranties and have agreed to customary covenants relating to the acquisition. Among other things, prior to the consummation of the acquisition, Spectrum Brands will be subject to certain business conduct restrictions with respect to its operation of the GBL business.

Spectrum Brands and Energizer have agreed to indemnify each other for losses arising from certain breaches of the GBL Sale Agreement and for certain other matters. In particular, Spectrum Brands has agreed to indemnify Energizer for certain liabilities relating to the assets retained by Spectrum Brands, and Energizer has agreed to indemnify Spectrum Brands for certain liabilities assumed by Energizer, in each case as described in the GBL Sale Agreement.

Spectrum Brands and Energizer have agreed to enter into related agreements ancillary to the acquisition that will become effective upon the consummation of the acquisition, including a customary transition services agreement and reverse transition services agreement.

The consummation of the acquisition is subject to certain customary conditions, including, among other things, (i) the absence of a material adverse effect on GBL, (ii) the expiration or termination of required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of certain other antitrust approvals in certain specified foreign jurisdictions (the conditions contained in (ii) and (iii) together, the “Antitrust Conditions”), (iv) the accuracy of the representations and warranties of the parties (generally subject to a customary material adverse effect standard (as described in the GBL Sale Agreement) or other customary materiality qualifications), (v) the absence of governmental restrictions on the consummation of the acquisition in certain jurisdictions, and (vi) material compliance by the parties with their respective covenants and agreements under the GBL Sale Agreement. The consummation of the transaction is not subject to any financing condition. The transaction is expected to be consummated prior to December 31, 2018.

The GBL Sale Agreement also contains certain termination rights, including the right of either party to terminate the GBL Sale Agreement if the consummation of the acquisition has not occurred on or before July 15, 2019 (the “Termination Date”). Further, if the acquisition has not been consummated by the Termination Date and all conditions precedent to Energizer’s obligation to consummate the acquisition have otherwise been satisfied except for one or more of the Antitrust Conditions, then Energizer would be required to pay Spectrum Brands a termination fee of $100.0.

The GBL business is part of Spectrum Brands’ GBA business, which also includes shared operations and assets of the remaining components of Spectrum Brands’ HPC business. Spectrum Brands is actively marketing its HPC business with interested parties for a separate transaction(s) expected to be entered into and consummated prior to December 31, 2018.

Compass

On July 1, 2016, HGI Energy entered into an agreement to sell its equity interests in Compass to a third party (such agreement, the “Compass Sale Agreement”). During Fiscal 2016, the transactions contemplated by the Compass Sale Agreement were consummated. This sale represented the disposal of all of the Company’s oil and gas properties, which were accounted for using the full-cost method prior to their disposal. The Company has determined that the completion of HGI Energy’s sale of its equity interests in Compass to a third party represented a strategic shift for the Company and, accordingly, has presented the results of operations for Compass as discontinued operations in the accompanying Consolidated Statements of Operations.

The following table summarizes the components of "Net income (loss) from discontinued operations" attributable to Compass in the accompanying Consolidated Statements of Operations for Fiscal 2016 and 2015.

	Fiscal	
	2016	2015
Revenues:		
Oil and natural gas revenues	$ 40.2	$ 107.4
Operating costs and expenses:		
Oil and natural gas direct operating costs	38.2	85.9
Selling, acquisition, operating and general expenses	22.8	62.0
Impairments and bad debt expense	93.2	485.1
Total operating costs and expenses	154.2	633.0
Operating loss	(114.0)	(525.6)
Interest expense	(5.9)	(9.9)
Gain upon gaining control of equity method investment	—	141.2
Gain on sale of oil and gas properties	105.6	—
Other income, net	1.5	25.7
Gain on disposal	53.6	—
Net income (loss)	40.8	(368.6)
Less: net income (loss) attributable to noncontrolling interest	0.1	(1.1)
Net income (loss) attributable to common and participating preferred stockholders	$ 40.7	$ (367.5)

(6) Securitizations and Variable Interest Entities

Collateralized Loan Obligations

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 September 30, 2017 and 2016, the outstanding notional aggregate principal amount of $28.9 and $39.7, respectively, was taken up by unaffiliated entities, $48.1 and $65.9, respectively, was taken up by FGL and also included in "Assets of businesses held for sale" in the accompanying Consolidated Balance Sheets, and $22.2 and $30.3, respectively, was taken up by Salus and is eliminated upon consolidation. The CLO's subordinated debt is non-recourse to the Company. As of September 30, 2017, the CLO's assets consisted of $2.0 of cash that is being held back to cover wind-down and legal expenses. The subordinated tranches carry residual interest subject to maintenance of certain covenants. Due to losses incurred in the CLO, at September 30, 2016 and September 30, 2015, the CLO was not accruing interest on the subordinated debt.

Included within "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets as of September 30, 2016 were asset-based loans of $29.3 that served as collateral to the obligations of the CLO. At September 30, 2017, there were no asset-based loans that served as collateral to the obligations of the CLO.

The table below summarizes select information related to the CLO vehicle in which Salus held a variable interest at September 30, 2017 and 2016:

	September 30,	
	2017	2016
Maximum loss exposure	$ —	$ 29.3
Asset-based loans receivable	$ —	$ 29.3
Cash and other assets	2.0	13.7
Total assets of consolidated VIE	$ 2.0	$ 43.0
Subordinated long-term debt	$ 99.2	$ 135.2
Total liabilities of consolidated VIE	$ 99.2	$ 135.2

(7) Fair Value of Financial Instruments

Spectrum Brands utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. 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. Spectrum Brands has not changed its valuation techniques in measuring the fair value of any derivative assets and liabilities during the year.

Spectrum Brands' consolidated assets and liabilities measured at fair value associated with Spectrum Brands' continuing operations are summarized according to the hierarchy previously described as follows:

	September 30, 2017				September 30, 2016			
	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Derivative Assets	$ —	$ 1.5	$ —	$ 1.5	$ —	$ 0.2	$ —	$ 0.2
Derivative Liabilities	—	3.3	—	3.3	—	1.7	—	1.7

See Note 15, Derivative Financial Instruments, for additional detail.

Non-Recurring Fair Value Measurements

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

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 Consolidated Balance Sheets are summarized as follows:

	September 30, 2017				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Total debt	$ —	$ 5,839.0	$ 92.0	$ 5,931.0	$ 5,705.1

	September 30, 2016				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Asset-based loans, included in prepaid expenses and other current assets	$ —	$ —	$ 33.3	$ 33.3	$ 33.3
Total debt	—	5,639.9	121.9	5,761.8	5,465.6

The carrying value of cash and cash equivalents, receivables and payables approximate fair value due to their short duration and, accordingly, they are not presented in the tables above. The fair value of debt set forth above is generally based on quoted or observed market prices.

Valuation Methodology

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, which may be obtained from a variety of sources, including in certain instances from appraisals prepared by third parties. The impaired loan balance represents those nonaccrual loans for which impairment was recognized during the year.

(8) Receivables, net

"Receivables, net" associated with Spectrum Brands' continuing operations in the accompanying Consolidated Balance Sheets consist of the following:

	September 30, 2017	September 30, 2016
Trade accounts receivable	$ 289.5	$ 266.9
Less: Allowance for doubtful trade accounts receivable	23.5	21.3
Total trade accounts receivable, net	266.0	245.6
Other receivables	19.7	23.8
Total receivables, net	$ 285.7	$ 269.4

The following is an analysis of the allowance for doubtful trade accounts receivable:

Period	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Other Adjustments	Balance at End of Period
Fiscal 2017	$ 21.3	$ 4.1	$ (2.9)	$ 1.0	$ 23.5
Fiscal 2016	15.8	8.2	(2.9)	0.2	21.3
Fiscal 2015	17.3	0.1	(1.4)	(0.2)	15.8

The Company has a broad range of customers including many large retail outlet chains, three of which exceeded 10% of consolidated net sales and/or trade receivables. These three customers represented 37.7%, 37.1% and 37.7% of Company's "Net sales" during Fiscal 2017, 2016 and 2015, respectively; and 36.2% and 22.6% of Company's "Trade receivables, net" in the accompanying Consolidated Balance Sheets at September 30, 2017 and 2016, respectively.

Spectrum Brands has entered into various factoring agreements and early pay programs with its customers to sell its trade receivables under non-recourse agreements in exchange for cash proceeds. A loss on sales is recognized for any discount and factoring fees associated with the transfer. Spectrum Brands utilizes factoring arrangements as an integral part of their financing for working capital. These transactions are treated as a sale and are accounted for as a reduction in trade receivables because the agreements transfer effective control over and risk related to the receivables to buyers. In some instances, Spectrum Brands may continue to service the transferred receivable after the factoring has occurred, but in most cases Spectrum Brands does not service any factored accounts. Any servicing of the trade receivable does not constitute significant continuing involvement or preclude the recognition of a sale. Spectrum Brands does not carry any material servicing assets or liabilities. Cash proceeds from these arrangements are reflected as operating activities. The aggregate gross amount factored under these facilities was $1,158.2, $1,087.3 and $974.6 for Fiscal 2017, 2016 and 2015, respectively. The cost of factoring such trade receivables was $7.6, $6.2 and $2.8 for Fiscal 2017, 2016 and 2015, respectively, which are reported in "Selling, acquisition, operating and general expenses" in the accompanying Consolidated Statements of Operations.

(9) Inventories, net

"Inventories, net" associated with Spectrum Brands' continuing operations in the accompanying Consolidated Balance Sheets consist of the following:

	September 30, 2017	September 30, 2016
Raw materials	$ 95.7	$ 96.8
Work-in-process	35.5	26.0
Finished goods	365.1	327.1
Total inventories, net	$ 496.3	$ 449.9

(10) Property, Plant and Equipment, net

Property, plant and equipment, net in the accompanying Consolidated Balance Sheets consist of the following:

	September 30,	
	2017	2016
Land, buildings and improvements	$ 146.6	$ 141.5
Machinery, equipment and other	380.8	328.8
Capitalized leases	210.3	74.6
Construction in progress	40.4	35.6
Properties, plant and equipment at cost	778.1	580.5
Less: Accumulated depreciation	274.2	213.1
Total properties, plant and equipment, net	$ 503.9	$ 367.4

Depreciation expense from property, plant and equipment for Fiscal 2017, 2016 and 2015 was $70.2, $59.9, and $53.5, respectively.

(11) Goodwill and Intangibles, net

A summary of the changes in the carrying amounts of goodwill and intangible assets associated with Spectrum Brands' continuing operations are as follows:

		Intangible Assets		
	Goodwill	Indefinite Lived	Definite Lived	Total
Balance at September 30, 2015	$ 2,138.9	$ 957.6	$ 637.7	$ 1,595.3
Adjustments	3.3	—	3.2	3.2
Impairments (Note 2)	(10.7)	(2.7)	—	(2.7)
Periodic amortization	—	—	(60.6)	(60.6)
Effect of translation	1.8	(1.0)	0.6	(0.4)
Balance at September 30, 2016	2,133.3	953.9	580.9	1,534.8
Adjustments	—	—	(0.9)	(0.9)
Acquisitions (Note 3)	135.0	81.1	67.1	148.2
Impairments (Note 2)	—	(16.3)	—	(16.3)
Periodic amortization	—	—	(62.0)	(62.0)
Effect of translation	8.8	5.6	2.6	8.2
Balance at September 30, 2017	$ 2,277.1	$ 1,024.3	$ 587.7	$ 1,612.0

The fair values of the hardware and home improvement, global pet supplies, home and garden control and global auto care product categories, which are also Spectrum Brands' reportable segments, exceeded their carrying values by 93.2%, 38.6%, 352.3% and 12.4%, respectively. As a result, no impairment was recognized and there were no reporting units that were deemed at risk of impairment.

Definite Lived Intangible Assets

Amortizable intangible assets associated with Spectrum Brands' continuing operations as of September 30, 2017 and 2016 consist of the following:

	September 30, 2017			September 30, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer relationships	$ 671.7	$ (222.3)	$ 449.4	$ 653.4	$ (183.5)	$ 469.9
Technology assets	194.6	(59.7)	134.9	181.3	(76.8)	104.5
Trade names	18.5	(15.1)	3.4	18.3	(11.8)	6.5
	$ 884.8	$ (297.1)	$ 587.7	$ 853.0	$ (272.1)	$ 580.9

Certain trade names intangible assets have an indefinite life and are not amortized. The balance of trade names not subject to amortization was $1,024.3 and $953.9 as of September 30, 2017 and 2016, respectively. During Fiscal 2017, Spectrum Brands recognized $16.3 impairment on indefinite life intangible assets due to the reduction in value of certain tradenames in response to changes in management's strategy. During Fiscal 2016, Spectrum Brands recognized $2.7 impairment on indefinite-lived intangible assets. In connection with its annual impairment testing of indefinite-lived intangible assets, Spectrum Brands concluded that the fair values of its intangible assets exceeded their carrying values resulting in no impairment for Fiscal 2015.

See Note 2, Significant Accounting Policies and Practices and Recent Accounting Pronouncements, for further detail.

Amortization expense associated with Spectrum Brands' continuing operations for Fiscal 2017, 2016 and 2015 was $62.0, $60.6 and $53.8, respectively. Excluding the impact of any future acquisitions or changes in foreign currency, the Company anticipates the annual amortization expense of intangible assets for the next five fiscal years will be as follows:

Fiscal Year	Estimated Amortization Expense
2018	$ 57.5
2019	57.4
2020	55.0
2021	49.7
2022	48.0

(12) Accounts payable and other current liabilities

"Accounts payable and other current liabilities" in the accompanying Consolidated Balance Sheets consist of the following:

	September 30,	
	2017	2016
Accounts payable	$ 373.1	$ 316.0
Other current liabilities	125.8	103.7
Accrued wages and salaries	55.4	101.8
Accrued interest	78.0	68.3
Total accounts payable and other current liabilities	$ 632.3	$ 589.8

Table of Contents

(13) Debt

The Company's consolidated debt consists of the following:

	September 30, 2017		September 30, 2016		
	Amount	Rate	Amount	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
HGI Funding					
2017 Loan, due July 13, 2018	50.0	3.7%	—	—%	Variable rate, see below
HGI Energy					
HGI Energy Notes, due June 30, 2018*	92.0	1.5%	92.0	0.7%	Fixed rate
	1,896.4		1,846.4		
Spectrum Brands					
USD Term Loan, due June 23, 2022	1,244.2	3.4%	1,005.5	3.6%	Variable rate, see below
CAD Term Loan, due June 23, 2022	59.0	4.9%	54.9	4.6%	Variable rate, see below
Euro Term Loan, due June 23, 2022	—	—%	63.0	3.5%	Variable rate, see below
6.375% Notes, due November 15, 2020	—	—%	129.7	6.4%	Fixed rate
6.625% 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
4.00% Notes, due October 1, 2026	500.9	4.0%	477.0	4.0%	Fixed rate
Other notes and obligations	4.7	8.0%	3.9	7.5%	Variable rate
Obligations under capital leases	199.7	5.7%	67.4	5.3%	Various
Salus					
Unaffiliated long-term debt of consolidated variable-interest entity	28.9	—%	39.7	—%	Variable rate, see below
Long-term debt of consolidated variable-interest entity with FGL*	48.1	—%	65.9	—%	Variable rate, see below
Unaffiliated secured borrowings under non-qualifying loan participations	—	—%	2.0	—%	Fixed rate
Total	5,801.9		5,575.4		
Original issuance discounts on debt, net of premiums	(20.7)		(22.8)		
Unamortized debt issue costs	(76.1)		(87.0)		
Total debt	5,705.1		5,465.6		
Less current maturities and short-term debt	161.4		239.3		
Non-current portion of debt	$ 5,543.7		$ 5,226.3		

***** The debt balances included in the accompanying 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 completion of any disposition resulting from the FGL Merger and Front Street Sale. Such transactions are not eliminated in the accompanying Consolidated Financial Statements in order to appropriately reflect the continuing operations and balances held for sale.

Aggregate scheduled maturities of debt and capital lease obligations as of September 30, 2017 are as follows:

Fiscal Year	Capital lease obligations	HRG debt - Parent Only	Consolidated
2018	$ 6.3	$ —	$ 161.4
2019	7.4	864.4	889.5
2020	7.8	—	20.9
2021	9.9	—	100.0
2022	7.6	890.0	2,148.4
Thereafter	160.7	—	2,481.7
Long-term debt	$ 199.7	$ 1,754.4	$ 5,801.9

HRG

7.875% Notes

As of September 30, 2017 and 2016, the Company had an outstanding balance of $864.4 of 7.875% senior secured notes due 2019 (the "7.875% Notes"). Interest on the 7.875% Notes is payable semiannually, in January and July.

Until January 15, 2018, the Company may redeem some or all of the 7.875% Notes at certain fixed redemption prices expressed as percentages of the principal amount, plus accrued and unpaid interest. At any time on or after January 15, 2018, the Company may redeem some or all of the 7.875% Notes at 100% of the principal amount plus accrued and unpaid interest.

The indenture governing the 7.875% Notes contains covenants limiting, among other things, and subject to certain qualifications and exceptions, the Company's ability, and, in certain cases, the ability of the Company's subsidiaries, to incur additional indebtedness; create liens; engage in sale-leaseback transactions; pay dividends or make distributions in respect of capital stock; make certain restricted payments; sell assets; engage in transactions with affiliates; or consolidate or merge with, or sell substantially all of the Company's assets to, another person. The Company is also required to maintain compliance with certain financial tests, including minimum liquidity and collateral coverage ratios that are based on the fair market value of the collateral, including the Company's equity interests in Spectrum Brands and its other subsidiaries such as HGI Funding. At September 30, 2017, the Company was in compliance with all covenants under the indenture governing the 7.875% Notes.

7.75% Notes

As of September 30, 2017 and 2016, the Company had an outstanding balance of $890.0 of 7.75% senior notes due 2022 (the "7.75% Notes"). Interest on the 7.75% Notes is payable semiannually, in January and July.

Until January 15, 2020, the Company may redeem the 7.75% Notes at certain fixed redemption prices expressed as a percentage of the principal amount, plus accrued and unpaid interest. At any time on or after January 15, 2020, the Company may redeem some or all of the 7.75% Notes at 100.0% of the principal amount plus accrued and unpaid interest.

HGI Funding

2017 Loan

On January 13, 2017, the Company, through a wholly-owned subsidiary of HGI Funding, entered into a loan agreement, pursuant to which it may borrow up to an aggregate amount of $150.0 (the "2017 Loan"). The 2017 Loan bears interest at an adjusted International Exchange London Interbank Offered Rate ("LIBOR"), plus 2.35% per annum, payable quarterly and a commitment fee of 75 bps. The 2017 Loan matures on July 13, 2018, with an option for early termination by the borrower. At September 30, 2017, the 2017 Loan was secured by 4.2 million shares of Spectrum Brands owned by a subsidiary of HGI Funding. The Company incurred $1.1 of financing costs in connection with the 2017 Loan. As of September 30, 2017, the Company had drawn $50.0 under the 2017 Loan. The 2017 Loan contains a customary mandatory prepayment clause, which requires the borrower to pay back any amounts borrowed under the 2017 Loan if certain events occur, including, but not limited to, a breach of the terms of the agreement by the borrower, a change of control of the borrower or the issuer of the pledged securities or a delisting of the pledged securities.

HGI Energy

In February 2013, in connection with the Company's acquisition of an interest in Compass, HGI Energy entered into note purchase agreements with FGL and Front Street for $100.0 notional aggregate principal amount due February 14, 2021 (the "Old HGI Energy Notes"). The Old HGI Energy Notes to FGL earned interest at 9.0% per annum, payable semi-annually in arrears on January 1 and July 1. Following the Compass Sale, the Old HGI Energy Notes were canceled and replaced with $92.0 notional aggregate amount of new notes of HGI Energy (the "HGI Energy Notes"), which were then transferred from FGL to a reinsurance funds withheld account at Front Street, for which Front Street bears the economic risk. As a result of the transaction, HGI Energy recognized $8.0 gain on the extinguishment of debt included in "Other (expense) income, net" in accompanying Consolidated Statements of Operations, while FGL and Front Street recognized $8.0 of net investment loss included in "Income (loss) from discontinued operations, net of tax" in the accompanying Consolidated Statements of Operations.

On May 8, 2017, the HGI Energy Notes were amended to (i) extend the stated maturity date to the earlier of (x) June 30, 2018 and (y) five business days following the date of any occurrence of acquisition of ownership, directly or indirectly, beneficially or of record, by any person or group, other than HRG or its subsidiaries, of common stock representing more than 50.0% of FGL's issued an outstanding common stock; and (ii) increase the rate of interest paid by the HGI Energy Notes from 0.7% to 1.5%, effective August 22, 2017.

Spectrum Brands

Term Loans and Revolver Facility

On June 23, 2015, Spectrum Brands, Inc., a subsidiary of Spectrum Brands ("SBI") entered into term loan facilities pursuant to a Senior Credit Agreement consisting of (i) a $1,450.0 U.S. dollar denominated term loan facility due June 23, 2022 (the "USD Term Loan"), (ii) a $75.0 CAD term loan due June 23, 2022 ("CAD Term Loan") and (iii) a €300.0 Euro denominated term loan facility due June 23, 2022 ("Euro Term Loan" and together with "USD Term Loan" and "CAD Term Loan", the "Term Loans") and (iv) entered into a $500.0 Revolver Facility due June 23, 2020 (the "Revolver Facility"). The proceeds from the Term Loans and draws on the Revolver were used to repay SBI's then-existing senior term credit facility, repay SBI's outstanding 6.75% senior unsecured notes due 2020 (the "6.75% Notes"), repay and replace SBI's then-existing asset based revolving loan facility, and to pay fees and expenses in connection with the refinancing and for general corporate purposes.

On October 6, 2016, Spectrum Brands entered into the first amendment to the Credit Agreement under its Term Loans and Revolver Facility (the "Credit Agreement") reducing the interest rate margins applicable to the USD Term Loan to either adjusted LIBOR, subject to a 0.75% floor plus margin of 2.50% per annum, or base rate with a 1.75% floor plus margin of 1.50% per annum. Spectrum Brands recognized $1.0 of costs in connection with amending the Credit Agreement that has been recognized as interest expense.

On March 6, 2017, Spectrum Brands entered into a second amendment to the Credit Agreement expanding the overall capacity of the Revolver Facility to $700.0, reducing the interest rate margin to either adjusted LIBOR plus margin ranging from 1.75% to 2.25%, or base rate plus margin ranging from 0.75% to 1.25%, reducing the commitment fee to 35bps, and extending the maturity to March 2022. Spectrum Brands recognized $2.6 of costs in connection with amending the cash revolver that has been deferred as debt issuance costs.

On April 7, 2017, Spectrum Brands entered into a third amendment to the Credit Agreement reducing the interest rate margins applicable to the USD Term Loans to either adjusted LIBOR plus margin of 2.00% per annum, or base rate plus margin of 1.00%. Spectrum Brands recognized $0.6 of costs in connection with amending the Credit Agreement that has been recognized as interest expense.

On May 16, 2017, Spectrum Brands entered into a fourth amendment to the Credit Agreement increasing its USD Term Loan by $250.0 of incremental borrowings and removing the floor which both LIBOR and base rates were subject to. Spectrum Brands recognized $2.7 as costs in connection with the increased borrowing that has been deferred as debt issuance costs.

On May 24, 2017, Spectrum Brands extinguished its Euro Term Loan and recognized non-cash interest expense of $0.6 for previously deferred debt issuance costs in connection with the extinguishment.

Following the amendments to the Credit Agreement (discussed above), the Term Loans and Revolver Facility are subject to variable interest rates, (i) the USD Term Loan is subject to either adjusted LIBOR, plus margin of 2.00% per annum, or base rate plus margin of 1.00% per annum; (ii) the CAD Term Loan is subject to either Canadian Dollar Offered Rate, subject to a 0.75% floor plus 3.50% per annum, or base rate with a 1.75% floor plus 2.50% per annum; (iii) the Euro Term Loan was subject to either Euro Interbank Offered Rate, subject to a 0.75% floor plus 2.75% per annum; and (iv) the Revolver Facility is subject to either adjusted LIBOR plus margin ranging from 1.75% to 2.25% per annum, or base rate plus margin ranging from 0.75% to 1.25% per annum.

Subject to certain mandatory prepayment events, the Term Loans are subject to repayment according to scheduled amortizations, with the final payments of all amounts outstanding, plus accrued and unpaid interest, due at maturity. The Senior Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on SBI and its restricted subsidiaries' ability to incur indebtedness, create liens, make investments, pay dividends or make certain other distributions, and merge or consolidate or sell assets, in each case subject to certain exceptions set forth in the Senior Credit Agreement.

The Credit Agreement, solely with respect to the Revolver Facility, contains a financial covenant test on the last day of each fiscal quarter on the maximum total leverage ratio. This is calculated as the ratio of (i) the principal amount of third party debt for borrowed money (including unreimbursed letter of credit drawings), capital leases and purchase money debt, at period-end, less cash and cash equivalents, to (ii) adjusted EBITDA for the trailing twelve months. The maximum total leverage ratio should be no greater than 6.0 to 1.0. As of September 30, 2017, Spectrum Brands was in compliance with all covenants under the Credit Agreement.

Pursuant to a guarantee agreement, SB/RH Holdings, LLC ("SB/RH Holdings"), a wholly-owned subsidiary of Spectrum Brands, and the material wholly-owned domestic subsidiaries of SBI have guaranteed SBI's obligations under the Senior Credit Agreement and related loan documents. Pursuant to a security agreement, SBI and such subsidiary guarantors have pledged substantially all of their respective assets to secure such obligations and, in addition, SB/RH Holdings has pledged the capital stock of SBI to secure such obligations. The Senior Credit Agreement also provides for customary events of default including payment defaults and cross-defaults to other material indebtedness.

In connection with the Revolver Facility, SBI incurred $5.7 of fees that were capitalized as debt issuance costs and are being amortized over the remaining life of the Revolver Facility. As of September 30, 2017, SBI had aggregate borrowing availability of $680.5, net of outstanding letters of credit of $18.0 and a $1.5 allocated to a foreign subsidiary of Spectrum Brands.

4.00% Notes

On September 20, 2016, SBI issued €425.0 aggregate principal amount of the 4.00% Notes due October 1, 2026 ("4.00% Notes"). The 4.00% Notes are guaranteed by SB/RH Holdings as well as by SBI's existing and future domestic subsidiaries.

SBI may redeem all or a part of the 4.00% Notes, at any time on or after October 1, 2021 at specified redemption prices. In addition, prior to October 1, 2021, SBI may redeem the notes at a redemption price equal to 100% of the principal amounts plus a "make-whole" premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before October 1, 2019 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 4.00% Notes (the "2026 Indenture") requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2026 Indenture.

The 2026 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2026 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2026 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 4.00% Notes. If any other event of default under the 2026 Indenture occurs and is continuing, the trustee for the 2026 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 4.00% Notes, may declare the acceleration of the amounts due under those notes.

Spectrum Brands recorded $7.7 of fees in connection with the offering of the 4.00% Notes during Fiscal 2016, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 4.00% Notes.

5.75% Notes

On May 20, 2015, in connection with the acquisition of the Armored AutoGroup Parent Inc. (“AAG”) Business, SBI issued $1,000.0 aggregate principal amount of 5.75% senior notes due July 15, 2025 (the “5.75% Notes”) at par value. The 5.75% Notes are guaranteed by SB/RH Holdings, as well as by SBI’s existing and future domestic subsidiaries.

SBI may redeem all or a part of the 5.75% Notes, at any time on or after July 15, 2020, at specified redemption prices. In addition, prior to July 15, 2020, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a “make-whole” premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before July 15, 2018 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 5.75% Notes (the “2025 Indenture”) requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2025 Indenture.

The 2025 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2025 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2025 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 5.75% Notes. If any other event of default under the 2025 Indenture occurs and is continuing, the trustee for the 2025 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 5.75% Notes, may declare the acceleration of the amounts due under those notes.

Spectrum Brands recorded $19.7 of fees in connection with the offering of the 5.75% Notes, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 5.75% Notes.

6.125% Notes

On December 4, 2014, SBI issued $250.0 aggregate principal amount of 6.125% Notes at par value, due December 15, 2024 (the “6.125% Notes”). The 6.125% Notes are guaranteed by SB/RH Holdings, as well as by SBI’s existing and future domestic subsidiaries.

SBI may redeem all or a part of the 6.125% Notes, at any time on or after December 15, 2019, at specified redemption prices. Prior to December 15, 2019, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a “make-whole” premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before December 15, 2017 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 6.125% Notes (the “2024 Indenture”) requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2024 Indenture.

The 2024 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2024 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2024 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.125% Notes. If any other event of default under the 2024 Indenture occurs and is continuing, the trustee for the 2024 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.125% Notes, may declare the acceleration of the amounts due under those notes.

Spectrum Brands recorded $4.6 of fees in connection with the offering of the 6.125% Notes, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 6.125% Notes.

6.375% Notes and 6.625% Notes

On December 17, 2012, in connection with the acquisition of Hardware & Home Improvement ("HHI") business, Spectrum Brands assumed $520.0 aggregate principal amount of 6.375% Notes at par value, due November 15, 2020, and $570.0 aggregate principal amount of 6.625% Notes, due November 15, 2022 (the "6.625% Notes"). In connection with the issuance of the 4.00% Notes previously discussed, Spectrum Brands repurchased $390.3 aggregate principal amount of the 6.375% Notes in a cash tender offer. In connection with the tender, Spectrum Brands recognized $6.5 of fees and expenses and a $15.6 tender premium as interest expense; and wrote off $5.8 of previously capitalized debt issuance costs as a non-cash charge to interest expense during Fiscal 2016. On October 20, 2016, Spectrum Brands redeemed the remaining outstanding aggregate principal on the 6.375% Notes of $129.7 with a make whole premium of $4.6 recognized as interest expense and $1.9 in non-cash interest expense for previously deferred debt issuance costs for Fiscal 2017. The 6.625% Notes are unsecured and guaranteed by SB/RH Holdings, as well as by existing and future domestic restricted subsidiaries.

Spectrum Brands may redeem all or a part of the 6.625% Notes, upon not less than 30 or more than 60 days notice, at specified redemption prices. Further, the indenture governing the 6.625% Notes (the "2020/22 Indenture") requires Spectrum Brands to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of Spectrum Brands, as defined in such indenture. Subsequent to Fiscal 2017 and effective November 15, 2017, the 6.625% Notes became callable by Spectrum Brands.

The 2020/22 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2020/22 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2020/22 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.625% Notes. If any other event of default under the 2020/22 Indenture occurs and is continuing, the trustee for the 2020/22 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.625% Notes, may declare the acceleration of the amounts due under those notes.

Spectrum Brands recorded $14.1 of fees in connection with the offering of the 6.625% Notes, which were capitalized as debt issuance costs and amortized over the remaining lives of the 6.625% Notes.

Salus

Salus acted as co-lender under some of the asset-based loans that it originated, and such loans were structured to meet the definition of a "participating interest" as defined under ASC 860-10, *Transfers and Servicing*. Salus is no longer originating new loans. 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. Salus also reflects a secured borrowing owing to the co-lender representing their share in the undivided whole loan. As of September 30, 2016, Salus had $2.0 of such secured borrowings to unaffiliated co-lenders outstanding related to non-qualifying "participating interests." As of September 30, 2017, Salus had no secured borrowings to unaffiliated co-lenders outstanding related to non-qualifying "participating interests."

For additional information related to the reduction in senior secured and subordinated CLO debt, see Note 6, Securitization and Variable Interest Entities.

(14) Leases

Lease Commitments

The Company has leases primarily pertaining to land, buildings, and equipment that expire at various times through February 2034. The Company's minimum rent payments under operating leases are recognized on a straight-line basis over the term of the leases. Future minimum rental commitments under non-cancelable operating leases, primarily relating to Spectrum Brands, net of contractual third-party sublease, are as follows:

	Operating Leases of Business Held for Use	Operating Leases of Businesses Held for Sale
2018	$ 25.9	$ 9.8
2019	22.4	8.5
2020	16.2	7.8
2021	11.8	6.6
2022	8.4	5.3
Thereafter	25.8	6.8
Total minimum lease payments	$ 110.5	$ 44.8

The Company's total rent expense was $28.0, $42.1 and $36.6 during Fiscal 2017, 2016 and 2015, respectively.

(15) Derivative Financial Instruments

Cash Flow Hedges

Interest Rate Swaps. Spectrum Brands uses 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 AOCI and as a derivative 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 expense from the underlying debt to which the swap is designated. At September 30, 2017, Spectrum Brands had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on variable rate debt, exclusive of lender spreads, at 1.76% for a notional principal amount of $300.0 through May 2020. As of September 30, 2016, Spectrum Brands had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on variable 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 $0.3, net of tax. Spectrum Brands' interest rate swaps financial instruments at September 30, 2017 and 2016 were as follows:

	September 30, 2017		September 30, 2016	
	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	$ 300.0	2.6	$ 300.0	0.5

Commodity Swaps. Spectrum Brands is exposed to risk from fluctuating prices for brass used in its manufacturing processes at its HHI business. 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 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 September 30, 2017, Spectrum Brands had a series of brass swap contracts outstanding through February 2019. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $0.2, net of tax. Spectrum Brands had the following commodity swap contracts associated with Spectrum Brands' continuing operations outstanding as of September 30, 2017 and 2016:

	September 30, 2017		September 30, 2016	
	Notional Amount	Contract Value	Notional Amount	Contract Value
Brass swap contracts	1.3 Tons	$ 6.6	1.0 Tons	$ 4.0

Foreign exchange contracts. Spectrum Brands periodically enters into forward foreign exchange contracts to hedge a portion of 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, Australian Dollars, Canadian Dollars ("CAD") 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 hedge is recorded in AOCI and as a hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to “Net sales” or purchase price variance in “Cost of goods sold”, respectively, in the accompanying Consolidated Statements of Operations. At September 30, 2017, Spectrum Brands had a series of foreign exchange derivative contracts outstanding through June 2019. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $1.0, net of tax. At September 30, 2017 and 2016, Spectrum Brands had foreign exchange derivative contracts associated with Spectrum Brands’ continuing operations designated as cash flow hedges with a notional value of $67.5 and $29.9, respectively.

Net Investment Hedge

On September 20, 2016, SBI issued €425.0 aggregate principal amount of 4.00% Notes. See Note 13, Debt for further details. Spectrum Brands’ 4.00% Notes are denominated in Euros and have been designated as a net investment hedge of the translation of Spectrum Brands’ net investments in Euro denominated subsidiaries at the time of issuance. As a result, the translation of the Euro denominated debt is recognized in AOCI with any ineffective portion recognized as foreign currency translation gains or losses in the accompanying Consolidated Statements of Operations when the aggregate principal exceeds the net investment in its Euro denominated subsidiaries. Net gains or losses from the net investment hedge are reclassified from AOCI into earnings upon a liquidation event or deconsolidation of Euro denominated subsidiaries. As of September 30, 2017, the hedge was fully effective and no ineffective portion was recognized in earnings.

Derivative Contracts Not Designated as Hedges for Accounting Purposes

Foreign exchange contracts. Spectrum Brands periodically enters into forward and swap foreign exchange contracts to economically hedge a portion of 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, CAD, Euros, Pounds Sterling, Taiwanese Dollars, Hong Kong Dollars or Australian Dollars. These foreign exchange contracts are economic hedges of a related liability or asset recorded in the accompanying Consolidated Balance Sheets. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At September 30, 2017, Spectrum Brands had a series of forward exchange contracts outstanding through October 2017. At September 30, 2017 and 2016, Spectrum Brands had $62.9 and $62.0, respectively, of notional value for such foreign exchange derivative contracts associated with Spectrum Brands’ continuing operations outstanding.

Fair Value of Derivative Instruments

The fair value of outstanding derivatives associated with Spectrum Brands’ continuing operations recorded in the accompanying Consolidated Balance Sheets were as follows:

		September 30,	
Asset Derivatives	**Classification**	**2017**	**2016**
Derivatives designated as hedging instruments:			
Commodity swaps	Other receivables, net	$ 0.6	$ 0.1
Interest rate swaps	Deferred charges and other assets	0.4	—
Foreign exchange contracts	Other receivables, net	0.2	—
Total asset derivatives designated as hedging instruments		1.2	0.1
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Other receivables, net	0.3	0.1
Total asset derivatives		$ 1.5	$ 0.2

		September 30,	
Liability Derivatives	**Classification**	**2017**	**2016**
Derivatives designated as hedging instruments:			
Foreign exchange contracts	Accounts payable	$ 2.3	$ 0.2
Foreign exchange contracts	Other long-term liabilities	0.3	0.1
Interest rate swaps	Other current liabilities	0.5	0.8
Interest rate swaps	Accrued interest	0.2	0.4
Commodity swaps	Accounts payable	—	0.1
Total liability derivatives designated as hedging instruments		3.3	1.6
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Accounts payable	—	0.1
Total liability derivatives		$ 3.3	$ 1.7

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 less than $0.1 as of September 30, 2017 and 2016.

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 September 30, 2017 and 2016, there was no cash collateral outstanding. In addition, as of September 30, 2017 and 2016, Spectrum Brands had no posted standby letters of credit related to such liability positions.

The following tables summarize the impact of the effective portion of designated hedges and the gain (loss) recognized in the accompanying Consolidated Statements of Operations for Fiscal 2017, 2016 and 2015:

Fiscal 2017	Classification	Effective Portion		
		Gain (Loss) in AOCI	Gain (Loss) reclassified to Continuing Operations	Reclassified to Discontinued Operations
Interest rate swaps	Interest expense	$ (0.7)	$ (1.3)	$ —
Commodity swaps	Cost of goods sold	6.2	0.7	4.7
Net investment hedge	Other (expense) income, net	(24.0)	—	—
Foreign exchange contracts	Net sales	0.4	—	—
Foreign exchange contracts	Cost of goods sold	(13.5)	0.1	6.6
		$ (31.6)	$ (0.5)	$ 11.3

Fiscal 2016	Classification	Effective Portion		
		Gain (Loss) in AOCI	Gain (Loss) reclassified to Continuing Operations	Reclassified to Discontinued Operations
Interest rate swaps	Interest expense	$ (0.4)	$ (1.9)	$ —
Commodity swaps	Cost of goods sold	4.5	(1.4)	(2.3)
Net investment hedge	Other (expense) income, net	0.6	—	—
Foreign exchange contracts	Net sales	(0.4)	(0.2)	—
Foreign exchange contracts	Cost of goods sold	6.8	1.2	5.7
		$ 11.1	$ (2.3)	$ 3.4

Fiscal 2015	Classification	Effective Portion		
		Gain (Loss) in AOCI	Gain (Loss) reclassified to Continuing Operations	Reclassified to Discontinued Operations
Interest rate swaps	Interest expense	$ (3.4)	$ (1.9)	$ —
Commodity swaps	Cost of goods sold	(7.1)	(0.5)	(0.2)
Foreign exchange contracts	Net sales	0.1	0.1	—
Foreign exchange contracts	Cost of goods sold	21.8	25.4	4.6
		$ 11.4	$ 23.1	$ 4.4

The unrealized loss on derivative contracts in AOCI expected to be recognized during the fiscal year ending September 30, 2018 ("Fiscal 2018") is $8.9.

During Fiscal 2017, 2016 and 2015, Spectrum Brands recognized the following gains and losses on derivatives associated with Spectrum Brands' continuing operations:

		Fiscal		
	Classification	2017	2016	2015
Foreign exchange contracts	Other (expense) income, net	$ 1.9	$ 3.1	$ (4.9)

(16) Shareholders' Equity

Accumulated Other Comprehensive Income

The cumulative amounts of the components of accumulated other comprehensive income reflected in the accompanying Consolidated Statements of Shareholders' Equity, as of September 30, 2017, 2016 and 2015, were as follows:

	Unrealized Investment Gains, net	Non-credit Related Other-than-temporary Impairments	Other Unrealized Gains (Losses) — Cash Flow Hedges	Actuarial Adjustments to Pension Plans	Cumulative Translation Adjustments	Total
Cumulative components at September 30, 2017:						
Gross amounts (after reclassification adjustments)	$ 1,134.9	$ (2.4)	$ (35.4)	$ (58.7)	$ (135.1)	$ 903.3
Intangible assets adjustments	(298.9)	0.4	—	—	—	(298.5)
Tax effects	(291.6)	0.2	9.5	3.6	3.5	(274.8)
Noncontrolling interest	(106.5)	—	10.1	21.5	53.9	(21.0)
	$ 437.9	$ (1.8)	$ (15.8)	$ (33.6)	$ (77.7)	$ 309.0
Cumulative components at September 30, 2016:						
Gross amounts (after reclassification adjustments)	$ 940.5	$ (2.4)	$ 7.0	$ (87.7)	$ (164.2)	$ 693.2
Intangible assets adjustments	(258.6)	0.4	—	—	—	(258.2)
Tax effects	(237.1)	0.2	(3.8)	12.1	3.5	(225.1)
Noncontrolling interest	(86.0)	—	(1.7)	30.4	68.3	11.0
	$ 358.8	$ (1.8)	$ 1.5	$ (45.2)	$ (92.4)	$ 220.9
Cumulative components at September 30, 2015:						
Gross amounts (after reclassification adjustments)	$ 147.2	$ (1.0)	$ (3.0)	$ (48.4)	$ (155.7)	$ (60.9)
Intangible assets adjustments	(0.3)	0.4	—	—	—	0.1
Tax effects	(51.4)	0.2	(0.9)	1.3	3.5	(47.3)
Noncontrolling interest	(17.4)	—	1.3	18.6	64.9	67.4
	$ 78.1	$ (0.4)	$ (2.6)	$ (28.5)	$ (87.3)	$ (40.7)

Restricted Net Assets of Subsidiaries

The Company considered the guidance in the Securities and Exchange Commission's Regulation S-X related to restricted net assets of subsidiaries. In accordance with Rule 4-08(e) of Regulation S-X, the Company has determined that certain net assets of its subsidiaries are considered restricted under this guidance and exceed 25 percent of HRG's consolidated net assets. HRG's interest in net assets of its subsidiaries that were considered to be restricted at September 30, 2017 was $2,273.9 and consisted of net assets of FS Holdco II Ltd. (inclusive of businesses classified as held for sale) and Spectrum Brands, less noncontrolling interest, which were restricted as to transfer to HRG in the form of cash dividends, loans or advances under regulatory or debt covenant restrictions.

Stock Repurchase Program

On May 8, 2014, our board of directors authorized us to enter into a repurchase program, which replaced our prior share repurchase program. This share repurchase program authorized us to repurchase up to $100.0 of shares of our common stock, subject to certain restrictions and provisions. This program does not have an expiration date. We may from time to time, and at any time, elect to increase the amount of shares authorized under our repurchase program, authorize a new repurchase program or repurchase shares of our Common Stock in privately negotiated transactions or we may determine to terminate, suspend, discontinue, modify and/or reinstate one or more of such programs.

A summary of the stock repurchase activity under a $100.0 stock repurchase program authorized by HRG's Board of Directors in Fiscal 2017, 2016 and 2015 is summarized as follows (share amounts in thousands):

	Shares repurchased	Weighted-Average Price per Share	Amount Repurchased
Cumulative balance through September 30, 2017 (a)	6,900	$ 12.71	$ 87.7
Cumulative balance through September 30, 2016 (a)	6,900	$ 12.71	$ 87.7
Cumulative balance through September 30, 2015 (a)	6,900	$ 12.71	$ 87.7

(a) Represents cumulative stock purchases under the $100.0 stock repurchase program since the program's adoption in May 2014.

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity. Upon repurchase, the Company retires the stock and records the excess of the cost of the treasury stock over its par value entirely to additional paid-in capital.

(17) Employee Benefit Obligations

Defined Benefit Plans

HRG

HRG has a noncontributory defined benefit pension plan (the "HRG Pension Plan") covering certain former U.S. employees. During 2006, the HRG Pension Plan was frozen which caused all existing participants to become fully vested in their benefits.

Additionally, HRG has an unfunded supplemental pension plan (the "Supplemental Plan") which provides supplemental retirement payments to certain former senior executives of HRG. The amounts of such payments equal the difference between the amounts received under the HRG Pension Plan and the amounts that would otherwise be received if HRG Pension Plan payments were not reduced as the result of the limitations upon compensation and benefits imposed by Federal law. Effective December 1994, the Supplemental Plan was frozen.

Spectrum Brands

Spectrum Brands has various defined benefit pension plans (the "Spectrum Brands Pension Plans") covering some of its employees. The Spectrum Brands Pension Plans generally provide benefits of stated amounts for each year of service. Spectrum Brands funds its pension plans in accordance with the requirements of the defined benefit pension plans and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. Additionally, in compliance with Spectrum Brands' funding policy, annual contributions to defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries.

Spectrum Brands sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with government-sponsored plans, which are not significant in the aggregate.

The following tables provide additional information on the Company's pension plans as of September 30, 2017 and 2016, which principally relate to Spectrum Brands' continuing operations:

	Fiscal	
	2017	2016
Change in benefit obligation		
Projected benefit obligation, beginning of year	$ 104.9	$ 87.8
Service cost	2.9	2.4
Interest cost	2.2	2.7
Actuarial (gain) loss	(12.0)	15.9
Curtailments	(0.2)	—
Benefits paid	(4.7)	(3.4)
Foreign currency exchange rate changes	4.1	(0.5)
Projected benefit obligation, end of year	$ 97.2	$ 104.9
Change in plan assets		
Fair value of plan assets, beginning of year	$ 57.2	$ 56.1
Actual return on plan assets	1.1	1.9
Employer contributions	4.8	2.5
Benefits paid	(4.7)	(3.4)
Foreign currency exchange rate changes	2.2	0.1
Fair value of plan assets, end of year	$ 60.6	$ 57.2
Accrued Benefit Cost / Funded Status	$ (36.6)	$ (47.7)
Weighted average assumptions:		
Discount rate	1.1% to 7.5%	1.0% to 8.7%
Expected return on plan assets	1.1% to 7.0%	1.0% to 7.0%
Rate of compensation increase	1.4% to 7.0%	2.3% to 7.0%

The net underfunded status as of September 30, 2017 and 2016 of $36.6 and $47.7, respectively, is recognized in the accompanying Consolidated Balance Sheets within "Employee benefit obligations." Included in AOCI as of September 30, 2017 and 2016 were unrecognized net losses of $33.6, net of tax expense of $3.6 and noncontrolling interest of $21.5, and $45.2, net of tax expense of $12.1 and noncontrolling interest of $30.4, respectively, which have not yet been recognized as components of net periodic pension cost. The net loss in AOCI expected to be recognized during Fiscal 2018 is $2.0.

The following table contains the components of net periodic benefit costs during Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	2016	2015
Components of net periodic cost:			
Service cost	$ 2.9	$ 2.4	$ 2.4
Interest cost	2.2	2.7	2.8
Expected return on assets	(2.3)	(2.3)	(2.5)
Curtailment gain	(0.2)	0.1	0.4
Recognized net actuarial loss	2.3	0.6	0.9
Net periodic cost	$ 4.9	$ 3.5	$ 4.0
Weighted average assumptions:			
Discount rate	1.0% to 8.7%	1.0% to 7.0%	2.0% to 7.5%
Expected return on plan assets	1.0% to 7.0%	1.0% to 7.0%	2.0% to 7.3%
Rate of compensation increase	2.3% to 7.0%	2.3% to 5.5%	2.3% to 5.5%

The discount rate is used to calculate the projected benefit obligation. The discount rate used is based on the rate of return on government bonds as well as current market conditions of the respective countries where the plans are established. The expected return on plan assets is based on the Company's expectation of the long-term average rate of return of the capital market in which the plans invest. The expected return reflects the target asset allocations and considers the historical returns earned for each asset category.

The following benefit payments were expected to be paid as of September 30, 2017:

Fiscal Year	
2018	$ 3.4
2019	3.7
2020	3.8
2021	3.9
2022	3.9
2023 to 2027	22.6

The Company has established formal investment policies for the assets associated with these plans. Policy objectives include maximizing long-term return at acceptable risk levels, diversifying among asset classes, if appropriate, and among investment managers, as well as establishing relevant risk parameters within each asset class. Specific asset class targets are based on the results of periodic asset/liability studies. The investment policies permit variances from the targets within certain parameters. The plan assets currently do not include holdings of common stock of HRG or its subsidiaries.

Below is a summary allocation of all pension plan assets as of September 30, 2017 and 2016:

	Fiscal	
	2017	2016
Asset Type		
Equity securities	6%	14%
Fixed income securities	17%	13%
Other	77%	73%
Total	100%	100%

The fair value of pension plan assets by asset category as of September 30, 2017 and 2016 were as follows:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Defined Benefit Plan Assets:				
Equity securities				
U.S. equity securities	$ —	$ 2.1	$ —	$ 2.1
Foreign equity securities	—	1.4	—	1.4
Fixed income securities				
U.S. fixed income securities	—	8.1	—	8.1
Foreign fixed income securities	—	2.4	—	2.4
Real estate	—	—	—	—
Life insurance contracts	—	37.6	—	37.6
Other	—	0.5	—	0.5
Foreign cash & cash equivalents	8.5	—	—	8.5
Total defined benefit plan assets	$ 8.5	$ 52.1	$ —	$ 60.6

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Defined Benefit Plan Assets:				
Equity securities				
U.S. equity securities	$ —	$ 5.5	$ —	$ 5.5
Foreign equity securities	—	2.3	—	2.3
Fixed income securities				
U.S. fixed income securities	—	5.4	—	5.4
Foreign fixed income securities	—	2.3	—	2.3
Real estate	—	—	—	—
Life insurance contracts	—	34.6	—	34.6
Other	—	1.1	—	1.1
Foreign cash & cash equivalents	6.0	—	—	6.0
Total defined benefit plan assets	$ 6	$ 51.2	$ —	$ 57.2

Defined Contribution Plans

During Fiscal 2017, 2016 and 2015, HRG, Spectrum Brands and Salus sponsored and defined contributions plans in which eligible participants may defer a fixed amount or a percentage of their eligible compensation, subject to limitations. During Fiscal 2017, 2016 and 2015, each of HRG, Spectrum Brands and Salus made discretionary matching contributions of eligible compensation. Spectrum Brands also sponsored defined contribution plans for employees of certain foreign subsidiaries. Contributions are discretionary and evaluated annually. Aggregate contributions charged to operations for the defined contribution plans for Fiscal 2017, 2016 and 2015 were $8.2, $8.2 and $8.1, respectively.

(18) Income Taxes

Income tax expense (benefit) was calculated based upon the following components of (loss) income from continuing operations before income taxes:

	Fiscal		
	2017	2016	2015
(Loss) income from continuing operations before income taxes:			
United States	$ (72.3)	$ (25.5)	$ (346.6)
Outside the United States	41.2	34.7	29.6
Total (loss) income from continuing operations before income taxes	(31.1)	$ 9.2	(317.0)

The components of income tax expense (benefit) were as follows:

	Fiscal		
	2017	2016	2015
Current:			
Federal	$ 6.6	$ 0.1	$ 1.7
Foreign	9.1	10.6	6.3
State	0.5	4.5	4.2
Total current	16.2	15.2	12.2
Deferred:			
Federal	39.5	(55.2)	(18.8)
Foreign	(10.5)	(19.6)	11.6
State	(7.1)	1.2	(3.7)
Total deferred	21.9	(73.6)	(10.9)
Income tax expense (benefit)	$ 38.1	$ (58.4)	$ 1.3

The differences between income taxes expected at the U.S. Federal statutory income tax rate of 35.0% and reported income tax expense (benefit) are summarized as follows:

	Fiscal		
	2017	2016	2015
Expected income tax (benefit) expense at the Federal statutory rate	$ (10.9)	$ 3.2	$ (111.0)
State and local income taxes	2.4	12.2	(5.2)
Valuation allowance for deferred tax assets	81.5	(65.0)	180.3
Residual tax on foreign earnings	(4.0)	8.3	11.5
Foreign rate differential	(18.8)	(14.9)	(0.5)
Foreign tax law changes	—	(3.7)	—
Impact of Internal Revenue Code ("IRC") Section 9100 relief	—	(16.4)	—
Share based compensation adjustments	(4.8)	0.5	(0.4)
Benefit from adjustment to tax basis in assets	—	(8.5)	—
Permanent items	2.7	9.9	17.1
Exempt foreign income	—	—	(4.7)
Unrecognized tax benefits	4.0	5.6	0.7
State tax law and rate changes	—	—	(54.5)
Tax attributes	(6.6)	2.1	9.2
Gain on deconsolidation	—	—	(23.3)
Non-deductible goodwill impairment	—	—	9.9
Purchase accounting benefit	—	—	(22.8)
Outside basis difference	4.6	6.4	(4.9)
Return to provision adjustments and other, net	(12.0)	1.9	(0.1)
Reported income tax expense (benefit)	$ 38.1	$ (58.4)	$ 1.3
Effective tax rate	(122.5)%	(634.8)%	(0.4)%

For Fiscal 2017, the Company's effective tax rate of (122.5)% differed from the expected U.S. statutory tax rate of 35.0% and was primarily impacted by U.S. pretax losses where the tax benefits were not more-likely-than-not to be realized resulting in the recording of valuation allowance. Partially offsetting this increase in effective tax rate were the effects of income earned by Spectrum Brands outside of the U.S. that is subject to statutory rates lower than 35.0%. In addition, Spectrum Brands recognized a $6.6 tax benefit for the recognition of additional federal and state tax credits.

For Fiscal 2016, the Company's effective tax rate of (634.8)% differed from the expected U.S. statutory tax rate of 35.0% primarily due to the release of domestic valuation allowance of $111.1 by Spectrum Brands resulting from the expected utilization of a portion of Spectrum Brands' U.S. NOL carryforwards that were previously recorded with valuation allowance, partially offset by an increase in valuation allowance needed for current year losses from the Corporate and Other segment in the U.S. that are not more-likely-than-not to be realized.

For Fiscal 2015, the Company's effective tax rate of (0.4)% differed from the expected U.S. statutory tax rate of 35.0% and was impacted by pretax losses including significant impairment and bad debt expense in the Corporate and Other segment 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. In addition, for Fiscal 2015, the Company recognized a $22.8 income tax benefit from the reversal of a portion of Spectrum Brands' U.S. valuation allowance on deferred tax assets in connection with the acquisition of AAG.

The following table summarizes the components of deferred income tax assets and liabilities:

	September 30,	
	2017	2016
Deferred tax assets:		
Employee benefits	$ 57.9	$ 91.6
Property, plant and equipment	31.4	8.8
Inventories and receivables	35.4	32.9
Marketing and promotional accruals	15.8	17.6
Net operating loss, credit and capital loss carry forwards	1,033.3	1,012.3
Prepaid royalty	—	6.0
Unrealized losses	16.7	4.2
Outside basis difference	49.0	51.1
Intangibles	8.5	3.7
Other	29.8	36.2
Total deferred tax assets	1,277.8	1,264.4
Less: Valuation allowance	946.7	532.3
Net deferred tax assets	331.1	732.1
Deferred tax liabilities:		
Property, plant and equipment	(34.0)	(20.1)
Outside basis differences on held for sale assets	—	(367.8)
Intangibles	(662.8)	(770.2)
Investment in partnership	(91.5)	—
Unrealized gains	(5.7)	—
Investments	—	(39.2)
Redemption of long term debt	(8.4)	(10.2)
Other	(5.2)	(20.1)
Total deferred tax liabilities	(807.6)	(1,227.6)
Net deferred tax liability	$ (476.5)	$ (495.5)
Reported as:		
Deferred tax assets	$ 16.7	$ 16.8
Deferred tax liabilities	493.2	512.1

In accordance with ASC Topic 740, the Company establishes valuation allowances for deferred tax assets that, in its judgment, are not more-likely-than-not realizable. These judgments are based on projections of future income, including tax-planning strategies, by individual tax jurisdiction. Changes in industry and economic conditions and the competitive environment may impact the accuracy of these projections. In accordance with ASC Topic 740, during each reporting period, the Company assesses the likelihood that its deferred tax assets will be realized and determines if adjustments to its valuation allowances are appropriate. As a result of this assessment, for Fiscal 2017, 2016 and 2015, the Company had a net charge (release) of valuation allowance to earnings totaling $81.5, $(65.0) and $180.3, respectively, as more fully described below.

HRG

HRG's valuation allowance at September 30, 2017 and 2016 totaled $703.2 and $313.1, respectively (inclusive of $58.1 and $48.8, respectively, attributable to FGL's non-life subsidiaries). During Fiscal 2017, HRG increased its net valuation allowance for deferred tax assets by $390.1, of which $352.7 was due to the reversal of the previously recorded deferred tax liability and deferred tax asset valuation allowance reduction related to the FGL Merger (discussed below), as a result of the Company's current intent to exercise the 338 Tax Election related to the FGL Merger. See Note 1, Basis of Presentation and Nature of Operations and Note 5, Divestitures for additional information about the FGL Merger. As a result, U.S. Federal NOL and capital loss carryforwards attributable to FGL non-life subsidiaries is expected to be retained by HRG after the completion of the FGL Merger. Additionally, HRG increased its valuation allowance for deferred tax assets by $36.5 as a result of recognizing a deferred tax asset during Fiscal 2017 on HRG's investment in Front Street. During Fiscal 2016, HRG decreased its net valuation allowance for deferred tax assets by $281.4, of which $352.7 was primarily related to the reversal of valuation allowance against certain U.S. federal net deferred tax assets as a result of recognizing a deferred tax liability on HRG's investment in FGL, which resulted from classifying the Company's ownership interest in FGL as held for sale, and was included in "Net income (loss) from discontinued operations". Partially offset by an increase of $145.3, which was allocated to accumulated other comprehensive income consistent with the source of taxable income available for realization. Included in the net decrease in valuation allowance was an increase of $89.5, which resulted from the tax effect related to Fiscal 2016 losses from the Corporate and Other segment.

During Fiscal 2015, HRG increased its valuation allowance for deferred tax assets by $309.0, of which $248.6 was related to an increase in valuation allowance against U.S. net deferred taxes and $60.4 was related to an increase in valuation allowance against state net deferred taxes.

At September 30, 2017 and 2016, HRG had approximately $1,524.3 and $1,304.1, respectively, of gross U.S. Federal NOL carryforwards (inclusive of $151.1 and $133.6, respectively, attributable to FGL's non-life subsidiaries), which, if unused, will expire in tax years ending December 31, 2028 through 2037. HRG had approximately $315.9 and $322.4 of gross U.S. federal capital loss carryforwards (inclusive of $15.0 and $6.0, respectively, attributable to FGL's non-life subsidiaries) at September 30, 2017 and 2016, respectively, which, if unused, will expire in tax years ended December 31, 2017 through 2022. At September 30, 2016, HRG had approximately $93.9 of tax benefits related to U.S. state NOL carryforwards, which decreased to $0.0 at September 30, 2017 due to HRG applying a 0% state apportionment factor.

The majority of NOL, capital loss and tax credit carryforwards of HRG was historically subject to valuation allowances, as HRG concluded that all or a portion of the related tax benefits are not more-likely-than-not to be realized. Approximately $395.0 of gross U.S. Federal NOL, and capital loss carryforwards of HRG are subject to limitations under Sections 382 and 383 of IRC. Such limitations resulted from ownership changes of more than 50 percentage points over a three-year period. HRG has considered the impact of the 2013 Section 382 ownership change and the related limitations in assessing its need for a valuation allowance. There has been no further ownership change since the September 30, 2013 ownership change.

Spectrum Brands

To the extent necessary, Spectrum Brands intends to utilize earnings of foreign subsidiaries in order to support the plans of the Spectrum Brands management to voluntarily accelerate pay down of U.S. debt, fund distributions to its shareholders, fund U.S. acquisitions and satisfy ongoing U.S. operational cash flow requirements. Spectrum Brands annually estimates the available earnings, permanent reinvestment classification and the availability of and Spectrum Brands management's intent to use alternative mechanisms for repatriation for each jurisdiction in which Spectrum Brands does business. Accordingly, Spectrum Brands is providing residual U.S. and foreign deferred taxes on these earnings to the extent they cannot be repatriated in a tax-free manner.

During Fiscal 2017, Spectrum Brands concluded that sufficient evidence existed that substantially all of its non-US subsidiaries had invested or would invest their respective undistributed earnings indefinitely or that the earnings would be remitted in a tax-free manner. As a result, Spectrum Brands recognized approximately $1.6 in tax benefit to continuing operations for reducing the deferred tax liability on those earnings that had been established in prior years. Spectrum Brands provided residual tax expense through continuing operations of $5.7 on earnings deemed to be repatriated under U.S. tax law for Fiscal 2017. The tax benefit was recognized as an addition to NOL and credit carryforwards deferred tax assets.

During Fiscal 2016, Spectrum Brands provided $1.9 of tax benefit through continuing operations on undistributed foreign earnings and $3.0 in tax expense on earnings deemed to be repatriated under subpart F of the U.S. tax law. The residual domestic taxes from foreign earnings were recognized as a reduction to NOL and credit carryforwards deferred tax assets.

During Fiscal 2015, Spectrum Brands recognized $23.3 of deferred tax assets related to its investment in one of its foreign subsidiaries because it was expected to reverse in the foreseeable future. The deferred tax asset reversed during Fiscal 2016. Spectrum Brands also recorded a $14.4 reduction in its NOL deferred tax assets, with a corresponding reduction in the valuation allowance, to reflect losses used as a result of prior year adjustments.

Remaining undistributed earnings of Spectrum Brands' foreign operations were $302.5 at September 30, 2017, and are intended to remain permanently invested. Accordingly, no residual income taxes have been provided on those earnings. If at some future date these earnings cease to be permanently invested, Spectrum Brands may be subject to U.S. income taxes and foreign withholding and other taxes on such amounts, which cannot be reasonably estimated at this time.

At September 30, 2017, Spectrum Brands had U.S. federal NOL carryforwards of $703.5 with a federal tax benefit of $246.2, tax benefits related to state NOLs of $70.8 and capital loss carryforwards of $19.8 with a federal and state tax benefit of $7.5. Spectrum Brands has an additional $4.3 of federal and state NOLs for which benefits will be recorded to additional paid-in capital when those carryforwards are used. These NOLs expire through years ending in 2037. As of September 30, 2017, Spectrum Brands had foreign NOLs of $169.2 and tax benefits of $47.4, which will expire beginning in Fiscal 2018. Certain of the foreign NOLs have indefinite carryforward periods. Spectrum Brands is subject to an annual limitation on the use of its NOL carryforwards that arose prior to its emergence from bankruptcy in the fiscal year ended September 30, 2009. Spectrum Brands has had multiple changes of ownership, as defined under IRC Section 382 of the Internal Revenue Code of 1986 as amended, that limits the utilization of Spectrum Brands' U.S. federal and state NOLs and other tax attributes. The annual limitation is based on a number of factors, including the value of the Spectrum Brands' stock (as defined for tax purposes) on the date of the ownership change, its net unrealized gain position on that date, the occurrence of realized gains in years subsequent to the ownership change, and the effects of subsequent ownership changes (as defined for tax purposes), if any. In addition, separate return year limitations apply to limit Spectrum Brands' utilization of the acquired Russell Hobbs U.S. federal and state NOLs to future income of the Russell Hobbs subgroup. Due to these limitations, Spectrum Brands estimates, as of September 30, 2017, that $468.9 of U.S. federal NOLs with a federal tax benefit of $164.1 and $16.7 of the tax benefit related to state NOLs will expire unused even if Spectrum Brands generates sufficient income to otherwise use all of its NOLs. Spectrum Brands also projects, as of September 30, 2017, that $45.7 of tax benefits related to its foreign NOLs will not be used. Spectrum Brands has provided a full valuation allowance against these deferred tax assets.

The ultimate realization of the deferred tax assets depends on the ability of Spectrum Brands to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions.

Spectrum Brands has earned pretax profits in the U.S. each of the last three years. Large, profitable U.S. businesses were acquired in Fiscal 2015 and Fiscal 2013, and Spectrum Brands debt levels and blended interest rates have decreased over time. The combination of U.S. operating results and the changes in Spectrum Brands U.S. operating profile led Spectrum Brands to conclude during Fiscal 2016 that 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 released $111.1 of domestic valuation allowance during Fiscal 2016. Approximately $25.1 of the domestic valuation allowance released by Spectrum Brands resulted from additional deferred tax assets created by the adoption of ASU No. 2016-09, effective as of October 1, 2015. In December 2015, the Company received a ruling from the Internal Revenue Service (“IRS”) which resulted in $87.8 of U.S. NOLs being restored and a release of $16.2 of domestic valuation allowance from additional deferred tax assets created by the IRS ruling. Spectrum Brands recorded tax expense of $14.7 related to additional valuation allowance on state NOLs during Fiscal 2017.

As of September 30, 2017, Spectrum Brands’ valuation allowance was $243.5, of which $217.1 was related to U.S. net deferred tax assets and $26.4 was related to foreign net deferred tax assets. As of September 30, 2016, Spectrum Brands’ valuation allowance related to continuing operations was $222.7, of which $203.7 was related to U.S. net deferred tax assets and $19.0 was related to foreign net deferred tax assets. During Fiscal 2017, Spectrum Brands increased its valuation allowance for deferred tax assets by $20.8, of which $13.4 was related to an increase in valuation allowance against U.S. net deferred tax assets and $7.4 related to an increase in the valuation allowance against foreign net deferred tax assets. During Fiscal 2016, Spectrum Brands decreased its valuation allowance for deferred tax assets by $63.7, of which $65.0 related to a decrease in valuation allowance against U.S. net deferred tax assets and $1.3 related to an increase in the valuation allowance against foreign net deferred tax assets. During Fiscal 2015, Spectrum Brands recorded valuation allowances of $17.0 against the deferred tax assets of various Latin America entities as it is more-likely-than-not that Spectrum Brands will not obtain tax benefits from these assets.

Uncertain Tax Positions

The total amount of unrecognized tax benefits (“UTBs”) at September 30, 2017 and 2016 were $20.9 and $16.5, respectively. If recognized in the future, $20.9 of UTBs would impact the effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. At September 30, 2017 and 2016, the Company’s accrued balances of interest and penalties on uncertain tax positions totaled $2.9 and $3.0, respectively. For Fiscal 2017, 2016 and 2015, interest and penalties decreased income tax expense by $0.1, increased by $0.5 and decreased by $0.8, respectively.

HRG files U.S. federal consolidated and state and local combined and separate income tax returns. HRG’s federal consolidated and state combined income tax returns include FGL’s non-life subsidiaries and do not include Spectrum Brands, Front Street, or FGL’s life insurance subsidiaries, each of which files their own respective consolidated federal, and combined and separate state and local income tax returns.

The Company believes its UTBs for uncertain tax positions are adequate, consistent with the principles of ASC Topic 740. The Company regularly assesses the likelihood of additional tax assessments by jurisdiction and, if necessary, adjusts its UTBs based on new information or developments.

The following table summarizes changes to the Company’s UTB reserves, excluding related interest and penalties:

	Fiscal		
	2017	2016	2015
Unrecognized tax benefits at beginning of year	$ 16.5	$ 12.4	$ 7.6
Gross increase — tax positions in prior period	4.0	4.0	4.1
Gross decrease — tax positions in prior period	(0.5)	(0.4)	(0.5)
Gross increase — tax positions in current period	1.2	1.1	1.4
Settlements	—	(0.6)	—
Lapse of statutes of limitations	(0.3)	—	(0.2)
Unrecognized tax benefits at end of year	$ 20.9	$ 16.5	$ 12.4

The IRS completed an audit of HRG’s 2013 federal consolidated tax return in February 2017 and agreed to a $37.0 adjustment to increase the NOL carryforwards. HRG received the final closing letter in February 2017.

Additionally, HRG also finalized its New York State audit with the New York State Department of Taxation and Finance for tax years ended December 31, 2011 through 2013. The New York City tax return for years ended December 31, 2011 through 2013 are currently under audit and are awaiting resolution from New York State.

Spectrum Brands files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions and is subject to ongoing examination by the various taxing authorities. Spectrum Brand's major taxing jurisdictions are the U.S., United Kingdom and Germany. In the U.S., federal tax filings for years prior to and including Spectrum Brands' fiscal year ended September 30, 2013 are closed. However, the federal NOLs from Spectrum Brands' fiscal years ended September 30, 2013 and prior are subject to IRS examination until the year that such NOL carryforwards are utilized and those years are closed for audit. Filings in various U.S. state and local jurisdictions are also subject to audit and to date, no significant audit matters have arisen. At September 30, 2017, certain of the Spectrum Brands' legal entities were undergoing income tax audits. Spectrum Brands cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next twelve months some portion of previously unrecognized tax benefits could be recognized.

(19) Related Party Transactions

In November 2012, the Company had entered a reciprocal services agreement (the "Services Agreement") with Harbinger Capital Partners LLC and certain of its affiliated funds ("HCP"), which was at that time the beneficial owner of more than 10% of the outstanding shares of common stock of HRG, with respect to the provision of services that may include providing office space and operational support and each party making available their respective employees to provide services as reasonably requested by the other party, subject to any limitations contained in applicable employment agreements and the terms of the Services Agreement. The Services Agreement was terminated effective as of March 1, 2015. The Company recognized $3.3 of expenses under this Service Agreement with respect to Fiscal 2015 and no other payments since that date.

On November 25, 2014, the Company and Mr. Falcone, who was at that time through HCP the beneficial owner of more than 10% of the outstanding shares of common stock of HRG, entered into a Separation and General Release Agreement (the "Separation Agreement") pursuant to which, in connection with his resignation from HRG, Mr. Falcone was paid $20.5 as a one-time payment, $16.5, which constituted the unpaid portion of Mr. Falcone's Fiscal 2014 annual bonus (in cash, rather than a combination of cash and equity) and $3.3 which constituted a pro-rata bonus for Fiscal 2015 (in cash, rather than a combination of cash and equity) for service through December 1, 2014 based on anticipated results. Mr. Falcone's warrant was amended to provide for their continued vesting, in accordance with their prior vesting schedule, as if Mr. Falcone remained employed with the Company through each applicable vesting date. In exchange, Mr. Falcone executed a general release of claims in favor of the Company and agreed to various restrictive covenants, including covenants relating to non-competition, non-solicitation, non-disparagement, confidentiality, and further cooperation.

During Fiscal 2015, Jefferies LLC ("Jefferies"), a wholly owned subsidiary of Leucadia National Corporation ("Leucadia"), which through subsidiaries beneficially owns more than 10% of the Company's outstanding shares of Common Stock, acted as an initial purchaser for the Company's issuance of senior notes. In HRG's offering of 7.875% Notes and 7.75% Notes, Jefferies received $0.7 and $0.3, respectively, in discounts and commissions as a participating initial purchaser.

In May 2015, Spectrum Brands made an offering of $1,000.0 of its 5.75% Notes, whereby Jefferies received aggregate discounts and commissions paid by Spectrum Brands of approximately $2.6 as a participating initial purchaser. Jefferies also received aggregate discounts and commissions of approximately $1.5 as a participating underwriter in Spectrum Brands' $575.0 offering of common stock in May 2015. In addition, Jefferies was one of the financing institutions that committed to provide "back stop" bridge facilities in an aggregate amount of $1,500.0 in connection with the financing of the AAG acquisition and received aggregate fees paid by Spectrum Brands of approximately $2.1. In Fiscal 2016, Jefferies acted as one of the initial purchasers of Spectrum Brands' offering of €425.0 of its 4.00% Notes due 2026, for which Jefferies received $0.3 in discounts, commissions and reimbursements of expenses.

On September 25, 2015, CorAmerica assigned its interests under certain purchase agreements regarding outlet center developments to entities and accounts related to Fortress Investment Group LLC ("Fortress"), which, through affiliates, had acquired interests greater than 10% ownership in the Company as of September 30, 2016. The aggregate consideration for such assignment included a $0.4 fee.

On October 7, 2015, FGL entered into an Engagement Letter with 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. HRG was 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 May 8, 2017, the parties executed an amendment to extend the term of the Engagement Letter.

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 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. In addition, Mr. Falcone purchased through an HCP fund 540 thousand shares in the transaction 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, which had acquired interests greater than 10% ownership in HRG as of September 30, 2016. Such CLOs had an aggregate total carrying value of $176.3 and $227.5 as of September 30, 2017 and 2016, respectively. The Company's net investment income from such securities was $11.6, $11.0 and $9.5 for the Fiscal 2017, 2016 and 2015, respectively, and was included in "Income (loss) from discontinued operations, net of tax" in the accompanying Consolidated Statements of Operations.

On October 16, 2017, the Company entered into an engagement letter with Jefferies pursuant to which Jefferies agreed to act as co-advisor to the Company (with the other co-advisors acting as lead financial advisor to the Company) with respect to the Company's review of strategic alternatives. Under this engagement letter, Jefferies is entitled to receive up to a $3.0 transaction fee, which may be increased by another $1.0 at the sole discretion of the Company, and reimbursement for all reasonable out of pocket expenses incurred by Jefferies in connection therewith. In addition, the Company has agreed to indemnify Jefferies for certain liabilities in connection with such engagement.

(20) Stock-based Compensation

The Company recognized consolidated stock-based compensation expense of $52.9, $70.8 and $66.0 during Fiscal 2017, 2016 and 2015, respectively. Stock-based compensation expense is principally included in "Selling, acquisition, operating and general expenses" in the accompanying Consolidated Statements of Operations.

A summary of stock option awards outstanding as of September 30, 2017 and related activity during the year 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, 2016	4,231	$ 9.48	$ 3.80
Granted	318	15.39	5.96
Exercised	(573)	11.28	4.48
Stock options outstanding at September 30, 2017	3,976	9.69	3.88
Stock options vested and exercisable at September 30, 2017	3,580	9.12	3.67
Stock options outstanding and expected to vest	3,976	9.69	3.88

A summary of restricted stock awards, restricted stock units and performance restricted stock units outstanding as of September 30, 2017 and related activity during the year then ended, under HRG and Spectrum Brands are as follows (share and unit amounts in thousands):

	HRG	
Restricted Stock Awards	**Shares**	**Weighted Average Grant Date Fair Value**
Nonvested restricted stock outstanding at September 30, 2016	1,975	$ 12.74
Granted	25	15.71
Exercised / Released	(1,857)	12.73
Nonvested restricted stock outstanding at September 30, 2017	143	13.36

Restricted Stock Units	HRG Units	HRG Weighted Average Grant Date Fair Value	Spectrum Brands Units	Spectrum Brands Weighted Average Grant Date Fair Value
Restricted stock units outstanding at September 30, 2016	42	$ 12.33	577	$ 94.97
Granted	—	—	697	127.00
Vested/Exercised	(42)	12.33	(501)	109.03
Forfeited or Expired	—	—	(12)	118.89
Restricted stock units outstanding at September 30, 2017	—	—	761	114.67

A summary of warrants outstanding as of September 30, 2017 and related activity during the year then ended, under HRG's incentive plan are as follows (unit amounts in thousands):

Warrants	HRG Units	HRG Weighted Average Exercise Price	HRG Weighted Average Grant Date Fair Value
Warrants outstanding at September 30, 2016	1,200	$ 13.13	$ 3.22
Exercised	(600)	13.13	3.22
Warrants outstanding at September 30, 2017	600	13.13	3.22
Warrants outstanding and expected to vest	600	13.13	3.22

A summary of time-based and performance-based grants as of September 30, 2017 and related activity during the year then ended, under HRG and Spectrum Brands are as follows (share amounts in thousands):

Time-based grants	HRG Units	HRG Weighted Average Grant Date Fair Value	HRG Fair Value at Grant Date	Spectrum Brands Units	Spectrum Brands Weighted Average Grant Date Fair Value	Spectrum Brands Fair Value at Grant Date
Stock option awards	318	$ 5.96	$ 1.9	—	$ —	$ —
Restricted stock awards	25	15.71	0.4	—	—	—
Restricted stock units	—	—	—	296	133.05	39.4
Total time-based grants	343		$ 2.3	296		$ 39.4

Performance-based grants	Spectrum Brands Units	Spectrum Brands Weighted Average Grant Date Fair Value	Spectrum Brands Fair Value at Grant Date
Vesting in less than 12 months	1	$ 137.54	$ 0.1
Vesting in 12 to 24 months	106	122.65	13.0
Vesting in more than 24 months	294	122.43	36.0
Total performance-based grants	401	122.39	$ 49.1

Additional Disclosures

On September 15, 2011, the Company's stockholders approved the HRG Group, Inc. 2011 Omnibus Equity Award Plan (formerly, Harbinger Group Inc. 2011 Omnibus Equity Award Plan, as amended (the "2011 HRG Plan")). The 2011 HRG Plan provides for the issuance of stock options or stock appreciation rights ("SARs") for up to 17 million shares of common stock. Such authorization was increased by 7 million shares upon the approval of an amendment to the 2011 Plan by HRG's shareholders at the annual meeting held on May 30, 2015. Further, at that meeting, HRG's shareholders approved the adoption of the Harbinger Group Inc. 2014 Warrant Award Plan, authorizing the issuance of 3 million warrants on HRG common stock to HRG's former Chief Executive Officer, Mr. Philip Falcone, representing the right to purchase approximately 3 million shares of HRG's common stock, at an exercise price of $13.13 per share. A portion of the warrants, representing 600 thousand shares, vested immediately upon approval of the grant, and the remainder would vest over a period of 4 years. The estimated grant date fair value of this award was $9.6. The 2011 HRG Plan prohibits granting stock options with exercise prices and SARs with grant prices lower than the fair market value of the common stock on the date of grant, except in connection with the issuance or assumption of awards in connection with certain mergers, consolidations, acquisitions of property or stock or reorganizations. As of September 30, 2017, 8,721 thousand shares were available for issuance under the 2011 HRG Plan.

During Fiscal 2017, stock option awards and restricted stock awards with a total fair value of $30.4 vested. The total intrinsic value of share options exercised during Fiscal 2017 was $3.2, for which HRG received cash of $6.5 in settlement.

Under HRG's executive compensation plan for Fiscal 2017, executives will be paid in cash. In addition, at the discretion of the Board, executives may from time to time be granted stock, stock options, and shares of restricted stock.

As of September 30, 2017, HRG had $1.1 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 1.27 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:

	2017	2016	2015
Risk-free interest rate	1.80% to 2.25%	1.65% to 1.74%	1.57% to 1.87%
Assumed dividend yield	—%	—%	—%
Expected option term	5.0 to 6.5 years	5.0 to 5.5 years	5.0 to 6.5 years
Volatility	35.1% to 37.5%	37.4% to 37.9%	36.3% to 39.0%

The weighted-average remaining contractual term of HRG's outstanding stock option awards and warrants at September 30, 2017, was 4.19 years.

On April 14, 2017, Mr. Asali ceased his employment with the Company and resigned from the Board of Directors of the Company and its subsidiaries. For Fiscal 2017, Mr. Asali received a cash bonus of $3.0 on March 31, 2017, and Mr. Asali's options and restricted stock that were scheduled to vest and settle on November 29, 2017 vested and settled on March 31, 2017.

On October 21, 2010, Spectrum Brands' board of directors adopted the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (the "2011 Plan"). The 2011 Plan has been subsequently amended to increase the shares issuable to 7,127 thousand shares of common stock of Spectrum Brands, net of cancellations.

Spectrum Brands measures share based compensation expense of restricted stock units based on the fair value of the awards, as determined by the market price of the Spectrum Brands' shares on the grant date and recognizes these costs on a straight-line basis over the requisite service period of the awards. Certain restricted stock units are performance-based awards that are dependent upon achieving specified financial metrics over a designated period of time.

The total market value Spectrum Brands' restricted stock units on the dates of the grants was approximately $88.5. The remaining unrecognized pre-tax compensation cost related to restricted stock units at September 30, 2017 was $20.9.

In addition to restricted stock units, Spectrum Brands also provides for a portion of its annual incentive compensation plan to be paid in its common stock, in lieu of cash payment, and is considered a liability plan. Total share based compensation expense associated with the annual management incentive compensation plan was $12.9, $8.9 and $7.4 for Fiscal 2017, 2016 and 2015, respectively.

(21) Commitments and Contingencies

Legal and Environmental Matters

The Company and its subsidiaries are involved in 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 Company's existing 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.

HRG

HRG is a defendant in various litigation matters generally arising out of its legacy businesses. HRG does not believe that any of the matters or proceedings presently pending will have a material adverse effect on its results of operations, financial condition, liquidity or cash flows. See discussion above under the heading "Legal and Environmental Matters".

Spectrum Brands

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

Environmental. Spectrum Brands has provided for the estimated costs of $4.4 as of September 30, 2017 and 2016 associated with environmental remediation activities at some of its current and former manufacturing sites. Spectrum Brands believes that any additional liability in excess of the amounts provided that may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations or cash flows of Spectrum Brands.

Product Liability. Spectrum Brands may be named as a defendant in lawsuits involving product liability claims. Spectrum Brands has recorded and maintains an estimated liability in the amount of management's estimate for aggregate exposure for such liabilities based upon probable loss from loss reports, individual cases, and losses incurred but not reported. As of September 30, 2017 and 2016, Spectrum Brands recognized $5.3 and $5.6 in product liability accruals, respectively, included in "Accounts payable and other current liabilities" in the accompanying Consolidated Balance Sheets. Spectrum Brands believes that any additional liability in excess of the amounts provided that may result from resolution of these matters, will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of Spectrum Brands.

Product Warranty. Spectrum Brands recognizes an estimated liability for standard warranty on certain products when revenue on the sale of the warranted products is recognized. Estimated warranty costs incorporate replacement parts, products and delivery, and are recorded as a cost of goods sold at the time of product shipment based on historical and projected warranty claim rates, claims experience and any additional anticipated future costs on previously sold products. Spectrum Brands recognized $6.4 and $7.0 of warranty accruals as of September 30, 2017 and 2016, respectively, included in "Accounts payable and other current liabilities" in the accompanying Consolidated Balance Sheets**.**

Product Safety Recall. On June 10, 2017, Spectrum Brands initiated a voluntary safety recall of various rawhide chew products for dogs sold by Spectrum Brands due to possible chemical contamination. As a result, during Fiscal 2017, Spectrum Brands recognized a loss related to the recall of $35.8, which comprised of inventory write-offs of $15.0 for inventory at our distribution centers and production facilities that were either disposed or to be disposed, customer losses of $7.1 for returned or disposed product held by our customers, and $13.7 of incremental costs to dispose of product and operational expenses incurred during a temporary shutdown of production facilities. Spectrum Brands suspended production at facilities impacted by the product safety recall, completed a comprehensive manufacturing review and subsequently recommenced production during the fourth quarter of Fiscal 2017. The amounts for customer losses reflect the cost of the affected products returned to or replaced by Spectrum Brands and the expected cost to reimburse customers for costs incurred by them related to the recall. The incremental costs incurred directly by Spectrum Brands do not include lost earnings associated with interruption of production at Spectrum Brands' facilities, or the costs to put into place corrective and preventative actions at those facilities. As of September 30, 2017, Spectrum Brands had an outstanding accrual of $5.8 associated with expected customer losses and disposal costs. Spectrum Brands' estimates for losses related to the recall are provisional and were determined based on an assessment of information currently available and may be revised in subsequent periods as Spectrum Brands continues to work with its customers to substantiate claims received to date and any additional claims that may be received. There have been no lawsuits or claims filed against Spectrum Brands related to the recalled product.

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's 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 has 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 September 30, 2017, FGL had accrued $2.1 for guaranty fund assessments that is expected to be offset by estimated future premium tax deductions of $2.0.

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 and separate litigation against the Treasurer for the State of Illinois. 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 June 30, 2017, a putative class action complaint was filed against FGL in the United States District Court for the District of Maryland, captioned Brokerage Insurance Partners v. Fidelity & Guaranty Life Insurance Company, Fidelity & Guaranty Life, FS Holdco II Ltd, and John Doe, No.17-cv-1815. The complaint alleges that FGL breached the terms of its agency agreement with Brokerage Insurance Partners ("BIP") and other agents by changing certain compensation terms. The complaint asserts, among other causes of action, breach of contract, defamation, tortious interference with contract, negligent misrepresentation, and violating of the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The complaint seeks to certify a class composed of all persons who entered into an agreement with FGL to sell life insurance and who sold at least one life insurance policy between January 1, 2015 and January 1, 2017. The complaint seeks unspecified compensatory, consequential, and punitive damages in an amount not presently determinable, among other forms of relief. On September 1, 2017, FGL filed a counterclaim against BIP and John and Jane Does 1-10, asserting, among other causes of action, breach of contract, fraud, civil conspiracy and violations of RICO. As of the date of this report, FGL does not have sufficient information to determine whether it has exposure to any losses that would be either probable or reasonably estimable with respect to this matter.

On July 5, 2013, Plaintiff Eddie L. Cressy filed a putative class complaint captioned *Cressy v. Fidelity Guaranty* [sic] *Life Insurance Company, et. al.* ("*Cressy*") 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 asserted, *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 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. FGL implemented an interest enhancement feature for certain policies as part of the class settlement, which enhancement began on October 12, 2015. On October 24, 2016, the parties filed a joint motion to amend the January 2, 2015 final order and judgment, to extend the deadline for settlement completion from October 24, 2016 to December 5, 2016. On December 5, 2016, Plaintiff Cressy filed a Notice of Filing Declaration of Settlement Administrator and Status of Completion of Settlement; the Declaration of Settlement Administrator included a certification by the Settlement Administrator that FGL had complied in all respects with the class settlement and that all eligible claims had been paid and the interest enhancement had been implemented pursuant to the terms of the class settlement. On March 24, 2017, the Court entered a Minute Order indicating that it was satisfied that the parties had fully and finally performed all of the terms of the settlement and recorded the matter as complete without the need for any further hearings.

On January 7, 2015, a putative class action complaint ("Ludwick Litigation") was filed in the United States District Court, Western District of Missouri (the "District Court"), captioned Dale R. Ludwick, on behalf of Herself and All Others Similarly Situated (the "Plaintiff") v. HRG, FGL Insurance, Raven Re, and Front Street Cayman (together, the "Defendants"). The complaint alleged violations of the RICO, requested injunctive and declaratory relief and sought unspecified compensatory damages for the putative class in an amount not presently determinable, treble damages, and other relief, and claims the Plaintiff overpaid for her annuity. On February 12, 2016, the District Court granted the Defendants' joint motion to dismiss the Plaintiff's claims. On March 3, 2016, the Plaintiff filed a Notice of Appeal to the United States Court of Appeals for the Eighth Circuit (the "Court of Appeals"). On April 13, 2017, the Court of Appeals affirmed the District Court's decision to dismiss the Plaintiff's claims. The Plaintiff's time to seek discretionary review of this matter expired on July 12, 2017. As of the date of this report, FGL does not have sufficient information to determine whether FGL has exposure to any losses that would be either probable or reasonably estimable beyond the $1.8 expense incurred by FGL to date.

Guarantees

Throughout its history, the Company has entered into indemnifications in the ordinary course of business with customers, suppliers, service providers, business partners and, in certain instances, when it sold businesses. Additionally, the Company has indemnified its directors and officers who are, or were, serving at the request of the Company in such capacities. Although the specific terms or number of such arrangements is not precisely known due to the extensive history of past operations, costs incurred to settle claims related to these indemnifications have not been material to the Company's financial statements. The Company has no reason to believe that future costs to settle claims related to its former operations will have a material impact on its financial position, results of operations or cash flows.

Unfunded Investment Commitments

FGL has unfunded investment commitments of $196.6 as of September 30, 2017 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.

(22) Insurance Subsidiary - Financial Information

FGL's insurance subsidiaries file financial statements with state insurance regulatory authorities and the National Association of Insurance Commissioners ("NAIC") that are prepared in accordance with Statutory Accounting Principles ("SAP") prescribed or permitted by such authorities, which may vary materially from U.S. GAAP. Prescribed SAP includes the Accounting Practices and Procedures Manual of the NAIC as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. The principal differences between statutory financial statements and financial statements prepared in accordance with U.S. GAAP are that statutory financial statements do not reflect value of business acquired and deferred acquisition cost, some bond portfolios may be carried at amortized cost, assets and liabilities are presented net of reinsurance, contractholder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted. Accordingly, statutory operating results and statutory capital and surplus may differ substantially from amounts reported in the U.S. GAAP basis financial statements for comparable items.

FGL's principal insurance subsidiaries' statutory financial statements are based on a December 31 year end. Statutory net income and statutory capital and surplus of FGL's wholly owned insurance subsidiaries were as follows:

	Subsidiary (state of domicile)(a)	
	FGL Insurance (IA)	**FGL NY Insurance (NY)**
Statutory Net Income (Loss):		
Year ended December 31, 2016	$ 20.9	$ 4.1
Year ended December 31, 2015	(52.9)	(1.2)
Year ended December 31, 2014	104.6	1.9
Statutory Capital and Surplus:		
December 31, 2016	$ 1,323.0	$ 64.2
December 31, 2015	1,239.0	59.5

(a) FGL NY Insurance is a subsidiary of FGL Insurance, and the columns should not be added together.

The amount of statutory capital and surplus necessary to satisfy the applicable regulatory requirements is less than FGL Insurance's and FGL NY Insurance's respective statutory capital and surplus.

Life insurance companies are subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC. The RBC is used to evaluate the adequacy of capital and surplus maintained by an insurance company in relation to risks associated with: (i) asset risk, (ii) insurance risk, (iii) interest rate risk and (iv) business risk. FGL monitors the RBC of its insurance subsidiaries. As of December 31, 2016 and 2015, each of FGL's insurance subsidiaries had exceeded the minimum RBC requirements.

FGL's insurance subsidiaries are restricted by state laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders, depositors or investors. Any dividends in excess of limits are deemed "extraordinary" and require approval. Based on statutory results as of December 31, 2016, in accordance with applicable dividend restrictions, FGL Insurance could pay "ordinary" dividends of $132.3 to Fidelity & Guaranty Life Holdings, Inc. ("FGH") in calendar year 2017 less any dividends paid during the immediately preceding 12 month period. In September 2017, FGL Insurance declared and paid an ordinary dividend of $25.0 to FGH. FGL Insurance did not declare or pay any other dividends to FGH during Fiscal 2016. Therefore, for the period of October 1 to December 31, 2017, FGL Insurance is able to declare ordinary dividends up to $107.3 with respect to its 2016 statutory results, subject to management's discretion.

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 index 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 $0.1 and $46.8 increase to statutory capital and surplus at December 31, 2016 and 2015, respectively. Also, the Iowa Insurance Division granted FGL Insurance a permitted statutory accounting practice to reclassify its negative unassigned surplus balance of $805.8 to additional paid in capital as of April 6, 2011, the date the Company acquired FGL Insurance, which had the effect of setting FGL Insurance's statutory unassigned surplus to zero as of this date. The prescribed and permitted statutory accounting practices have no impact on the Company's consolidated financial statements which are prepared in accordance with U.S. GAAP.

FGL Insurance's statutory carrying value of Raven Re 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 $195.0 and $220.0 at December 31, 2016 and 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 $4.0 and $4.1 at December 31, 2016 and 2015, respectively. Without such permitted statutory accounting practices Raven Re's statutory capital and surplus (deficit) would be $8.3 and $(13.7) as of December 31, 2016 and 2015, respectively, and its risk-based capital would fall below the minimum regulatory requirements. The letter of credit facility was collateralized by NAIC 1 rated fixed maturity securities. If the permitted practice was revoked, the letter of credit could be replaced by the collateral assets with the issuer's consent. FGL Insurance's statutory carrying value of Raven Re at December 31, 2016 and 2015 was $207.3 and $210.3, respectively.

As of December 31, 2016, FGL NY Insurance did not follow any prescribed or permitted statutory accounting practices that differ from the NAIC's statutory accounting practices.

Securities held on deposit with various state regulatory authorities had a fair value of $19,765.4 and $18,074.6 at September 30, 2017 and 2016, respectively. FGL Insurance is domesticated in Iowa and under Iowa regulations, insurance companies are required to hold securities on deposit in an amount no less than the FGL Insurance's legal reserve as prescribed by Iowa regulations.

(23) Segment and Geographic 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 presents the results from its business operations in two reporting segments: (i) Consumer Products and (ii) Corporate and Other. Refer to Note 25, Consolidating Financial Information, for disclosure of total assets for each segment.

The Company's Corporate and Other segment includes the Company's ownership of Salus, NZCH, HGI Funding and HGI Energy. The following schedules present the Company's segment information for Fiscal 2017, 2016 and 2015:

	Fiscal		
	2017	2016	2015
Revenues:			
Consumer Products	$ 3,009.5	$ 3,029.4	$ 2,598.2
Corporate and Other	1.1	8.9	63.4
Total revenues	$ 3,010.6	$ 3,038.3	$ 2,661.6
Depreciation and amortization:			
Consumer Products	$ 131.6	$ 119.7	$ 106.4
Corporate and Other	0.6	0.7	1.0
Consolidated depreciation and amortization	$ 132.2	$ 120.4	$ 107.4
Operating income:			
Consumer Products	$ 328.1	$ 417.7	$ 246.2
Corporate and Other and eliminations	(45.1)	(82.8)	(295.0)
Consolidated operating income	283.0	334.9	(48.8)
Interest expense	(309.9)	(334.5)	(321.7)
Gain on deconsolidation of subsidiary	—	—	38.5
Other (expense) income, net	(4.2)	8.8	15.0
(Loss) income from continuing operations before income taxes	(31.1)	9.2	(317.0)
Income tax expense (benefit)	38.1	(58.4)	1.3
Net (loss) income from continuing operations	(69.2)	67.6	(318.3)
Income (loss) from discontinued operations, net of tax	342.4	(101.5)	(194.1)
Net income (loss)	273.2	(33.9)	(512.4)
Less: Net income attributable to noncontrolling interest	167.2	164.9	44.4
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)

	Fiscal		
	2017	2016	2015
Capital expenditures:			
Consumer Products	$ 77.8	$ 60.8	$ 55.1
Corporate and Other	—	0.2	1.5
Consolidated capital expenditures	$ 77.8	$ 61.0	$ 56.6

	September 30,	
	2017	2016
Total long-lived assets:		
Consumer Products	$ 503.1	$ 366.1
Corporate and Other	0.8	1.3
Consolidated total long-lived assets	$ 503.9	$ 367.4

	Fiscal		
	2017	2016	2015
Net change in cash due to continuing operating activities:			
Consumer Products	$ 340.8	$ 461.7	$ 205.6
Corporate and Other	(185.7)	(187.6)	(151.8)
Consolidated net change in cash due to continuing operating activities	$ 155.1	$ 274.1	$ 53.8

The Company's geographic data disclosures are as follows:

Net consumer product sales to external customers:

	Fiscal		
	2017	2016	2015
United States	$ 2,417.8	$ 2,410.2	$ 2,051.5
Outside the United States	591.7	619.2	546.7
Consolidated net consumer product sales to external customers	$ 3,009.5	$ 3,029.4	$ 2,598.2

Long-lived assets:

	September 30,	
	2017	2016
United States	$ 361.9	$ 236.8
Outside the United States	142.0	130.6
Consolidated long-lived assets	$ 503.9	$ 367.4

(24) Earnings per Share

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

	Fiscal		
	2017	2016	2015
Net loss from continuing operations attributable to controlling interest	$ (121.1)	$ (45.8)	$ (299.3)
Net income (loss) from discontinued operations attributable to controlling interest	227.1	(153.0)	(257.5)
Net income (loss) attributable to controlling interest	$ 106.0	$ (198.8)	$ (556.8)
Weighted-average common shares outstanding - basic and diluted	199,990	198,374	198,142
Net income (loss) per common share attributable to controlling interest:			
Basic loss from continuing operations	$ (0.61)	$ (0.23)	$ (1.51)
Basic income (loss) from discontinued operations	1.14	(0.77)	(1.30)
Basic	$ 0.53	$ (1.00)	$ (2.81)
Diluted loss from continuing operations	$ (0.61)	$ (0.23)	$ (1.51)
Diluted income (loss) from discontinued operations	1.14	(0.77)	(1.30)
Diluted	$ 0.53	$ (1.00)	$ (2.81)

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):

	Fiscal		
	2017	2016	2015
Unvested restricted stock and restricted stock units	466	1,914	2,667
Stock options	1,727	1,300	1,334
Anti-dilutive warrants	154	—	—

For Fiscal 2016 and Fiscal 2015, there were $1.2 and $1.8 outstanding warrants to purchase HRG common stock at an exercise price of $13.125 per share that were excluded from the calculation of “Diluted net (loss) income per common share attributable to controlling interest” because the exercise price per share was above the average stock price for Fiscal 2016 and Fiscal 2015, respectively.

(25) Consolidating Financial Information

The following schedules present the Company’s accompanying Consolidated Balance Sheets information at September 30, 2017 and 2016, and accompanying Consolidated Statements of Operations information for Fiscal 2017, 2016 and 2015. These schedules present the individual segments of the Company and their contribution to the 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.

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 Salus and HGI Energy, as well as CorAmerica and FOH from their respective acquisition dates through the dates CorAmerica and FOH were deconsolidated. Reflected in Corporate and Other is also $67.4 of negative book value of HGI Asset Management Holdings LLC as of September 30, 2017, which is primarily attributable to historical loan losses incurred by Salus. 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. - Consolidating Balance Sheets Information

September 30, 2017	Consumer Products	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:					
Current assets:					
Investments in subsidiaries and affiliates	$ —	$ 2,631.7	$ —	$ (2,631.7)	$ —
Cash and cash equivalents	168.2	101.9	—	—	270.1
Trade receivables, net	266.0	—	—	—	266.0
Other receivables, net	19.4	0.3	—	—	19.7
Inventories, net	496.3	—	—	—	496.3
Prepaid expenses and other current assets	54.2	0.6	—	—	54.8
Current assets of businesses held for sale	603.0	—	28,326.2	—	28,929.2
Total current assets	1,607.1	2,734.5	28,326.2	(2,631.7)	30,036.1
Property, plant and equipment, net	503.1	0.8	—	—	503.9
Goodwill	2,277.1	—	—	—	2,277.1
Intangibles, net	1,612.0	—	—	—	1,612.0
Deferred charges and other assets	43.5	0.2	—	—	43.7
Noncurrent assets of businesses held for sale	1,376.9	—	—	—	1,376.9
Total assets	$ 7,419.7	$ 2,735.5	$ 28,326.2	$ (2,631.7)	$ 35,849.7
Liabilities and Equity:					
Current liabilities:					
Current portion of long-term debt	$ 19.4	$ 50.0	$ —	$ 92.0	$ 161.4
Accounts payable	371.6	1.5	—	—	373.1
Accrued wages and salaries	49.9	5.5	—	—	55.4
Accrued interest	48.5	28.9	—	0.6	78.0
Other current liabilities	123.4	2.4	—	—	125.8
Current liabilities of businesses held for sale	500.6	—	26,350.7	—	26,851.3
Total current liabilities	1,113.4	88.3	26,350.7	92.6	27,645.0
Long-term debt, net of current portion	3,752.3	1,743.3	—	48.1	5,543.7
Employee benefit obligations	34.4	4.2	—	—	38.6
Deferred tax liabilities	493.2	—	—	—	493.2
Other long-term liabilities	23.6	2.6	—	—	26.2
Affiliated debt and payables	—	140.7	—	(140.7)	—
Noncurrent liabilities of businesses held for sale	156.1	—	—	—	156.1
Total liabilities	5,573.0	1,979.1	26,350.7	—	33,902.8
Total shareholders' equity	1,095.4	758.0	1,536.3	(2,631.7)	758.0
Noncontrolling interests	751.3	(1.6)	439.2	—	1,188.9
Total shareholders' equity	1,846.7	756.4	1,975.5	(2,631.7)	1,946.9
Total liabilities and equity	$ 7,419.7	$ 2,735.5	$ 28,326.2	$ (2,631.7)	$ 35,849.7

September 30, 2016	Consumer Products	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:					
Current assets:					
Investment in subsidiaries and affiliates	$ —	$ 2,405.3	$ —	$ (2,405.3)	$ —
Cash and cash equivalents	275.3	189.9	—	—	465.2
Trade receivables, net	245.6	—	—	—	245.6
Other receivables, net	22.9	0.9	—	—	23.8
Inventories, net	449.9	—	—	—	449.9
Prepaid expenses and other current assets	38.2	—	—	—	38.2
Current assets of businesses held for sale	601.0	—	—	—	601.0
Total current assets	1,632.9	2,596.1	—	(2,405.3)	1,823.7
Property, plant and equipment, net	366.1	1.3	—	—	367.4
Goodwill	2,133.3	—	—	—	2,133.3
Intangibles, net	1,534.8	—	—	—	1,534.8
Deferred charges and other assets	28.2	34.6	—	—	62.8
Noncurrent assets of businesses held for sale	1,373.8	—	26,284.3	—	27,658.1
Total assets	$ 7,069.1	$ 2,632.0	$ 26,284.3	$ (2,405.3)	$ 33,580.1
Liabilities and Equity:					
Current liabilities:					
Current portion of long-term debt	$ 145.3	$ 94.0	$ —	$ —	$ 239.3
Accounts payable	314.8	1.2	—	—	316.0
Accrued wages and salaries	79.6	22.2	—	—	101.8
Accrued interest	39.3	29.0	—	—	68.3
Other current liabilities	104.5	(0.8)	—	—	103.7
Current liabilities of businesses held for sale	412.1	—	—	—	412.1
Total current liabilities	1,095.6	145.6	—	—	1,241.2
Long-term debt, net of current portion	3,414.7	1,653.7	—	157.9	5,226.3
Employee benefit obligations	42.8	5.2	—	—	48.0
Deferred tax liabilities	498.8	13.3	—	—	512.1
Other long-term liabilities	17.7	8.3	—	—	26.0
Affiliated debt and payables	—	171.2	—	(171.2)	—
Noncurrent liabilities of businesses held for sale	155.5	—	24,553.8	—	24,709.3
Total liabilities	5,225.1	1,997.3	24,553.8	(13.3)	31,762.9
Total shareholders’ equity	1,040.4	638.1	1,351.6	(2,392.0)	638.1
Noncontrolling interests	803.6	(3.4)	378.9	—	1,179.1
Total shareholders’ equity	1,844.0	634.7	1,730.5	(2,392.0)	1,817.2
Total liabilities and equity	$ 7,069.1	$ 2,632.0	$ 26,284.3	$ (2,405.3)	$ 33,580.1

HRG Group, Inc. - Consolidating Statements of Operations Information

Fiscal 2017	Consumer Products	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:					
Net sales	$ 3,009.5	$ —	$ —	$ —	$ 3,009.5
Net investment income	—	1.1	—	—	1.1
Total revenues	3,009.5	1.1	—	—	3,010.6
Operating costs and expenses:					
Cost of goods sold	1,833.5	—	—	—	1,833.5
Selling, acquisition, operating and general expenses	847.9	46.8	—	(0.6)	894.1
Total operating costs and expenses	2,681.4	46.8	—	(0.6)	2,727.6
Operating income (loss)	328.1	(45.7)	—	0.6	283.0
Equity in net income of subsidiaries	—	297.1	—	(297.1)	—
Interest expense	(160.9)	(148.3)	—	(0.7)	(309.9)
Affiliated interest income	—	11.4	—	(11.4)	—
Other (expense) income, net	(4.9)	0.7	—	—	(4.2)
(Loss) income from continuing operations before income taxes	162.3	115.2	—	(308.6)	(31.1)
Income tax expense (benefit)	37.3	9.3	—	(8.5)	38.1
Net (loss) income from continuing operations	125.0	105.9	—	(300.1)	(69.2)
Income (loss) from discontinued operations, net of tax	172.1	—	170.3	—	342.4
Net income (loss)	297.1	105.9	170.3	(300.1)	273.2
Less: Net income attributable to noncontrolling interest	123.6	(0.1)	43.7	—	167.2
Net income (loss) attributable to controlling interest	$ 173.5	$ 106.0	$ 126.6	$ (300.1)	$ 106.0

Fiscal 2016	Consumer Products	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:					
Net sales	$ 3,029.4	$ —	$ —	$ —	$ 3,029.4
Net investment income	—	8.9	—	—	8.9
Total revenues	3,029.4	8.9	—	—	3,038.3
Operating costs and expenses:					
Cost of goods sold	1,791.7	—	—	—	1,791.7
Selling, acquisition, operating and general expenses	820.0	91.7	—	—	911.7
Total operating costs and expenses	2,611.7	91.7	—	—	2,703.4
Operating income (loss)	417.7	(82.8)	—	—	334.9
Equity in net income of subsidiaries	—	43.0	—	(43.0)	—
Interest expense	(182.0)	(144.3)	—	(8.2)	(334.5)
Affiliated interest expense	—	(12.2)	—	12.2	—
Other (expense) income, net	(4.6)	11.1	—	2.3	8.8
(Loss) income from continuing operations before income taxes	231.1	(185.2)	—	(36.7)	9.2
Income tax expense (benefit)	(50.0)	18.9	—	(27.3)	(58.4)
Net (loss) income from continuing operations	281.1	(204.1)	—	(9.4)	67.6
Income (loss) from discontinued operations, net of tax	76.6	—	(178.1)	—	(101.5)
Net income (loss)	357.7	(204.1)	(178.1)	(9.4)	(33.9)
Less: Net income attributable to noncontrolling interest	151.1	(5.3)	19.1	—	164.9
Net income (loss) attributable to controlling interest	$ 206.6	$ (198.8)	$ (197.2)	$ (9.4)	$ (198.8)

Fiscal 2015	Consumer Products	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:					
Net sales	$ 2,598.2	$ 42.7	$ —	$ —	$ 2,640.9
Net investment income	—	20.7	—	—	20.7
Total revenues	2,598.2	63.4	—	—	2,661.6
Operating costs and expenses:					
Cost of goods sold	1,619.7	30.9	—	—	1,650.6
Selling, acquisition, operating and general expenses	732.3	327.5	—	—	1,059.8
Total operating costs and expenses	2,352.0	358.4	—	—	2,710.4
Operating income (loss)	246.2	(295.0)	—	—	(48.8)
Equity in net loss of subsidiaries	—	(232.4)	—	232.4	—
Interest expense	(185.8)	(125.9)	—	(10.0)	(321.7)
Affiliated interest expense	—	(29.6)	—	29.6	—
Gain on deconsolidation of subsidiary	—	38.5	—	—	38.5
Other (expense) income, net	(4.0)	29.8	—	(10.8)	15.0
(Loss) income from continuing operations before income taxes	56.4	(614.6)	—	241.2	(317.0)
Income tax expense (benefit)	5.6	(17.5)	—	13.2	1.3
Net (loss) income from continuing operations	50.8	(597.1)	—	228.0	(318.3)
Income (loss) from discontinued operations, net of tax	98.6	—	(292.7)	—	(194.1)
Net income (loss)	149.4	(597.1)	(292.7)	228.0	(512.4)
Less: Net income attributable to noncontrolling interest	62.7	(40.3)	22.0	—	44.4
Net income (loss) attributable to controlling interest	$ 86.7	$ (556.8)	$ (314.7)	$ 228.0	$ (556.8)

(26) Subsequent Events

Subsequent Events

ASC Topic 855, *"Subsequent Events"* ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued and to determine whether adjustments to or additional disclosures in the financial statements are necessary. The Company has evaluated subsequent events through the date these financial statements were issued. See Note 1, Basis of Presentation and Nature of Operations, for updates regarding the regulatory approvals related to the FGL Merger, Front Street Sale and the planned sale of Spectrum Brands' GBA business.

Corporate and Other Segment

On November 30, 2017, HRG disposed of its interest in FGL and Front Street in connection with the closing of the FGL Merger and the Front Street Sale.

In addition, on May 24, 2017, HRG, FS Holdco II Ltd. ("FS Holdco"), CF Corp and CF/FGL US entered into an agreement (the "338 Agreement") pursuant to which CF/FGL US agreed that FS Holdco may, at its option, cause CF/FGL US and FS Holdco to make a joint election under Section 338(h)(10) of the Internal Revenue Code of 1986, as amended, with respect to the FGL Merger and the deemed share purchases of FGL's subsidiaries (the "338 Tax Election"). On March 8, 2018, FS Holdco exercised the 338 Tax Election. In connection with such election, CF/FGL US paid to FS Holdco $30.0 on March 22, 2018 and is required to pay FS Holdco $26.6 by May 21, 2018.

Also on December 15, 2017, HRG issued a notice of redemption to redeem all $864.4 outstanding principal amount of its 7.875% Note at a redemption price equal to 100.0% of the principal amount thereof, plus accrued and unpaid interest to the redemption date. The 7.875% Notes were redeemed on January 16, 2018.

Tax Reform Act

On December 22, 2017, the Tax Reform Act was signed into law. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a dividends received deduction for dividends from foreign subsidiaries and imposing a tax on deemed repatriated accumulated earnings of foreign subsidiaries. The Tax Reform Act reduces the U.S. corporate income tax rate from a maximum of 35.0% to a flat 21.0% rate, effective January 1, 2018. HRG is a calendar year taxpayer, therefore HRG will be using the flat 21.0% rate for the January 1 to September 30, 2018 tax period and 35.0% for the October 1 to December 31, 2017 tax period. However, Spectrum Brands files its U.S. tax returns on a September fiscal year basis, its U.S. tax rate for Fiscal 2018 will be a blended rate of 24.4%.

Deferred tax assets and liabilities are measured using enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As a result of the reduction in the U.S. Corporate tax rate from 35.0% to 21.0% under the Tax Reform Act, the Company revalued its deferred tax liabilities subsequent to the year ended September 30, 2017 and recognized a provisional $206.7 tax benefit. The Company determined the impact of the U.S. federal corporate income tax rate change on the U.S. deferred tax assets and liabilities is provisional because certain of the timing differences reversing at the Company's Fiscal 2018 blended rate must be estimated until Fiscal 2018 reversing timing differences are known.

The Tax Reform Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits ("E&P"). The Company had an estimated $623.1 of undistributed foreign E&P subject to the deemed mandatory repatriation and recognized a provisional $78.8 of income tax expense subsequent to the year ended September 30, 2017. The mandatory repatriation tax is payable over 8 years and recognized as a long-term liability. The provisional tax expense for the mandatory repatriation is based on currently available information and additional information needs to be prepared, obtained and analyzed in order to determine the final amount, including further analysis of certain foreign exchange gains or losses, earnings and profits, foreign tax credits, and estimated cash and cash equivalents as of the measurement dates in the Tax Reform Act. Tax effects for changes to these items will be recorded in a subsequent quarter, as discrete adjustments to our income tax provision, once complete.

It is currently unclear which of the Tax Reform Act provision will be adopted by the U.S. states. State conformity to the provisions of the Tax Reform Act could have a material impact on the valuation allowance recorded on U.S. state net operating losses.

The Tax Reform Act provides for additional limitations on the deduction of business interest expense, effective with the Company's Fiscal 2019 tax year. Unused interest deductions can be carried forward and may be used in future years to the extent the interest limitation is not exceeded in those periods. It is possible that a portion of the Company's future U.S. interest expense could be nondeductible and impact the Company's effective tax rate.

The Tax Reform Act also contains additional limits on deducting compensation, including performance-based compensation, in excess of $1.0 paid to certain executive officers for any fiscal year, effective with the Company's Fiscal 2019 tax year. The Company's future compensation payments will be subject to these limits, which could impact the Company's effective tax rate.

The Company continues to review the anticipated impacts of the global intangible low taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT") on the Company, which are not effective until fiscal year 2019. The Company has not concluded on any impact associated with either GILTI or BEAT in the tax rate. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or treating such taxes as a current-period expense when incurred. Due to the complexity of calculating GILTI under the new law, we have not determined which method we will apply.

In response to the enactment of the Tax Reform Act, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. SAB 118 allows registrants to record provisional amounts during a one year measurement period in a manner similar to accounting for business combinations. The Company has assessed provisional tax impacts related to the deemed repatriated earnings and the revaluation of deferred tax assets and liabilities as previously discussed. We have not fully assessed the impact of the Tax Reform Act and SAB 118 and the ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act. The Company will follow the SAB 118 guidance in the preparation of the Company's Fiscal 2018 financial statements.

Spectrum Brands Merger

On February 24, 2018, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Spectrum Brands, HRG SPV Sub I, Inc., a Delaware corporation and direct wholly owned subsidiary of HRG ("Merger Sub 1"), and HRG SPV Sub II, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of HRG ("Merger Sub 2", and together with Merger Sub 1, "Merger Sub").

The Merger Agreement provides that, subject to the terms and conditions thereof, Merger Sub 1 will merge with and into Spectrum Brands (the "First Merger", and if the Second Merger Opt-Out Condition has occurred, the "Merger"), with Spectrum Brands continuing as the surviving corporation (the "Surviving Corporation") and a wholly owned subsidiary of HRG. Following the effective time of the First Merger (the "Effective Time") but only if HRG or Spectrum Brands (or both) do not receive and provide to the other, on the closing date but prior to the Effective Time, a tax opinion to the effect that, assuming the Second Merger does not occur, the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code (the "Second Merger Opt-Out Condition"), the Surviving Corporation will merge with and into Merger Sub 2 (the "Second Merger", and if the Second Merger Op-Out Condition has not occurred, together with the First Merger, the "Merger"), with Merger Sub 2 surviving as a wholly owned subsidiary of HRG.

Immediately prior to the Effective Time, the certificate of incorporation of HRG will be amended and restated (the "Amended HRG Charter", pursuant to which, among other things, at or as soon as practicable following the Effective Time, the corporate name of HRG will change to "Spectrum Brands Holdings, Inc.", and each issued and outstanding share of common stock, par value $0.01 per share, of HRG ("HRG Common Stock") will, by means of a reverse stock split (the "Reverse Split"), be combined into a fraction of a share of HRG Common Stock equal to (i) the number of shares of common stock, par value $0.01 per share, of Spectrum Brands ("Spectrum Brands Common Stock") held by HRG and its subsidiaries as of immediately prior to the Effective Time, adjusted for HRG's net indebtedness as of closing, certain transaction expenses of HRG that are unpaid as of closing and a $200.0 upward adjustment, divided by (ii) as of immediately prior to the Reverse Split, the number of outstanding shares of HRG Common Stock on a fully-diluted basis.

At the Effective Time, by virtue of the Merger each share of Spectrum Brands Common Stock issued and outstanding immediately prior to the Effective Time (other than shares held in the treasury of Spectrum Brands or owned or held, directly or indirectly, by HRG or any wholly owned subsidiary of Spectrum Brands or HRG, which shall be cancelled and no consideration will be paid with respect thereto) will be converted into the right to receive one share of newly issued HRG Common Stock (and the issuance of HRG Common Stock in the Merger, the "Share Issuance"). No HRG Common Stock will be issued in the Merger in violation of the Amended HRG Charter, including if as a result of such issuance a person would become a holder of more than 4.9% of Corporation Securities (as defined in the Amended HRG Charter). Any shares of HRG Common Stock that would be issuable to a Spectrum Brands' stockholder but for the operation of the Merger Agreement and the provisions of Article XIII of the Amended HRG Charter shall instead be treated as Excess Securities (as defined in the Amended HRG Charter) and be delivered to one or more 501(c)(3) charitable organizations or escheated to the state of residence, incorporation or formation (as applicable) of the relevant Spectrum Brands' stockholder.

At the Effective Time, pursuant to the Merger Agreement, each restricted stock award, restricted stock unit and performance stock unit granted under an equity plan of Spectrum Brands', whether vested or unvested (collectively, the "Spectrum Brands' Equity Awards"), that is outstanding immediately prior to the Effective Time, will be assumed by HRG and will be automatically converted, by virtue of the Merger, into a corresponding equity-based award in HRG (each a "New HRG Equity Award") with the right to hold or acquire shares of HRG Common Stock equal to the number of shares of Spectrum Brands' Common Stock previously underlying such Spectrum Brands' Equity Award. Each New HRG Equity Award will be subject to the same terms and conditions as the corresponding Spectrum Brands' Equity Award. At the effective time, pursuant to the Merger Agreement, HRG will assume all rights and obligations in respect of each equity-based plan of the Spectrum Brands'.

Prior to the closing of the Merger, each stock option, warrant and restricted stock award granted under an equity-based plan of HRG that is outstanding and unvested immediately prior to the closing will become fully vested and each stock option and warrant (the "HRG Exercisable Awards") will become exercisable. Each HRG Exercisable Award that is unexercised shall be adjusted (including to give effect to the Reverse Split) and shall remain outstanding, subject to the same terms and conditions as applied to the corresponding award as of immediately prior to the Effective Time. Immediately prior to the Reverse Split, pursuant to the Merger Agreement, each HRG restricted stock award shall become fully vested and be treated as a share of HRG Common Stock for purposes of the Reverse Split and the Merger.

The consummation of the Merger, the filing of the Amended HRG Charter and the Share Issuance are subject to the satisfaction or waiver of certain closing conditions, including, (i) the approval of Spectrum Brands' stockholders (including the approval of the holders of a majority of the Spectrum Brands' Common Stock not held by HRG, its affiliates and the executive officers of Spectrum Brands, and the approval required under Section 12 of Spectrum Brands' certificate of incorporation in connection with a "Going-Private Transaction" (as defined therein)), (ii) the approval of HRG stockholders, (iii) the effectiveness of a registration statement on Form S-4 registering the HRG Common Stock to be issued in the Merger, (iv) the approval of the shares of HRG Common Stock to be issued in the Merger for listing on the NYSE, (v) the absence of any temporary restraining order, injunction or other judgment, order or decree issued by any governmental entity or other legal restraint or prohibition preventing the consummation of the Merger, (vi) the receipt of certain tax opinions by Spectrum Brands' and/or HRG that the Merger will qualify as a reorganization under the Internal Revenue Code, (vii) the accuracy of certain representations and warranties of the Spectrum Brands', Merger Sub and HRG contained in the Merger Agreement and the compliance by the parties with the covenants contained in the Merger Agreement, and (viii) other conditions specified in the Merger Agreement.

Fifth Amendment to Credit Agreement

On March 28, 2018, Spectrum Brands entered into a fifth amendment to the Credit Agreement, expanding the overall capacity of the Revolver Facility to $800.0.

(27) Quarterly Results (Unaudited)

	Quarter Ended							
	September 30,		June 30,		March 31,		December 31,	
	2017	2016	2017	2016	2017	2016	2016	2015
Net sales	$ 787.8	$ 729.6	$ 862.9	$ 907.6	$ 756.5	$ 784.7	$ 602.3	$ 607.5
Total revenues	787.8	729.7	863.0	908.8	757.2	786.3	602.6	613.5
Net consumer and other product gross profit	310.0	305.1	320.1	376.2	306.8	320.5	239.1	235.9
Net (loss) income from continuing operations	(23.3)	(24.1)	3.8	328.2	(7.4)	(117.5)	(42.3)	(119.0)
Income (loss) from discontinued operations, net of tax	47.3	60.3	36.0	(421.2)	(44.0)	133.4	303.1	126.0
Net income (loss)	24.0	36.2	39.8	(93.0)	(51.4)	15.9	260.8	7.0
Net income (loss) attributable to controlling interest	(26.2)	(7.3)	2.1	(132.9)	(82.1)	(24.7)	212.2	(33.9)
Net income (loss) per common share attributable to controlling interest:								
Basic loss from continuing operations	$ (0.16)	(0.27)	$ (0.09)	$ 0.96	$ (0.12)	$ (0.46)	$ (0.24)	$ (0.46)
Basic income (loss) from discontinued operations	0.03	0.23	0.10	(1.63)	(0.29)	0.34	1.30	0.28
Basic	$ (0.13)	$ (0.04)	$ 0.01	$ (0.67)	$ (0.41)	$ (0.12)	$ 1.06	$ (0.18)
Diluted loss from continuing operations	$ (0.16)	$ (0.27)	$ (0.09)	$ 0.95	$ (0.12)	$ (0.46)	$ (0.24)	$ (0.46)
Diluted income (loss) from discontinued operations	0.03	0.23	0.10	(1.60)	(0.29)	0.34	1.30	0.28
Diluted	$ (0.13)	$ (0.04)	$ 0.01	$ (0.65)	$ (0.41)	$ (0.12)	$ 1.06	$ (0.18)

As previously discussed in Note 1, Basis of Presentation and Nature of Operations, and Note 5, Divestitures, during the third quarter of Fiscal 2017, Front Street entered into the Front Street Purchase Agreement. As a result, Front Street was presented as discontinued operations in the accompanying Consolidated Statements of Operations. In addition, subsequent to Fiscal 2017, effective December 29, 2017, Spectrum Brands' operations of the GBA business have been classified as discontinued operations in the accompanying Consolidated Statements of Operations. The impact of the adoption of classifying the results of operations of Front Street and Spectrum Brands' GBA business as discontinued operations and to the Company's previously reported quarterly results are presented below.

	Quarter Ended September 30, 2017			Quarter Ended September 30, 2016		
	Reported	Adjustment	As Revised	Reported	Adjustment	As Revised
Net sales	$ 1,321.8	$ (534.0)	$ 787.8	$ 1,249.7	$ (520.1)	$ 729.6
Total revenues	1,321.8	(534.0)	787.8	1,249.8	(520.1)	729.7
Net consumer and other product gross profit	496.3	(186.3)	310.0	485.7	(180.6)	305.1
Net (loss) income from continuing operations	49.1	(72.4)	(23.3)	(8.3)	(15.8)	(24.1)
Income (loss) from discontinued operations, net of tax	(25.1)	72.4	47.3	44.5	15.8	60.3
Net income (loss)	24.0	$ —	24.0	36.2	—	36.2
Net income (loss) attributable to controlling interest	(26.2)	—	(26.2)	(7.3)	—	(7.3)
Net income (loss) per common share attributable to controlling interest:						
Basic loss from continuing operations	$ 0.05	$ (0.21)	$ (0.16)	$ (0.23)	$ (0.04)	$ (0.27)
Basic income (loss) from discontinued operations	(0.18)	0.21	0.03	0.19	0.04	0.23
Basic	$ (0.13)	$ —	$ (0.13)	$ (0.04)	$ —	$ (0.04)
Diluted loss from continuing operations	$ 0.05	$ (0.21)	$ (0.16)	$ (0.23)	$ (0.04)	$ (0.27)
Diluted income (loss) from discontinued operations	(0.18)	0.21	0.03	0.19	0.04	0.23
Diluted	$ (0.13)	$ —	$ (0.13)	$ (0.04)	$ —	$ (0.04)

	Quarter Ended June 30, 2017			Quarter Ended June 30, 2016		
	Reported	Adjustment	As Revised	Reported	Adjustment	As Revised
Net sales	$ 1,303.9	$ (441.0)	$ 862.9	$ 1,361.6	$ (454.0)	$ 907.6
Total revenues	1,304.0	(441.0)	863.0	1,362.8	(454.0)	908.8
Net consumer and other product gross profit	473.3	(153.2)	320.1	530.7	(154.5)	376.2
Net (loss) income from continuing operations	32.1	(28.3)	3.8	92.5	235.7	328.2
Income (loss) from discontinued operations, net of tax	7.7	28.3	36.0	(185.5)	(235.7)	(421.2)
Net income (loss)	39.8	—	39.8	(93.0)	—	(93.0)
Net income (loss) attributable to controlling interest	2.1	—	2.1	(132.9)	—	(132.9)
Net income (loss) per common share attributable to controlling interest:						
Basic loss from continuing operations	$ (0.01)	$ (0.08)	$ (0.09)	$ 0.27	$ 0.69	$ 0.96
Basic income (loss) from discontinued operations	0.02	0.08	0.10	(0.94)	(0.69)	(1.63)
Basic	$ 0.01	$ —	$ 0.01	$ (0.67)	$ —	$ (0.67)
Diluted loss from continuing operations	$ (0.01)	$ (0.08)	$ (0.09)	$ 0.27	$ 0.68	$ 0.95
Diluted income (loss) from discontinued operations	0.02	0.08	0.10	(0.93)	(0.67)	(1.60)
Diluted	$ 0.01	$ —	$ 0.01	$ (0.66)	$ 0.01	$ (0.65)

	Quarter Ended March 31, 2017			Quarter Ended March 31, 2016		
	Reported	Adjustment	As Revised	Reported	Adjustment	As Revised
Net sales	$ 1,169.9	$ (413.4)	$ 756.5	$ 1,209.6	$ (424.9)	$ 784.7
Total revenues	1,216.1	(458.9)	757.2	1,267.3	(481.0)	786.3
Net consumer and other product gross profit	455.2	(148.4)	306.8	462.8	(142.3)	320.5
Net (loss) income from continuing operations	3.0	(10.4)	(7.4)	63.5	(181.0)	(117.5)
Income (loss) from discontinued operations, net of tax	(54.4)	10.4	(44.0)	(47.6)	181.0	133.4
Net income (loss)	(51.4)	—	(51.4)	15.9	—	15.9
Net income (loss) attributable to controlling interest	(82.1)	—	(82.1)	(24.7)	—	(24.7)
Net income (loss) per common share attributable to controlling interest:						
Basic loss from continuing operations	$ (0.11)	$ (0.01)	$ (0.12)	$ 0.12	$ (0.58)	$ (0.46)
Basic income (loss) from discontinued operations	(0.30)	0.01	(0.29)	(0.24)	0.58	0.34
Basic	$ (0.41)	$ —	$ (0.41)	$ (0.12)	$ —	$ (0.12)
Diluted loss from continuing operations	$ (0.11)	$ (0.01)	$ (0.12)	$ 0.12	$ (0.58)	$ (0.46)
Diluted income (loss) from discontinued operations	(0.30)	0.01	(0.29)	(0.24)	0.58	0.34
Diluted	$ (0.41)	$ —	$ (0.41)	$ (0.12)	$ —	$ (0.12)

	Quarter Ended December 31, 2016			Quarter Ended December 31, 2015		
	Reported	Adjustment	As Revised	Reported	Adjustment	As Revised
Net sales	$ 1,211.8	$ (609.5)	$ 602.3	$ 1,218.8	$ (611.3)	$ 607.5
Total revenues	1,189.6	(587.0)	602.6	1,209.4	(595.9)	613.5
Net consumer and other product gross profit	450.0	(210.9)	239.1	440.7	(204.8)	235.9
Net (loss) income from continuing operations	2.0	(44.3)	(42.3)	9.5	(128.5)	(119.0)
Income (loss) from discontinued operations, net of tax	258.8	44.3	303.1	(2.5)	128.5	126.0
Net income (loss)	260.8	—	260.8	7.0	—	7.0
Net income (loss) attributable to controlling interest	212.2	—	212.2	(33.9)	—	(33.9)
Net income (loss) per common share attributable to controlling interest:						
Basic loss from continuing operations	$ (0.13)	$ (0.11)	$ (0.24)	$ (0.11)	$ (0.35)	$ (0.46)
Basic income (loss) from discontinued operations	1.19	0.11	1.30	(0.06)	0.34	0.28
Basic	$ 1.06	$ —	$ 1.06	$ (0.17)	$ (0.01)	$ (0.18)
Diluted loss from continuing operations	$ (0.13)	$ (0.11)	$ (0.24)	$ (0.11)	$ (0.35)	$ (0.46)
Diluted income (loss) from discontinued operations	1.19	0.11	1.30	(0.06)	0.34	0.28
Diluted	$ 1.06	$ —	$ 1.06	$ (0.17)	$ (0.01)	$ (0.18)

SCHEDULE II

Condensed Financial Information of the Registrant

HRG GROUP, INC. (Registrant Only)
BALANCE SHEETS
(In millions)

	September 30,	
	2017	**2016**
ASSETS		
Cash and cash equivalents	$ 92.9	$ 170.9
Receivables, net	—	0.1
Total current assets	92.9	171.0
Investments in consolidated subsidiaries (a)	2,423.9	1,870.1
Advances to consolidated subsidiaries	0.2	9.6
Deferred tax assets	—	351.2
Properties, net	0.8	1.1
Other assets	0.5	0.6
Total assets	$ 2,518.3	$ 2,403.6
LIABILITIES AND EQUITY		
Accounts payable	$ 0.8	$ 0.2
Accrued and other current liabilities	36.1	48.2
Total current liabilities	36.9	48.4
Long-term debt	1,718.3	1,711.2
Employee benefit obligations	4.2	5.2
Other liabilities	0.9	0.7
Total liabilities	1,760.3	1,765.5
Shareholders' equity:		
Common stock	2.0	2.0
Additional paid-in capital	1,372.9	1,447.1
Accumulated deficit	(925.9)	(1,031.9)
Accumulated other comprehensive income	309.0	220.9
Total shareholders' equity	758.0	638.1
Total liabilities and equity	$ 2,518.3	$ 2,403.6

(a) Includes $1,536.3 and $1,351.6 at September 30, 2017 and 2016 related to the Company's investment in the Insurance Operations, which were classified as businesses held for sale.

See accompanying Report of Independent Registered Public Accounting Firm.

SCHEDULE II
(continued)

HRG GROUP, INC. (Registrant Only)
STATEMENTS OF OPERATIONS
(In millions)

	Fiscal		
	2017	**2016**	**2015**
Revenues	$ —	$ —	$ —
Cost of revenues	—	—	—
Gross profit	—	—	—
Operating expenses:			
General and administrative	40.4	50.7	100.2
Acquisition related charges	—	0.2	0.4
Total operating expenses	40.4	50.9	100.6
Operating loss	(40.4)	(50.9)	(100.6)
Other income (expense):			
Equity in net income (loss) of subsidiaries (a)	497.8	(214.8)	(357.2)
Interest expense	(144.1)	(143.1)	(124.2)
Gain on contingent purchase price reduction	—	—	8.5
Other, net	1.3	2.0	15.2
Income (loss) before income taxes	314.6	(406.8)	(558.3)
Income tax expense (benefit) (b)	208.6	(208.0)	(1.5)
Net income (loss)	$ 106.0	$ (198.8)	$ (556.8)

(a) Includes $332.5, $(444.1), and $52.8 for Fiscal 2017, 2016 and 2015, respectively, related to the Company's investments in the Insurance Operations and Compass, which were classified as discontinued operations.

(b) Fiscal 2016 includes income tax benefit of $206.2 related to classifying the Company's ownership interest in FGL as held for sale. Fiscal 2017 includes income tax expense of $205.9 related to the Company's current intent to exercise the 338 Tax Election related to the FGL Merger which resulted in the reversal of the income tax benefit recorded in Fiscal 2016, as discussed above.

See accompanying Report of Independent Registered Public Accounting Firm.

SCHEDULE II
(continued)

HRG GROUP, INC. (Registrant Only)
STATEMENTS OF CASH FLOWS
(In millions)

	Fiscal 2017	Fiscal 2016	Fiscal 2015
Cash flows from operating activities:			
Net income (loss)	$ 106.0	$ (198.8)	$ (556.8)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Equity in net (loss) income of subsidiaries	(497.8)	214.8	357.2
Dividends from subsidiaries	118.9	63.5	65.7
Depreciation of properties	0.3	0.3	0.5
Stock-based compensation	5.2	13.7	25.0
Amortization of debt issuance costs	6.1	2.7	4.4
Amortization of debt discount	1.0	3.3	1.8
Deferred income taxes	205.9	(205.8)	—
Gain on contingent purchase price reduction	—	—	(8.5)
Changes in operating assets and liabilities	(10.6)	(3.6)	29.0
Net change in cash due to operating activities	(65.0)	(109.9)	(81.7)
Cash flows from investing activities:			
Capital contributions to consolidated subsidiaries	(3.1)	(2.9)	(406.4)
Capital expenditures	—	(0.1)	(1.2)
Net change in cash due to investing activities	(3.1)	(3.0)	(407.6)
Cash flows from financing activities:			
Proceeds from senior secured notes	—	—	409.6
Debt issuance costs	—	—	(6.8)
Common stock repurchased	—	—	(22.1)
Share based award tax withholding payments	(16.4)	(17.8)	(18.3)
Other financing activities	6.5	4.4	4.1
Net change in cash due to financing activities	(9.9)	(13.4)	366.5
Net increase in cash and cash equivalents	(78.0)	(126.3)	(122.8)
Cash and cash equivalents at beginning of period	170.9	297.2	420.0
Cash and cash equivalents at end of period	$ 92.9	$ 170.9	$ 297.2

See accompanying Report of Independent Registered Public Accounting Firm.