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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from to

Commission file number: 1-4219

HRG GROUP

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

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

(212) 906-8555
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x		Accelerated Filer	☐
Non-accelerated Filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
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 7(a)(2)(B) of the Securities Act. ☐

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

There were 200,543,374 shares of the registrant's common stock outstanding as of May 2, 2017.

HRG GROUP, INC.

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PART I: FINANCIAL INFORMATION

Item 1. *Financial Statements*

HRG GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

	March 31, 2017	September 30, 2016
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 320.3	$ 497.3
Funds withheld receivables	1,634.2	1,650.4
Receivables, net	584.3	556.3
Inventories, net	836.3	740.6
Deferred tax assets	31.6	42.6
Property, plant and equipment, net	661.7	543.4
Goodwill	2,473.8	2,478.4
Intangibles, net	2,312.5	2,372.5
Other assets	163.6	172.6
Assets of business held for sale	27,678.5	26,738.7
Total assets	$ 36,696.8	$ 35,792.8
LIABILITIES AND EQUITY		
Insurance reserves	$ 1,728.2	$ 1,751.3
Debt	5,623.9	5,430.9
Accounts payable and other current liabilities	849.0	989.8
Employee benefit obligations	112.2	125.4
Deferred tax liabilities	588.8	546.0
Other liabilities	30.7	32.0
Liabilities of business held for sale	25,995.7	25,100.2
Total liabilities	34,928.5	33,975.6
Commitments and contingencies		
HRG Group, Inc. shareholders' equity:		
Common stock	2.0	2.0
Additional paid-in capital	1,410.6	1,447.1
Accumulated deficit	(901.8)	(1,031.9)
Accumulated other comprehensive income	94.2	220.9
Total HRG Group, Inc. shareholders' equity	605.0	638.1
Noncontrolling interest	1,163.3	1,179.1
Total shareholders' equity	1,768.3	1,817.2
Total liabilities and equity	$ 36,696.8	$ 35,792.8

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Revenues:				
Net consumer and other product sales	$ 1,169.9	$ 1,209.6	$ 2,381.7	$ 2,428.4
Net investment income	12.9	16.2	23.6	36.5
Net investment gains (losses)	32.0	39.7	(1.8)	7.7
Insurance and investment product fees and other	1.3	1.8	2.2	4.1
Total revenues	1,216.1	1,267.3	2,405.7	2,476.7
Operating costs and expenses:				
Cost of consumer products and other goods sold	714.7	746.8	1,476.5	1,524.9
Benefits and other changes in policy reserves	33.0	42.5	21.4	43.3
Selling, acquisition, operating and general expenses	324.9	335.5	646.6	666.2
Total operating costs and expenses	1,072.6	1,124.8	2,144.5	2,234.4
Operating income	143.5	142.5	261.2	242.3
Interest expense	(88.3)	(94.4)	(180.0)	(189.6)
Other expense, net	(2.0)	—	(0.6)	(0.7)
Income from continuing operations before income taxes	53.2	48.1	80.6	52.0
Income tax expense (benefit)	50.2	(15.4)	75.6	(21.0)
Net income from continuing operations	3.0	63.5	5.0	73.0
(Loss) income from discontinued operations, net of tax	(54.4)	(47.6)	204.4	(50.1)
Net (loss) income	(51.4)	15.9	209.4	22.9
Less: Net income attributable to noncontrolling interest	30.7	40.6	79.3	81.5
Net (loss) income attributable to controlling interest	$ (82.1)	$ (24.7)	$ 130.1	$ (58.6)
Amounts attributable to controlling interest:				
Net (loss) income from continuing operations	$ (21.3)	$ 24.5	$ (46.8)	$ 2.7
Net (loss) income from discontinued operations	(60.8)	(49.2)	176.9	(61.3)
Net (loss) income attributable to controlling interest	$ (82.1)	$ (24.7)	$ 130.1	$ (58.6)
Net (loss) income per common share attributable to controlling interest:				
Basic (loss) income from continuing operations	$ (0.11)	$ 0.12	$ (0.23)	$ 0.01
Basic (loss) income from discontinued operations	(0.30)	(0.24)	0.88	(0.31)
Basic	$ (0.41)	$ (0.12)	$ 0.65	$ (0.30)
Diluted (loss) income from continuing operations	$ (0.11)	$ 0.12	$ (0.23)	$ 0.01
Diluted (loss) income from discontinued operations	(0.30)	(0.24)	0.88	(0.30)
Diluted	$ (0.41)	$ (0.12)	$ 0.65	$ (0.29)

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Net (loss) income	$ (51.4)	$ 15.9	$ 209.4	$ 22.9
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	21.7	28.2	(24.4)	7.7
Net unrealized (loss) gain on derivative instruments				
Changes in derivative instruments before reclassification adjustment	(10.4)	(5.4)	32.8	(0.8)
Net reclassification adjustment for gains included in net income	(3.8)	(0.7)	(8.6)	(0.9)
Changes in derivative instruments after reclassification adjustment	(14.2)	(6.1)	24.2	(1.7)
Changes in deferred income tax asset/liability	4.5	2.4	(9.7)	1.5
Deferred tax valuation allowance adjustments	—	0.8	—	1.0
Net unrealized (loss) gain on derivative instruments	(9.7)	(2.9)	14.5	0.8
Actuarial adjustments to pension plans:				
Changes in actuarial adjustments before reclassification adjustment	(0.8)	(1.3)	2.4	(0.5)
Net reclassification adjustment for losses included in cost of goods sold	0.8	0.4	1.6	0.7
Net reclassification adjustment for losses included in selling and general and administrative expenses	0.5	0.2	1.0	0.5
Changes in actuarial adjustments to pension plans	0.5	(0.7)	5.0	0.7
Changes in deferred income tax asset/liability	0.2	0.1	(1.1)	(0.2)
Deferred tax valuation allowance adjustments	(0.1)	—	—	—
Net actuarial adjustments to pension plans	0.6	(0.6)	3.9	0.5
Unrealized investment gains (losses):				
Changes in unrealized investment gains (losses) before reclassification adjustment	314.5	252.1	(352.5)	(123.8)
Net reclassification adjustment for (gains) losses included in net income	(1.8)	(6.8)	(3.9)	0.3
Changes in unrealized investment gains (losses) after reclassification adjustment	312.7	245.3	(356.4)	(123.5)
Adjustments to intangible assets	(100.1)	(79.2)	125.2	56.1
Changes in deferred income tax asset/liability	(74.6)	(58.1)	80.1	22.1
Net unrealized gains (losses) on investments	138.0	108.0	(151.1)	(45.3)
Net change to derive comprehensive income (loss) for the period	150.6	132.7	(157.1)	(36.3)
Comprehensive income (loss)	99.2	148.6	52.3	(13.4)
Less: Comprehensive income (loss) attributable to the noncontrolling interest:				
Net income	30.7	40.6	79.3	81.5
Other comprehensive income (loss)	32.0	31.1	(31.8)	(5.0)
Comprehensive income attributable to the noncontrolling interest	62.7	71.7	47.5	76.5
Comprehensive income (loss) attributable to the controlling interest	$ 36.5	$ 76.9	$ 4.8	$ (89.9)

See accompanying notes to condensed consolidated financial statements.

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

	Six months ended March 31,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 209.4	$ 22.9
Income (loss) from discontinued operations, net of tax	204.4	(50.1)
Net income from continuing operations	5.0	73.0
Adjustments to reconcile net income to operating cash flows from continuing operations:		
Depreciation of properties	47.0	44.6
Amortization of intangibles	47.1	47.0
Loan provision and bad debt expense	1.9	15.1
Stock-based compensation	27.0	40.0
Amortization of debt issuance costs	8.2	6.9
Amortization of debt discount	0.9	0.7
Write-off of debt issuance costs	1.9	—
Deferred income taxes	44.5	(43.5)
Interest credited/index credits to contractholder account balances	12.2	18.2
Net recognized (gains) losses on investments and derivatives	(10.0)	9.8
Charges assessed to contractholders for policy fees and administration	(0.6)	(0.7)
Dividends from subsidiaries classified as discontinued operations	6.1	6.2
Changes in operating assets and liabilities	(213.9)	(395.2)
Net change in cash due to continuing operating activities	(22.7)	(177.9)
Net change in cash due to discontinued operating activities	131.9	161.4
Net change in cash due to operating activities	109.2	(16.5)
Cash flows from investing activities:		
Proceeds from investments sold, matured or repaid	2.4	52.5
Cost of investments acquired	(3.8)	(0.3)
Net asset-based loan repayments	25.3	74.7
Purchases of property, plant and equipment	(51.3)	(38.8)
Proceeds from sales of assets	0.8	0.9
Other investing activities, net	(1.2)	(0.7)
Net change in cash due to continuing investing activities	(27.8)	88.3
Net change in cash due to discontinued investing activities	(776.3)	(417.1)
Net change in cash due to investing activities	(804.1)	(328.8)
Cash flows from financing activities:		
Proceeds from issuance of new debt	266.1	175.0
Repayment of debt, including tender and call premiums	(171.0)	(126.4)
Debt issuance costs	(3.8)	(1.6)
Purchases of subsidiary stock, net	(103.1)	(49.6)
Contractholder account deposits	2.7	2.4
Contractholder account withdrawals	(61.7)	(71.9)
Dividend paid by subsidiary to noncontrolling interest	(19.8)	(18.2)
Share based award tax withholding payments	(37.4)	(27.3)
Other financing activities, net	5.5	3.8
Net change in cash due to continuing financing activities	(122.5)	(113.8)
Net change in cash due to discontinued financing activities	668.0	224.3
Net change in cash due to financing activities	545.5	110.5
Effect of exchange rate changes on cash and cash equivalents	(4.0)	(0.3)
Net change in cash and cash equivalents	(153.4)	(235.1)
Net change in cash and cash equivalents in discontinued operations	23.6	(31.4)
Net change in cash and cash equivalents in continuing operations	(177.0)	(203.7)
Cash and cash equivalents at beginning of period	497.3	661.2
Cash and cash equivalents at end of period	$ 320.3	$ 457.5

See accompanying notes to condensed consolidated financial statements.

HRG GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in millions, except per share and unit measures or as otherwise specified)

(1) Description of Business

HRG Group, Inc. ("HRG" and collectively with its respective subsidiaries, the "Company") is a holding company that conducts its operations 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 operates its business in two reportable segments: (i) Consumer Products and (ii) Insurance.

The Company also owns Salus Capital Partners, LLC, ("Salus"), an asset-based lender, and 99.5% of NZCH Corporation ("NZCH"), a public shell company. From time to time, the Company may manage a portion of its available cash and engage in other activities through its wholly-owned subsidiaries, HGI Funding, LLC ("HGI Funding") and HGI Energy Holdings, LLC ("HGI Energy"). The Company's corporate operations, as well as the operations of Salus, HGI Funding, NZCH and HGI Energy are presented in the Corporate and Other segment.

For the results of operations by segment, and other segment data, see Note 15, Segment Data and Note 16, Consolidating Financial Information.

Consumer Products Segment

The Consumer Products segment represents the Company's 58.4% controlling interest in Spectrum Brands Holdings, Inc. ("Spectrum Brands"). Through its operating subsidiaries, Spectrum Brands is a diversified global branded consumer products company with positions in multiple product lines and categories: consumer batteries, small appliances, global pet supplies, home and garden control products, personal care products, hardware and home improvement products and global auto care.

Insurance Segment

As of March 31, 2017, the Company's insurance operations were conducted through Front Street Re (Delaware) Ltd., ("Front Street") and its Bermuda and Cayman-based subsidiaries, Front Street Re Ltd. ("Front Street Bermuda") and Front Street Re (Cayman) Ltd. ("Front Street Cayman"), respectively. Through Front Street and its Bermuda and Cayman-based subsidiaries, the Company engages in the business of life, annuity and long-term care reinsurance.

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

On April 17, 2017, FGL terminated its Agreement and Plan of Merger (as amended, the "FGL Merger Agreement" and the merger contemplated thereby, the "Merger"), by and among FGL, Anbang Insurance Group Co., Ltd. and its affiliates (collectively, "Anbang"). Prior to its termination, the FGL Merger Agreement was amended on November 3, 2016 and on February 9, 2017, each time to extend the outside termination date. As part of the February 9, 2017 amendment, the FGL Merger Agreement was also amended to permit FGL to explore and negotiate strategic alternatives with other parties, but not to enter into a definitive agreement with a third party while the FGL Merger Agreement was in effect. As a result of the termination of the FGL Merger Agreement, FGL has no remaining obligations under the FGL Merger Agreement and may enter into an alternative transaction. In connection with the termination of the FGL Merger Agreement, on April 17, 2017, FGL's Board of Directors announced that it was continuing to evaluate strategic alternatives to maximize shareholder value and had received interest from a number of parties (the "FGL Strategic Evaluation Process"). There can be no assurance that the FGL Strategic Evaluation Process will result in a transaction, or that any transaction, if pursued, will be consummated. The FGL Strategic Evaluation Process may be terminated at any time with or without notice. Neither HRG nor any of its affiliates intends to disclose developments with respect to this process until such time that it determines otherwise in its sole discretion or as required by applicable law.

As a result of the FGL Strategic Evaluation Process and the consideration of other applicable facts and circumstances, as of March 31, 2017, the Company's ownership interest in FGL continues to be classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and FGL's operations were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows and reported separately for all periods presented. See Note 4, Divestitures.

Corporate and Other

On April 14, 2017, the Company and Omar Asali, President, Chief Executive Officer and a director of the Company, entered into a Separation and Release Agreement pursuant to which Mr. Asali ceased his employment with the Company and resigned from the Board of Directors of the Company and its subsidiaries. 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 also appointed Mr. Ehsan Zargar, effective as of January 1, 2017, as Executive Vice President, Chief Operating Officer, General Counsel and Corporate Secretary of the Company.

In addition, as previously announced in November 2016, the Company's Board of Directors initiated a process to explore and evaluate strategic alternatives, which may include, but are not limited to, a merger, sale or other business combination involving the Company and/or its assets. There can be no assurance that HRG's review of strategic alternatives will result in a transaction, or that any transaction, if pursued, will be consummated. HRG's review of strategic alternatives may be terminated at any time with or without notice. Neither HRG nor any of its affiliates intends to disclose developments with respect to this process until such time that it determines otherwise in its sole discretion or as required by applicable law.

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.

(2) Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and note disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), have been condensed or omitted pursuant to such rules and regulations. Certain prior amounts have been reclassified or combined to conform to the current year presentation. These reclassifications and combinations had no effect on previously reported net loss attributable to controlling interest or accumulated deficit. These interim financial statements should be read in conjunction with the Company's annual consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, filed with the SEC on November 23, 2016 (the "Form 10-K"). The results of operations for the six months ended March 31, 2017 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending September 30, 2017.

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. Spectrum Brands' fiscal year ends September 30 and its interim fiscal quarters end every thirteenth Sunday, except for its first fiscal quarter which may end on the fourteenth Sunday following September 30. The Company does not adjust for the difference in fiscal periods between Spectrum Brands and itself, as such difference would be less than 93 days, pursuant to Regulation S-X Rule 3A-02.

At March 31, 2017, the noncontrolling interest component of total equity primarily represents the 41.6% share of Spectrum Brands and the 19.6% of FGL not owned by HRG.

Insurance Subsidiary Financial Information and Regulatory Matters

FGL Insurance's statutory carrying value of Raven Reinsurance Company ("Raven Re"), its wholly-owned subsidiary, reflects the effect of permitted practices Raven Re received to treat the available amount of a letter of credit as an admitted asset which increased Raven Re's statutory capital and surplus by $188.8 and $201.3 at March 31, 2017 and September 30, 2016, 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 $4.4 and $4.2 at March 31, 2017 and September 30, 2016, respectively. Without such permitted statutory accounting practices, Raven Re's statutory capital and surplus would be $6.8 and $4.6 as of March 31, 2017 and September 30, 2016, respectively, and its risk-based capital would fall below the minimum regulatory requirements. The letter of credit facility is collateralized by debt securities rated by the National Association of Insurance Commissioners ("NAIC") as "NAIC-1." If the permitted practice was revoked, the letter of credit could be replaced by the collateral assets with Nomura Bank International plc's consent. FGL Insurance's statutory carrying value of Raven Re at March 31, 2017 and September 30, 2016 was $199.9 and $210.0, respectively.

On November 1, 2013, FGL Insurance re-domesticated from Maryland to Iowa. After re-domestication, FGL Insurance elected to

apply Iowa-prescribed accounting practices that permit Iowa-domiciled insurers to report equity call options used to economically hedge fixed indexed annuity ("FIA") index credits at amortized cost for statutory accounting purposes and to calculate FIA statutory reserves such that index credit returns will be included in the reserve only after crediting to the annuity contract. This resulted in no impact to statutory capital and surplus at March 31, 2017.

Adoption of Recent Accounting Pronouncements

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 fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption available. The Company elected to early adopt ASU 2017-04 effective March 31, 2017, resulting in no impact to the Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

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 in the accompanying Condensed Consolidated Statements 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 fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption available. This update will be effective for the Company in the first quarter of fiscal year ending September 30, 2019. The net periodic benefit cost for the fiscal year ended September 30, 2016 was $4.8; of which the service cost component was $3.3 and other components were $1.5. The net periodic benefit cost for the fiscal year ending September 30, 2017 will be $7.9, of which the service cost component is $4.3 and other cost components are $3.6.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its Condensed Consolidated Financial Statements and does not believe that there are any other new accounting pronouncements, other than the ones disclosed above and in the Company's Form 10-K, that have been issued that might have a material impact on its financial condition, results of operations or liquidity.

(3) Significant Risks and Uncertainties

Use of Estimates and Assumptions

The preparation of the Company's Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

Concentration of Securities Included in Funds Withheld Receivables

As of March 31, 2017 and September 30, 2016, Front Street's most significant exposure related to the securities underlying the funds withheld receivables was to the financial sector and the energy, mining and metals industries.

As of March 31, 2017 and September 30, 2016, the carrying value of the fixed maturity securities in the financial sector was $243.2, or 14.9%, and $232.8, or 14.1%, respectively, of Front Street's funds withheld receivables. At March 31, 2017 and September 30, 2016, the holdings in this sector included investments in 92 and 81 different issuers, respectively, with the top ten investments accounting for 47.7% and 48.0%, respectively, of the total holdings in this sector.

As of March 31, 2017 and September 30, 2016, the carrying value of the fixed maturity securities in the energy, mining and metals industries was $168.5, or 10.3%, and $188.6, or 11.4%, respectively, of Front Street's funds withheld receivables. At March 31, 2017 and September 30, 2016, the holdings in these industries included investments in 66 and 74 different issuers, respectively, with the top ten investments accounting for 42.0% and 43.4%, respectively, of the total holdings in these industries.

There were no holdings in a single issuer included in the funds withheld receivables that exceeded 10% of the Company's stockholders' equity as of March 31, 2017 and September 30, 2016.

Concentrations of Financial and Capital Markets Risk

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

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

Insurance Counterparty Risk

Through Front Street, the Company is exposed to insurance counterparty risk, which is the potential for Front Street to incur losses due to a reinsurance counterparty becoming distressed or insolvent. This includes run-on-the-bank risk and collection risk. The run-on-the-bank risk is that a client's in force block incurs substantial surrenders and/or lapses due to credit impairment, reputation damage or other market changes affecting the counterparty. Substantially higher than expected surrenders and/or lapses could result in inadequate in force business to recover cash paid out for acquisition costs. The collection risk for reinsurance counterparties includes their inability to satisfy a reinsurance agreement because the right of offset is disallowed by the receivership court; the reinsurance contract is rejected by the receiver, resulting in a premature termination of the contract; and/or the security supporting the transaction becomes unavailable to Front Street. To date, Front Street has not experienced a material default in connection with reinsurance arrangements, nor has it experienced any material difficulty in collecting claims recoverable from reinsurance counterparties; however, no assurance can be given as to the future performance of such reinsurance counterparty or as to the recoverability of any such claims.

Receivables

The allowance for uncollectible receivables as of March 31, 2017 and September 30, 2016 was $45.3 and $46.8, respectively. Through Spectrum Brands, the Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represents approximately 15.1% and 13.1% of the Company's "Receivables, net" in the accompanying Condensed Consolidated Balance Sheets at March 31, 2017 and September 30, 2016, respectively.

(4) Divestitures

The following table summarizes the components of "(Loss) income from discontinued operations, net of tax" in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2017 and 2016:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
(Loss) income from discontinued operations, net of tax attributable to FGL	$ (54.4)	$ (13.1)	$ 204.4	$ (48.7)
Loss from discontinued operations, net of tax attributable to Compass Production Partners, LP ("Compass")	—	(34.5)	—	(1.4)
(Loss) income from discontinued operations, net of tax	$ (54.4)	$ (47.6)	$ 204.4	$ (50.1)

FGL

As previously discussed in Note 1, Description of Business, the Company's ownership interest in FGL has been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and FGL's operations were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations.

The following table summarizes the major categories of assets and liabilities of FGL classified as held for sale in the accompanying Condensed Consolidated Balance Sheets at March 31, 2017 and September 30, 2016:

	March 31, 2017	September 30, 2016
Assets		
Investments, including loans and receivables from affiliates	$ 21,937.5	$ 21,140.9
Cash and cash equivalents	887.4	863.9
Accrued investment income	224.5	213.7
Reinsurance recoverable	3,426.3	3,463.9
Deferred tax assets	68.0	—
Properties, plant and equipment, net	22.2	18.5
Deferred acquisition costs and value of business acquired, net	1,222.7	1,065.5
Other assets	181.0	335.1
Write-down of assets of business held for sale to fair value less cost to sell	(291.1)	(362.8)
Total assets of business held for sale	$ 27,678.5	$ 26,738.7
Liabilities		
Insurance reserves	$ 24,680.8	$ 23,944.6
Debt	405.0	398.8
Accounts payable and other current liabilities	136.7	57.0
Deferred tax liabilities	—	9.9
Other liabilities	773.2	689.9
Total liabilities of business held for sale	$ 25,995.7	$ 25,100.2

In accordance with *ASC 360*, *Property, Plant and Equipment*, a long-lived asset classified as held for sale is measured at the lower of its carrying value or fair value less cost to sell at the balance sheet date. FGL's common stock is actively traded and at March 31, 2017, the Company measured the fair value less cost to sell of its investment in FGL as the product of the closing price of FGL's common stock (NYSE: FGL) at the balance sheet date of $27.80 and the quantity of such shares owned by the Company. At March 31, 2017, the carrying value of the Company's interest in FGL was $291.1 higher than the fair value less cost to sell and as a result, during the six months ended March 31, 2017, the Company partially reversed the previously recorded $362.8 write-down of assets of business held for sale by $71.7.

The balances included in the accompanying Condensed Consolidated Balance Sheets and in the table above reflect transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the completion of any disposition resulting from the FGL Strategic Evaluation Process. Such transactions are not eliminated to reflect the continuing operations and balances held for sale. As a result, adjustments to the carrying value of certain intercompany assets recorded by FGL were reversed upon consolidation in the Company's Condensed Consolidated Financial Statements.

Below is a summary of the impact of such intercompany balances in the accompanying Condensed Consolidated Balance Sheets:

	March 31, 2017	September 30, 2016
Assets		
Funds withheld receivable	$ 938.6	$ 978.8
Other assets	14.8	15.1
Assets of business held for sale	1,310.6	1,375.5
Total assets	$ 2,264.0	$ 2,369.4
Liabilities		
Insurance reserves	$ 1,067.0	$ 1,119.5
Debt	51.8	63.0
Liabilities of business held for sale	1,145.2	1,186.9
Total liabilities	$ 2,264.0	$ 2,369.4

The following table summarizes the components of "Net (loss) income from discontinued operations" in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2017 and 2016:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Revenues:				
Insurance premiums	$ 2.7	$ 16.2	$ 13.8	$ 31.6
Net investment income	246.4	226.7	486.2	448.9
Net investment gains (losses)	80.0	(39.2)	136.3	27.0
Insurance and investment product fees and other	43.9	31.7	82.2	60.5
Total revenues	373.0	235.4	718.5	568.0
Operating costs and expenses:				
Benefits and other changes in policy reserves	268.0	188.1	287.9	369.0
Selling, acquisition, operating and general expenses	32.6	28.4	60.9	56.6
Amortization of intangibles	36.5	0.4	156.5	33.9
Total operating costs and expenses	337.1	216.9	505.3	459.5
Operating income	35.9	18.5	213.2	108.5
Interest expense	(6.0)	(5.9)	(12.1)	(11.8)
(Write-down) write-up of assets of business held for sale to fair value less cost to sell	(72.8)	(23.5)	71.7	(23.5)
Net (loss) income before income taxes	(42.9)	(10.9)	272.8	73.2
Income tax expense (a)	11.5	2.2	68.4	121.9
Net (loss) income	(54.4)	(13.1)	204.4	(48.7)
Less: net income attributable to noncontrolling interest	6.4	1.8	27.5	11.2
Net (loss) income - attributable to controlling interest	$ (60.8)	$ (14.9)	$ 176.9	$ (59.9)

(a) Included in the income tax expense for the six months ended March 31, 2016 was a $90.9 of net income tax expense related to the establishment of a deferred tax liability of $328.6 at March 31, 2016, which was a result of classifying the Company's ownership interest in FGL as held for sale. The deferred tax liability was partially offset by a $237.7 reduction of valuation allowance on HRG's net operating and capital loss carryforwards expected to offset the FGL taxable gain at March 31, 2016. The remaining liability is expected to be offset by current year losses recognized in continuing operations except for the $13.2 of estimated alternative minimum taxes.

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 the fourth quarter of the fiscal year 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 Condensed Consolidated Statements of Operations.

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

	Three months ended	Six months ended
	March 31, 2016	
Revenues:		
Oil and natural gas revenues	$ 9.5	$ 26.3
Operating costs and expenses:		
Oil and natural gas direct operating costs	9.2	26.3
Selling, acquisition, operating and general expenses	5.8	15.6
Impairments	21.2	75.6
Total operating costs and expenses	36.2	117.5
Operating loss	(26.7)	(91.2)
Interest expense	(1.4)	(3.7)
Gain on sale of oil and gas properties	—	105.6
Other income, net	0.5	2.3
Net (loss) income before income taxes	(27.6)	13.0
Income tax expense	6.9	14.4
Net loss	$ (34.5)	$ (1.4)

(5) Derivative Financial Instruments

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

Asset Derivatives	Classification	March 31, 2017	September 30, 2016
Derivatives designated as hedging instruments:			
Foreign exchange contracts	Receivables, net	$ 4.1	$ 5.5
Commodity swaps	Receivables, net	4.1	2.9
Commodity swaps	Other assets	0.2	—
Foreign exchange contracts	Other assets	0.1	0.1
Total asset derivatives designated as hedging instruments		8.5	8.5
Derivatives not designated as hedging instruments:			
Call option receivable from FGL	Funds withheld receivables	13.3	11.3
Call options	Other assets	10.5	5.9
Foreign exchange contracts	Receivables, net	0.4	0.2
Total asset derivatives		$ 32.7	$ 25.9

Liability Derivatives	Classification	March 31, 2017	September 30, 2016
Derivatives designated as hedging instruments:			
Interest rate swaps	Accounts payable and other current liabilities	$ —	$ 0.7
Interest rate swaps	Other liabilities	—	0.4
Commodity swaps	Accounts payable and other current liabilities	0.1	0.1
Foreign exchange contracts	Accounts payable and other current liabilities	1.3	1.7
Foreign exchange contracts	Other liabilities	0.2	0.1
Total liability derivatives designated as hedging instruments		1.6	3.0
Derivatives not designated as hedging instruments:			
Embedded derivatives in Front Street's assumed FIA business	Insurance reserves	121.0	131.2
Foreign exchange contracts	Accounts payable and other current liabilities	0.6	0.2
Total liability derivatives		$ 123.2	$ 134.4

For derivative instruments that are used to economically hedge the fair value of Spectrum Brands' third party and intercompany foreign currency payments, commodity purchases and interest rate payments, the gain (loss) associated with the derivative contract is recognized in earnings in the period of change. The Company recognizes all derivative instruments as assets or liabilities in the accompanying Condensed Consolidated Balance Sheets at fair value.

The following tables summarize the impact of the effective portion of designated hedges and the gain (loss) recognized in the accompanying Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2017 and 2016:

		Three months ended March 31,			
		2017		2016	
	Classification	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings
Interest rate swaps	Interest expense	$ (0.4)	$ (0.7)	$ (0.6)	$ (0.5)
Commodity swaps	Cost of consumer products and other goods sold	3.7	1.7	1.8	(1.6)
Net investment hedge	Other expense, net	(9.2)	—	—	—
Foreign exchange contracts	Net consumer and other product sales	(0.1)	—	—	—
Foreign exchange contracts	Cost of consumer products and other goods sold	(4.4)	2.8	(6.6)	2.8
		$ (10.4)	$ 3.8	$ (5.4)	$ 0.7

		Six months ended March 31,			
		2017		2016	
	Classification	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings	Gain (Loss) in AOCI	Gain (Loss) reclassified to Earnings
Interest rate swaps	Interest expense	$ (0.3)	$ (1.0)	$ (0.3)	$ (1.0)
Commodity swaps	Cost of consumer products and other goods sold	3.8	2.5	0.8	(3.0)
Net investment hedge	Other expense, net	23.3	—	—	—
Foreign exchange contracts	Net consumer and other product sales	0.1	—	(0.1)	—
Foreign exchange contracts	Cost of consumer products and other goods sold	5.9	7.1	(1.2)	4.9
		$ 32.8	$ 8.6	$ (0.8)	$ 0.9

During the three and six months ended March 31, 2017 and 2016, the Company recognized the following gains and losses on its derivatives:

		Three months ended March 31,		Six months ended March 31,	
Classification	Derivatives Not Designated as Hedging Instruments	2017	2016	2017	2016
Revenues:					
Net investment gains (losses)	Call options	$ 5.8	$ (1.4)	$ 8.9	$ 0.5
Operating costs and expenses:					
Cost of consumer products and other goods sold	Commodity swaps	$ —	$ —	$ 0.1	$ —
Benefits and other changes in policy reserves	Embedded derivatives in Front Street's assumed FIA business	(0.2)	(3.4)	(10.2)	(5.8)
Other expense, net	Foreign exchange contracts	(2.1)	2.9	(1.4)	0.8

Additional Disclosures

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

Call option receivable from FGL. Under the terms of the modified coinsurance arrangement between Front Street and FGL, FGL is required to pay Front Street a portion of the net cost of equity option purchases and the proceeds from expirations related to the equity options which hedge the index credit feature of the reinsured FIA contracts. Accordingly, the receivable from FGL is reflected in “Funds withheld receivables” as of the balance sheet date with changes in fair value recognized within “Net investment gains (losses)” in the accompanying Condensed Consolidated Statements of Operations.

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

Foreign exchange contracts - cash flow hedges. 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, Pounds Sterling, Australian Dollars, Canadian Dollars (“CAD”) or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange 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 Accumulated other comprehensive income (“AOCI”) and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to “Net consumer and other product sales” or “Cost of consumer products and other goods sold”, respectively, in the accompanying Condensed Consolidated Statements of Operations. At March 31, 2017, Spectrum Brands had a series of foreign exchange derivative contracts outstanding through September 2018. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $1.3, net of tax. At March 31, 2017 and September 30, 2016, Spectrum Brands had foreign exchange derivative contracts designated as cash flow hedges with a notional value of $252.9 and $224.8, respectively.

Commodity swaps - cash flow hedges. Spectrum Brands is exposed to risk from fluctuating prices for raw materials, specifically zinc and brass used in its manufacturing processes. Spectrum Brands hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At March 31, 2017, Spectrum Brands had a series of zinc and brass swap contracts outstanding through August 2018. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $1.5, net of tax. Spectrum Brands had the following commodity swap contracts outstanding as of March 31, 2017 and September 30, 2016:

	March 31, 2017		September 30, 2016	
	Notional	**Contract Value**	**Notional**	**Contract Value**
Zinc swap contracts (tons)	6.8	$ 15.7	6.7	$ 12.8
Brass swap contracts (tons)	1.4	6.1	1.0	4.0

Net Investment Hedge. On September 20, 2016, Spectrum Brands, Inc., a subsidiary of Spectrum Brands, issued €425.0 aggregate principal amount of 4.00% Notes at par value, due October 1, 2026 (“4.00% Notes”). Spectrum Brands’ 4.00% Notes are denominated in Euros and were 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 Condensed 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 March 31, 2017, the hedge was fully effective and no ineffective portion was recognized in earnings.

Commodity Swaps - not designated as hedges for accounting purposes. Spectrum Brands periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. Spectrum Brands hedges a portion of the risk associated with these materials through the use of commodity swaps. The commodity swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The unrecognized changes in the fair value of the commodity swap contracts are adjusted through earnings when the realized gains or losses affect earnings upon settlement of the commodity swap contracts. The commodity swap contracts effectively fix the floating price on a specified quantity of silver through a specified date. At March 31, 2017, Spectrum Brands had a series of commodity swaps outstanding through September 2017. Spectrum Brands had the following commodity swaps outstanding as of March 31, 2017 and September 30, 2016:

	March 31, 2017		September 30, 2016	
	Notional	Contract Value	Notional	Contract Value
Silver (troy oz.)	10.4	$ 0.2	31.0	$ 0.6

Foreign exchange contracts - not designated as hedges for accounting purposes. 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 Condensed 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 March 31, 2017, Spectrum Brands had a series of forward exchange contracts outstanding through December 2017. At March 31, 2017 and September 30, 2016, Spectrum Brands had $202.4 and $131.4, respectively, of notional value for such foreign exchange derivative contracts outstanding.

Credit Risk

Spectrum Brands is exposed to the risk of default by the counterparties with which Spectrum Brands transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. Spectrum Brands monitors counterparty credit risk on an individual basis by periodically assessing each counterparty’s credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. Spectrum Brands considers these exposures when measuring its credit reserve on its derivative assets, which was insignificant as of March 31, 2017 and September 30, 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 March 31, 2017 and September 30, 2016, there was no cash collateral outstanding. In addition, as of March 31, 2017 and September 30, 2016, Spectrum Brands had no posted standby letters of credit related to such liability positions.

Front Street is exposed to credit risk in the event of non-performance by its counterparties on call options. Front Street seeks to reduce the risk associated with such agreements by purchasing such options from large, well-established financial institutions, but there can be no assurance that Front Street will not suffer losses in the event of counterparty non-performance. No collateral was posted by its counterparties; accordingly, at March 31, 2017, the maximum amount of loss due to credit risk that Front Street would incur if parties to the call options failed completely to perform according to the terms of the contracts was $10.5.

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

(6) Fair Value of Financial Instruments

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.

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

	March 31, 2017				September 30, 2016			
Assets	**Level 1**	**Level 2**	**Level 3**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Fixed maturity and equity securities included in funds withheld receivables	$ 80.5	$ 1,413.8	$ 49.1	$ 1,543.4	$ 69.9	$ 1,387.1	$ 78.1	$ 1,535.1
Derivatives:								
Call option receivable from FGL included in funds withheld receivables	—	13.3	—	13.3	—	11.3	—	11.3
Call options	—	10.5	—	10.5	—	5.9	—	5.9
Foreign exchange contracts	—	4.6	—	4.6	—	5.8	—	5.8
Commodity contracts	—	4.3	—	4.3	—	2.9	—	2.9
Total financial assets	$ 80.5	$ 1,446.5	$ 49.1	$ 1,576.1	$ 69.9	$ 1,413.0	$ 78.1	$ 1,561.0
Liabilities								
Front Street future policyholder benefit liability	$ —	$ —	$ 661.2	$ 661.2	$ —	$ —	$ 631.8	$ 631.8
Derivatives:								
Embedded derivatives in Front Street's assumed FIA business	—	—	121.0	121.0	—	—	131.2	131.2
Commodity contracts	—	0.1	—	0.1	—	0.1	—	0.1
Interest rate contracts	—	—	—	—	—	1.1	—	1.1
Foreign exchange contracts	—	2.1	—	2.1	—	2.0	—	2.0
Total financial liabilities	$ —	$ 2.2	$ 782.2	$ 784.4	$ —	$ 3.2	$ 763.0	$ 766.2

Valuation Methodologies

Reinsurance Agreements with FGL

Front Street Cayman has entered into certain reinsurance agreements with FGL on a funds withheld basis. The funds withheld receivables portfolio related to the reinsurance agreements with FGL consists of investments in debt and equity securities that are carried at fair value with unrealized gains and losses included in AOCI, net of associated intangibles "shadow adjustments" and deferred income taxes. The funds withheld receivables portfolio also includes cash, derivatives and accrued income.

The liabilities for contractholder funds for deferred annuities consist of contract account balances that accrue to the benefit of the contractholders, excluding surrender charges and other liabilities. The liabilities for FIA consist of the value of the host contract plus the value of the FIA embedded derivative. The FIA embedded derivative is carried at fair value in the accompanying Condensed Consolidated Balance Sheets with changes in fair value reported in "Benefits and other changes in policy reserves" in the

accompanying Condensed Consolidated Statements of Operations. Liabilities for immediate annuities without life contingencies are recorded at the present value of future benefits.

Liabilities for investment-type contracts are calculated by multiplying the benefit ratio by the cumulative assessments recorded from contract inception through the balance sheet date plus interest. If experience or assumption changes result in a new benefit ratio, the reserves are adjusted to reflect the changes.

The liabilities for future policy benefits and claim reserves life contingent immediate annuity policies are computed using assumptions for investment yields, mortality and withdrawals based principally on generally accepted actuarial methods and assumptions at the time of contract issue. The investment yield assumptions for life contingent immediate annuities range from 0.8% to 6.0%.

Reinsurance agreements with third parties

Front Street elected to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and future policyholder benefits reserve related to its assumed reinsurance with third parties. Front Street measures fair value of the funds withheld receivables based on the fair values of the securities in the underlying funds withheld portfolio held by the cedant. The non-funds withheld assets held by Front Street, backing the future policyholder benefits reserve, are measured at fair value. Policy loans included in the funds withheld receivables with third parties are measured at amortized cost, which approximates fair value.

Front Street uses a discounted cash flows approach to measure the fair value of the future policyholder benefits reserve. The cash flows associated with future policy premiums and benefits are generated using best estimate assumptions (plus a risk margin, where applicable) and are consistent with market prices, where available. Risk margins are typically applied to non-observable, non-hedgeable market inputs such as mortality, morbidity, lapse, discount rate for non-performance risk, discount rate for risk margin, surrenders, etc. Mortality relates to the occurrence of death. Mortality assumptions are based upon the experience of the cedant as well as past and emerging industry experience, when available. Morbidity relates to the occurrence of a claim status and is a key assumption for the long term care business. Morbidity assumptions are based upon the experience of the cedant as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type. Assumptions are also made for future mortality and morbidity improvements.

Front Street determines the discount rate based on the market yields on the underlying assets backing the liabilities plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of Front Street. Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future conditions. Front Street discounts the liability cash flows by using the market yields on the underlying assets backing the liabilities plus a risk margin to reflect uncertainty and adjusts the discount rate to reflect the credit risk of Front Street.

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

Funds Withheld Receivables

Through Front Street, the Company measures the fair value of its securities included in the funds withheld receivables portfolio based on assumptions used by market participants in pricing the security. The appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity or equity security, and the Company will then consistently apply the valuation methodology to measure the security’s fair value. The Company’s fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include a third-party pricing service, independent broker quotations or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met. For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trends executed at broker-quoted or slightly higher prices. The Company did not adjust prices received from third parties as of March 31, 2017. However, the Company does analyze the third-party valuation methodologies and its related inputs to perform assessments to determine the appropriate level within the fair value hierarchy.

Derivatives

The fair values of the embedded derivatives in Front Street’s assumed FIA business from FGL are derived using market indices, pricing assumptions and historical data. The significant unobservable inputs used in the fair value measurement of the FIA embedded

derivatives in Front Street's assumed FIA business are market value of options, interest swap rates, mortality multiplier, surrender rates, and non-performance spread. The mortality multiplier at March 31, 2017 and September 30, 2016 was applied to the Annuity 2000 mortality tables. Significant increases or decreases in the market value of an option in isolation would result in a higher or lower, respectively, fair value measurement. Significant increases or decreases in interest swap rates, mortality multiplier, surrender rates, or non-performance spread in isolation would result in a lower or higher, respectively, fair value measurement. Generally, a change in any one unobservable input would not result in a change in any other unobservable input.

Spectrum Brands' derivative assets and liabilities are valued on a recurring basis using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities, which are generally based on quoted or observed market prices and classified as Level 2. The fair value of certain derivatives is estimated using pricing models based on contracts with similar terms and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of Spectrum Brands' derivative assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance which is calculated based on the probability of default by Spectrum Brands, it adjusts its derivative liabilities to reflect the price at which a potential market participant would be willing to assume Spectrum Brands' liabilities.

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

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value as of March 31, 2017 and September 30, 2016 were as follows:

	Fair Value at				Range (Weighted average)	
Assets	**March 31, 2017**	**September 30, 2016**	**Valuation Technique**	**Unobservable Input(s)**	**March 31, 2017**	**September 30, 2016**
Funds withheld receivables:						
Fixed maturity securities	$ 33.6	$ 35.2	Matrix pricing	Quoted prices	100% - 117% (106%)	98% - 122% (109%)
Fixed maturity securities	5.1	5.4	Loan Recovery Value	Recovery rate	56% - 100% (81%)	56% - 100% (82%)
Fixed maturity securities	10.0	35.7	Broker-quoted	Offered quotes	99% - 105% (100%)	97% - 100% (100%)
Loan participations	0.4	1.8	Loan Recovery Value	Recovery rate	56%	52% - 100% (71%)
Total	$ 49.1	$ 78.1				
Liabilities						
Front Street future policyholder benefit liability	$ 661.2	$ 631.8	Discounted cash flow	Non-performance risk spread	0.35%	0.32%
				Risk margin to reflect uncertainty	0.50%	0.50%
Embedded derivatives in Front Street's assumed FIA business	121.0	131.2	Discounted cash flow	Market value of option	0% - 24% (3%)	0% - 27% (2%)
				SWAP rates (discount rates)	2.0%	1.0%
				Mortality multiplier	80%	80%
				Surrender rates	0.50% - 75% (13%)	0.50% - 75% (10%)
				Non-performance risk spread	0.25%	0.25%
Total	$ 782.2	$ 763.0				

The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for the three and six months ended March 31, 2017 and 2016. The gains and losses below may include changes in fair value due in part to observable inputs that are a component of the valuation methodology.

	Three months ended March 31, 2017							
		Total Gains (Losses)						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period
Assets								
Funds withheld receivables	$ 46.4	$ —	$ —	$ 6.1	$ (1.0)	$ —	$ (2.4)	$ 49.1
Total assets at fair value	$ 46.4	$ —	$ —	$ 6.1	$ (1.0)	$ —	$ (2.4)	$ 49.1

		Total (Gains) Losses						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Liabilities								
Front Street future policyholder benefit liability	$ 634.5	$ 21.1	$ —	$ —	$ —	$ 5.6	$ —	$ 661.2
Embedded derivatives in Front Street's assumed FIA business	121.2	(0.2)	—	—	—	—	—	121.0
Total liabilities at fair value	$ 755.7	$ 20.9	$ —	$ —	$ —	$ 5.6	$ —	$ 782.2

(a) During the three months ended March 31, 2017, the net transfer out of Level 3 was exclusively to Level 2.

	Six months ended March 31, 2017							
		Total Gains (Losses)						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period
Assets								
Funds withheld receivables	$ 78.1	$ (1.3)	$ —	$ 9.1	$ (7.3)	$ —	$ (29.5)	$ 49.1
Total assets at fair value	$ 78.1	$ (1.3)	$ —	$ 9.1	$ (7.3)	$ —	$ (29.5)	$ 49.1

		Total (Gains) Losses						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
Liabilities								
Front Street future policyholder benefit liability	$ 631.8	$ 8.5	$ —	$ —	$ —	$ 20.9	$ —	$ 661.2
Embedded derivatives in Front Street's assumed FIA business	131.2	(10.2)	—	—	—	—	—	121.0
Total liabilities at fair value	$ 763.0	$ (1.7)	$ —	$ —	$ —	$ 20.9	$ —	$ 782.2

(a) During the six months ended March 31, 2017, the net transfer out of Level 3 was exclusively to Level 2.

	Three months ended March 31, 2016							
	Balance at Beginning of Period	Total Gains (Losses)		Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
		Included in Earnings	Included in AOCI					
Assets								
Funds withheld receivables	$ 65.1	$ (0.3)	$ —	$ 3.1	$ (3.4)	$ —	$ —	$ 64.5
Total assets at fair value	$ 65.1	$ (0.3)	$ —	$ 3.1	$ (3.4)	$ —	$ —	$ 64.5

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

	Six months ended March 31, 2016							
	Balance at Beginning of Period	Total Gains (Losses)		Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
		Included in Earnings	Included in AOCI					
Assets								
Corporate fixed maturity securities AFS	$ 14.1	$ (0.5)	$ —	$ —	$ (13.6)	$ —	$ —	$ —
Other invested assets	2.8	2.7	—	—	—	(5.5)	—	—
Funds withheld receivables	74.7	(1.9)	—	8.1	(16.4)	—	—	64.5
Total assets at fair value	$ 91.6	$ 0.3	$ —	$ 8.1	$ (30.0)	$ (5.5)	$ —	$ 64.5

	Balance at Beginning of Period	Total (Gains) Losses		Purchases	Sales	Settlements	Net transfer In (Out) of Level 3	Balance at End of Period
		Included in Earnings	Included in AOCI					
Liabilities								
Front Street future policyholder benefit liability	$ 629.2	$ 20.2	$ —	$ —	$ —	$ 4.6	$ —	$ 654.0
Embedded derivatives in Front Street's assumed FIA business	142.3	(5.8)	—	—	—	—	—	136.5
Total liabilities at fair value	$ 771.5	$ 14.4	$ —	$ —	$ —	$ 4.6	$ —	$ 790.5

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the beginning fair value for the reporting period in which the changes occur. There were no transfers between Level 1 and Level 2 for the three and six months ended March 31, 2017 and 2016 and there were no transfers in or out of Level 3 for the three and six months ended March 31, 2016. For the three and six months ended March 31, 2017, the transfers out of Level 3 were related to changes in the primary pricing source and changes in the observability of external information used in determining fair value.

Non-Recurring Fair Value Measurements

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

Financial Assets and Liabilities Not Measured at Fair Value

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

	March 31, 2017				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets (a)					
Asset-based loans, included in other assets	$ —	$ —	$ 6.3	$ 6.3	$ 6.3
Policy loans, included in funds withheld receivables	—	—	8.3	8.3	8.3
Total financial assets	$ —	$ —	$ 14.6	$ 14.6	$ 14.6
Liabilities (a)					
Investment contracts, included in contractholder funds and other insurance reserves	$ —	$ —	$ 882.6	$ 882.6	$ 946.0
Total debt (b)	—	5,867.8	10.1	5,877.9	5,623.9
Total financial liabilities	$ —	$ 5,867.8	$ 892.7	$ 6,760.5	$ 6,569.9

	September 30, 2016				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets (a)					
Asset-based loans, included in other assets	$ —	$ —	$ 35.0	$ 35.0	$ 35.0
Policy loans, included in funds withheld receivables	—	—	8.5	8.5	8.5
Total financial assets	$ —	$ —	$ 43.5	$ 43.5	$ 43.5
Liabilities (a)					
Investment contracts, included in contractholder funds and other insurance reserves	$ —	$ —	$ 922.9	$ 922.9	$ 988.3
Total debt (b)	—	5,700.1	29.1	5,729.2	5,430.9
Total financial liabilities	$ —	$ 5,700.1	$ 952.0	$ 6,652.1	$ 6,419.2

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

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

Valuation Methodology

Investment Contracts and Other Insurance Reserves

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

Asset-based loans

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

(7) Funds Withheld Receivables

The Company's consolidated funds withheld receivables are summarized as follows:

	March 31, 2017				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Funds withheld receivables with FGL					
Corporates	$ 661.1	$ 10.0	$ (25.8)	$ 645.3	$ 645.3
Asset/Mortgage-backed securities	197.8	1.1	(4.9)	194.0	194.0
Municipals	12.0	0.1	(0.3)	11.8	11.8
Government bonds	1.1	—	(0.1)	1.0	1.0
Preferred stock	8.5	0.1	(0.4)	8.2	8.2
Total funds withheld receivables with FGL	880.5	11.3	(31.5)	860.3	860.3
Funds withheld receivables with third parties					
Corporates	404.4	5.9	(7.2)	403.1	403.1
Asset/Mortgage-backed securities	135.4	2.4	(1.1)	136.7	136.7
Municipals	56.2	0.7	(0.4)	56.5	56.5
Government bonds	83.0	—	(3.5)	79.5	79.5
Agency bonds	7.3	—	—	7.3	7.3
Total funds withheld receivables with third parties	686.3	9.0	(12.2)	683.1	683.1
Total fixed maturity and equity securities included in funds withheld receivables	1,566.8	20.3	(43.7)	1,543.4	1,543.4
Call option receivable from FGL included in funds withheld receivables	8.9	4.4	—	13.3	13.3
Accrued interest	17.0	—	—	17.0	17.0
Net receivables	52.2	—	—	52.2	52.2
Policy loans and other	8.3	—	—	8.3	8.3
Total funds withheld receivables	$ 1,653.2	$ 24.7	$ (43.7)	$ 1,634.2	$ 1,634.2

	September 30, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Funds withheld receivables with FGL					
Corporates	$ 638.5	$ 18.2	$ (29.5)	$ 627.2	$ 627.2
Asset/Mortgage-backed securities	238.8	0.6	(7.9)	231.5	231.5
Municipals	12.1	0.7	—	12.8	12.8
Government bonds	1.1	—	—	1.1	1.1
Preferred stock	8.8	0.3	(0.9)	8.2	8.2
Total funds withheld receivables with FGL	899.3	19.8	(38.3)	880.8	880.8
Funds withheld receivables with third parties					
Corporates	390.0	18.8	(2.7)	406.1	406.1
Asset/Mortgage-backed securities	118.7	1.9	(1.7)	118.9	118.9
Municipals	49.5	4.1	—	53.6	53.6
Government bonds	67.7	1.3	(0.2)	68.8	68.8
Agency bonds	6.6	0.3	—	6.9	6.9
Total funds withheld receivables with third parties	632.5	26.4	(4.6)	654.3	654.3
Total fixed maturity and equity securities included in funds withheld receivables	1,531.8	46.2	(42.9)	1,535.1	1,535.1
Call option receivable from FGL included in funds withheld receivables	9.8	1.5	—	11.3	11.3
Accrued interest	17.8	—	—	17.8	17.8
Net receivables	77.7	—	—	77.7	77.7
Policy loans and other	8.5	—	—	8.5	8.5
Total funds withheld receivables	$ 1,645.6	$ 47.7	$ (42.9)	$ 1,650.4	$ 1,650.4

Maturities of Funds Withheld Receivables

The amortized cost and fair value of fixed maturity and equity securities included in funds withheld receivables by contractual maturities, as applicable, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or pre-pay obligations.

	March 31, 2017	
	Amortized Cost	Fair Value
Corporate, Non-structured Hybrids, Municipal and Preferred stock:		
Due in one year or less	$ 18.6	$ 18.6
Due after one year through five years	201.6	198.0
Due after five years through ten years	498.0	496.2
Due after ten years	496.3	481.6
Subtotal	1,214.5	1,194.4
Other securities which provide for periodic payments:		
Asset/Mortgage-backed securities	333.2	330.7
Structured hybrids	19.1	18.3
Total fixed maturity and equity securities included in funds withheld receivables	$ 1,566.8	$ 1,543.4

Securities in Funds Withheld Receivables with FGL in an Unrealized Loss Position

The Company has concluded that the fair value of the securities presented in the table below were not other-than-temporarily impaired as of March 31, 2017. The fair value and gross unrealized losses of securities in the funds withheld receivables with FGL, aggregated by investment category, were as follows:

	March 31, 2017					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Funds withheld receivables with FGL						
Corporates	$ 152.4	$ (5.3)	$ 159.6	$ (20.5)	$ 312.0	$ (25.8)
Asset/Mortgage-backed securities	29.5	(0.1)	100.6	(4.8)	130.1	(4.9)
Municipals	5.9	(0.3)	0.9	—	6.8	(0.3)
Government bonds	1.0	(0.1)	—	—	1.0	(0.1)
Preferred stock	—	—	5.2	(0.4)	5.2	(0.4)
Total funds withheld receivables with FGL	$ 188.8	$ (5.8)	$ 266.3	$ (25.7)	$ 455.1	$ (31.5)
Total number of securities in an unrealized loss position		135		112		247

	September 30, 2016					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Funds withheld receivables with FGL						
Corporates	$ 137.8	$ (12.6)	$ 91.7	$ (16.9)	$ 229.5	$ (29.5)
Asset/Mortgage-backed securities	73.3	(2.2)	99.0	(5.7)	172.3	(7.9)
Municipals	1.0	—	—	—	1.0	—
Government bonds	0.2	—	—	—	0.2	—
Preferred stock	3.7	(0.9)	—	—	3.7	(0.9)
Total funds withheld receivables with FGL	$ 216.0	$ (15.7)	$ 190.7	$ (22.6)	$ 406.7	$ (38.3)
Total number of securities in an unrealized loss position		146		76		222

At March 31, 2017 and September 30, 2016, securities in the funds withheld receivables with FGL in an unrealized loss position were primarily concentrated in investment grade corporate debt and asset-backed instruments.

At March 31, 2017 and September 30, 2016, securities with a fair value of $21.7 and $39.6, respectively, had an unrealized loss greater than 20% of amortized cost, which represented less than 5% of the carrying value of all funds withheld receivables.

The Company recognized other-than-temporary impairment ("OTTI") losses in operations totaling $4.5 for the three months ended March 31, 2016 and $1.0 and $5.9 for the six months ended March 31, 2017 and 2016, respectively, related to funds withheld receivables with FGL with an amortized cost of $12.5 and $8.7 and a fair value of $11.5 and $2.8 at March 31, 2017 and 2016, respectively.

Details underlying write-downs taken as a result of OTTI that were recognized in "Net (loss) income" and included in "Net investment gains (losses)" were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
OTTI recognized in net (loss) income:				
Corporates	$ —	$ 4.5	$ 1.0	$ 5.9
Total	$ —	$ 4.5	$ 1.0	$ 5.9

Net investment income

The major sources of "Net investment income" reported in the accompanying Condensed Consolidated Statements of Operations were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Fixed maturity securities included in funds withheld receivables with FGL	$ 11.9	$ 14.1	$ 22.1	$ 29.6
Equity securities included in funds withheld receivables with FGL	0.2	0.6	0.4	1.2
Asset-based loans	0.7	1.2	1.0	3.2
Other investments	0.1	0.3	0.1	2.5
Net investment income	$ 12.9	$ 16.2	$ 23.6	$ 36.5

Net investment gains (losses)

The major sources of "Net investment gains (losses)" reported in the accompanying Condensed Consolidated Statements of Operations were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Net realized gains (losses) on fixed maturity securities included in funds withheld receivables with FGL	$ 2.4	$ (5.4)	$ 0.2	$ (2.1)
Realized gains on equity securities included in funds withheld receivables with FGL	0.8	—	0.7	1.8
Realized gains (losses) on certain derivative instruments	5.8	(1.4)	8.9	0.5
Change in fair value of embedded derivatives in funds withheld receivables with FGL	10.9	16.9	(1.3)	(9.6)
Realized gains (losses) on funds withheld receivables with third parties and other	12.1	29.6	(10.3)	17.1
Net investment gains (losses)	$ 32.0	$ 39.7	$ (1.8)	$ 7.7

The modified coinsurance arrangement between FGL Insurance and Front Street created an obligation for the parties to settle a payable or receivable at a later date, which resulted in an embedded derivative. This embedded derivative is considered a total return swap with contractual returns that are attributable to the assets and liabilities associated with this reinsurance arrangement. The fair value of the total return swap is based on the change in fair value of the underlying assets held in the funds withheld portfolio. Investment results for the assets that support the coinsurance with funds withheld reinsurance arrangement, including gains and losses from sales, are passed directly to the reinsurer pursuant to contractual terms of the reinsurance arrangement. The reinsurance related embedded derivative is expected to continue to exist after the disposal of FGL and is therefore not eliminated to appropriately reflect the continuing operations and balances held for sale. It is embedded in the funds withheld receivables with a corresponding asset in business held for sale on the accompanying Condensed Consolidated Balance Sheets and the related gains or losses are reported in "Net investment gains (losses)" with a corresponding "(Loss) income from discontinued operations" in the accompanying Condensed Consolidated Statements of Operations.

(8) Goodwill and Intangibles, net

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

		Intangible Assets		
	Goodwill	Indefinite Lived	Definite Lived	Total
Balance at September 30, 2016	$ 2,478.4	$ 1,473.5	$ 899.0	$ 2,372.5
Additions	—	—	1.2	1.2
Periodic amortization	—	—	(47.1)	(47.1)
Effect of translation	(4.6)	(9.7)	(4.4)	(14.1)
Balance at March 31, 2017	$ 2,473.8	$ 1,463.8	$ 848.7	$ 2,312.5

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

Definite Lived Intangible Assets

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

	March 31, 2017			September 30, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer relationships	$ 976.8	$ (327.2)	$ 649.6	$ 984.8	$ (302.9)	$ 681.9
Technology assets	238.2	(107.9)	130.3	237.2	(96.7)	140.5
Trade names	165.7	(96.9)	68.8	165.7	(89.1)	76.6
	$ 1,380.7	$ (532.0)	$ 848.7	$ 1,387.7	$ (488.7)	$ 899.0

At March 31, 2017, the range and weighted average useful lives for definite-lived intangibles assets were as follows:

Asset Type	Range	Weighted Average
Customer relationships	2 to 20 years	18.5 years
Technology assets	5 to 18 years	11.2 years
Trade names	5 to 13 years	11.4 years

Amortization expense for definite lived intangible assets for the three months ended March 31, 2017 and 2016 was $23.5 and $23.4, respectively, and $47.1 and $47.0 for the six months ended March 31, 2017 and 2016, respectively, and was included in "Selling, acquisition, operating and general expenses" within the accompanying Condensed Consolidated Statements of Operations. Excluding the impact of any future acquisitions or change in foreign currency, the Company estimates annual amortization expense of amortizable intangible assets for the next five fiscal years will be as follows:

Fiscal Year	Estimated Amortization Expense
2017	$ 91.9
2018	85.7
2019	85.4
2020	85.2
2021	81.9

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(9) Debt

The Company's consolidated debt consists of the following:

	March 31, 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
2017 Loan, due July 13, 2018	50.0	3.5%	—	—%	Variable rate, see below
Spectrum Brands					
USD Term Loan, due June 23, 2022	1,000.4	2.9%	1,005.5	3.6%	Variable rate, see below
CAD Term Loan, due June 23, 2022	53.8	4.5%	54.9	4.6%	Variable rate, see below
Euro Term Loan, due June 23, 2022	59.7	3.5%	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	247.9	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	453.7	4.0%	477.0	4.0%	Fixed rate
Revolver Facility, expiring March 6, 2022	201.5	3.3%	—	—%	Variable rate, see below
Other notes and obligations	20.5	9.6%	16.8	9.8%	Variable rate
Obligations under capitalized leases	229.9	5.7%	114.7	5.5%	Various
Salus					
Unaffiliated long-term debt of consolidated variable-interest entity	32.6	—%	39.7	—%	Variable rate, see below
Long-term debt of consolidated variable-interest entity with FGL (a)	51.8	—%	63.0	—%	Variable rate, see below
Unaffiliated secured borrowings under non-qualifying loan participations	0.8	—%	2.0	—%	Fixed rate
Total	5,727.0		5,540.7		
Original issuance discounts on debt, net of premiums	(21.9)		(22.8)		
Unamortized debt issue costs	(81.2)		(87.0)		
Total debt	5,623.9		5,430.9		
Less current maturities and short-term debt	35.8		166.0		
Non-current portion of debt	$ 5,588.1		$ 5,264.9		

(a) The debt balances included in the accompanying Condensed Consolidated Balance Sheets and in the table above reflect transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the completion of any disposition resulting from the FGL Strategic Evaluation Process. Such transactions are not eliminated in the accompanying Condensed Consolidated Financial Statements in order to appropriately reflect the continuing operations and balances held for sale.

HRG

On January 13, 2017, the Company, through its wholly-owned subsidiaries, entered into the 2017 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. The 2017 Loan is secured by approximately $583.8 worth of marketable securities owned by a subsidiary of HGI Funding. The Company incurred $1.1 of financing costs in connection with the 2017 Loan. As of March 31, 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.

Spectrum Brands

Interest terms

On October 6, 2016, Spectrum Brands entered into the first amendment to the credit agreement under its term loans and the revolving credit facility (the "Revolver Facility", collectively the "Credit Agreement") reducing the interest rate margins applicable to the U.S. dollar denominated term loan facility (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 35 bps 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. Subsequent to the six months ended March 31, 2017, on April 7, 2017, Spectrum Brands entered into a third amendment to the Credit Agreement under its term loans 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%.

Subsequent to the amendments to the Credit Agreement discussed above, Spectrum Brands' term loans and Revolver Facility are subject to the following variable interest rates: (i) the USD Term Loan is subject to either adjusted LIBOR, subject to a 0.75% floor plus margin of 2.00% per annum, or base rate with a 1.75% floor plus margin of 1.00% per annum, (ii) the CAD denominated term loan facility (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 denominated term loan facility (the "Euro Term Loan") is subject to Euro Interbank Offered Rate, subject to a 0.75% floor plus margin of 2.75% per annum, with no base rate option available; 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. As a result of borrowings and payments under the Revolver Facility, at March 31, 2017, Spectrum Brands had borrowing availability of $472.3, net outstanding letters of credit of $24.7 and a $1.5 amount allocated to a foreign subsidiary.

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 earnings before interest, taxes, depreciation and amortization for the trailing twelve months. The maximum total leverage ratio should be no greater than 6.0 to 1.0. Additionally, as of March 31, 2017, Spectrum Brands was in compliance with all other covenants under the Credit Agreement and the indentures governing the 6.625% Notes due November 15, 2022, the 6.125% Notes due December 15, 2024, the 5.75% Notes due July 15, 2025 and the 4.00% Notes.

On October 20, 2016, Spectrum Brands redeemed the remaining outstanding aggregate principal on the 6.375% Notes due 2020 (the "6.375% Notes") of $129.7 with a make whole premium of $4.6 recognized as interest expense for the six months ended March 31, 2017 in connection with the issuance of the €425.0 aggregate principal amount of 4.00% Notes and repurchase of the 6.375% Notes. Spectrum Brands recognized $1.9 in interest expense for previously deferred debt issuance costs associated with the 6.375% Notes.

Salus

In February 2013, September 2013 and February 2015, Salus completed a collateralized loan obligation ("CLO") securitization of up to $578.5 notional aggregate principal amount. At March 31, 2017 and September 30, 2016, the outstanding notional aggregate principal amount of $32.6 and $39.7, respectively, was taken up by unaffiliated entities and consisted entirely of subordinated debt in both periods, and $51.8 and $63.0, respectively, was taken up by FGL and included in "Assets of business held for sale" in the accompanying Condensed Consolidated Balance Sheets. The obligations of the securitization is secured by the assets of the Variable Interest Entity, primarily asset-based loan receivables and carry residual interest subject to maintenance of certain covenants. Due to losses incurred in the CLO, at March 31, 2017 and September 30, 2016, the CLO was not accruing interest on the subordinated debt.

(10) Stock-Based Compensation

The Company recognized consolidated stock-based compensation expense of $15.9 and $25.0 during the three months ended March 31, 2017 and 2016, respectively, and $27.0 and $40.0 during the six months ended March 31, 2017 and 2016, respectively. Stock-based compensation expense is principally included in "Selling, acquisition, operating and general expenses" in the accompanying Condensed Consolidated Statements of Operations.

A summary of stock option awards outstanding as of March 31, 2017 and related activity during the six months then ended are as follows (option amounts in thousands):

	HRG		
Stock Option Awards	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Stock options outstanding at September 30, 2016	4,231	$ 9.48	$ 3.80
Granted	318	15.39	5.96
Exercised	(491)	11.18	4.49
Stock options outstanding at March 31, 2017	4,058	9.73	3.89
Stock options vested and exercisable at March 31, 2017	3,615	9.15	3.67
Stock options outstanding and expected to vest	4,058	9.73	3.89

A summary of restricted stock awards, restricted stock units and performance restricted stock units outstanding as of March 31, 2017 and related activity during the six months then ended, under HRG and Spectrum Brands are as follows (share amounts in thousands):

	HRG	
Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value
Nonvested restricted stock outstanding at September 30, 2016	1,975	$ 12.74
Granted	25	15.71
Exercised/Released	(1,832)	12.69
Nonvested restricted stock outstanding at March 31, 2017	168	13.72

	HRG		Spectrum Brands	
Restricted Stock Units	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Restricted stock units outstanding at September 30, 2016	42	$ 12.33	577	$ 94.97
Granted	—	—	690	126.96
Vested/Exercised	(42)	12.33	(491)	109.09
Forfeited or Expired	—	—	(7)	116.13
Restricted stock units outstanding at March 31, 2017	—	—	769	114.46

A summary of warrants outstanding as of March 31, 2017 and related activity during the six months then ended under HRG's incentive plan are as follows (share amounts in thousands):

	HRG		
Warrants	Units	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Warrants outstanding at September 30, 2016	1,200	$ 13.13	$ 3.22
Exercised	(600)	13.13	3.22
Warrants outstanding at March 31, 2017	600	13.13	3.22
Warrants outstanding and expected to vest	600	13.13	3.22

HRG

HRG granted no stock option awards, restricted stock units or restricted stock awards during the three months ended March 31, 2017. During the six months ended March 31, 2017, HRG granted stock option awards and restricted stock awards representing approximately 318 thousand and 25 thousand, respectively. All of these grants are time based, and vest either immediately, or over a period of up to 3 years. The total fair value of the stock grants during the six months ended March 31, 2017 on their respective grant dates was approximately $2.3. During the six months ended March 31, 2017, stock option awards and restricted stock awards with a total fair value of $29.8 vested. The total intrinsic value of share options exercised during the six months ended March 31, 2017 was $2.8, for which HRG received cash of $5.5 in settlement.

During the six months ended March 31, 2016, HRG granted stock option awards, restricted stock awards and restricted stock unit awards representing approximately 28 thousand, 99 thousand and 6 thousand shares, respectively. HRG granted no stock option

awards, restricted stock units or restricted stock awards during the three months ended March 31, 2016. All of these grants are time based, and vest either immediately, or over a period of up to 3 years. The total fair value of the stock grants during the six months ended March 31, 2016 on their respective grant dates was approximately $1.6. During the six months ended March 31, 2016, stock option awards and restricted stock awards with a total fair value of $30.3 vested. The total intrinsic value of stock options exercised during the six months ended March 31, 2016 was $2.1, for which HRG received cash of $3.2 in settlement.

Under HRG's executive bonus plan for the fiscal year ending September 30, 2017, executives will be paid in cash. In addition, executives may also be granted stock, stock options and shares of restricted stock.

As of March 31, 2017, there was approximately $2.1 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 1.37 years.

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

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

	Six months ended March 31,	
	2017	2016
Risk-free interest rate	1.80% to 2.25%	1.65% to 1.74%
Assumed dividend yield	—%	—%
Expected option term	5.0 to 6.5 years	5.0 to 5.5 years
Volatility	35.1% to 37.5%	37.4% to 37.9%

The weighted-average remaining contractual term of outstanding stock option awards and warrants at March 31, 2017 was 4.76 years.

On November 17, 2016, the Company and Mr. Asali entered into a Transition Agreement (the "Transition Agreement"), pursuant to which Mr. Asali was expected to leave his positions with the Company and its subsidiaries in the second half of fiscal 2017. 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. In accordance with the Transition Agreement, for the Company's 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 in November 29, 2017 vested and settled on March 31, 2017.

Spectrum Brands

Spectrum Brands granted restricted stock units representing approximately 2 thousand and 690 thousand shares during the three and six months ended March 31, 2017, respectively. The 690 thousand restricted stock units granted during the six months ended March 31, 2017 included 81 thousand restricted stock units that vested immediately and 212 thousand restricted stock units that are time-based and vest over a period of less than 1 year. The remaining 397 thousand are both performance and time-based and vest over a period of 1 to 3 years. The total market value of the restricted stock units on the dates of the grants was approximately $87.5. The remaining unrecognized pre-tax compensation cost related to restricted stock units at March 31, 2017 was $43.9.

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

The fair value of restricted stock units is determined based on the market price of Spectrum Brands' common stock on the grant date.

(11) Income Taxes

For the three and six months ended March 31, 2017, the Company's effective tax rate of 94.4% and 93.8%, respectively, differed from the expected U.S. statutory tax rate of 35.0% and was primarily impacted by U.S. pretax losses in the Company's Corporate and Other and Insurance segments where the tax benefits were not more-likely-than-not to be realized resulting in the recording of valuation allowance. Additionally, the Company determined that the deferred tax assets of the Insurance segment at the beginning of the fiscal year were no longer more-likely-than-not to be realized and established a full valuation allowance against its deferred tax assets during the three and six months ended March 31, 2017. The increase in income tax expense for the three and six months ended March 31, 2017 was principally due to current year losses from our Corporate and Other and Insurance segments in the

U.S. that were not more-likely-than-not to be realized.

For the three and six months ended March 31, 2016, the Company's effective tax rate of (32.0)% and (40.4)%, respectively, differed from the expected U.S. statutory tax rate of 35.0% and was impacted by the expected utilization of a portion of Spectrum Brands' U.S. net operating losses that were previously recorded with valuation allowance against Spectrum Brands' earnings during the fiscal year 2016, the effects of the adoption of ASU 2016-09 that resulted in the recognition of excess tax benefits in the Company's provision for income taxes rather than paid-in capital and recognition of tax benefits on losses from the Corporate and Other segment in the U.S. during the fiscal year 2016. The Company determined that a portion of the fiscal year 2016 losses related to the Corporate and Other segment were more-likely-than-not to be realized based on the expected taxable gain following the completion of any disposition resulting from the FGL Strategic Evaluation Process. The decrease in income tax benefits for the three months ended March 31, 2016 was principally due to current year losses from our Corporate and Other segment in the U.S. that were not more-likely-than-not to be realized. In addition, for the six months ended March 31, 2016, the effective tax rate was also reduced by $5.9 for non-recurring items related to the impact of tax law changes in state deferred tax rates on Spectrum Brands' net deferred tax liabilities.

(12) Earnings Per Share

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

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Net (loss) income from continuing operations attributable to controlling interest	$ (21.3)	$ 24.5	$ (46.8)	$ 2.7
Net (loss) income from discontinued operations attributable to controlling interest	(60.8)	(49.2)	176.9	(61.3)
Net (loss) income attributable to controlling interest	$ (82.1)	$ (24.7)	$ 130.1	$ (58.6)
Weighted-average common shares outstanding - basic	199,981	198,521	199,579	198,068
Dilutive effect of unvested restricted stock and restricted stock units	—	1,501	—	2,130
Dilutive effect of stock options	—	1,040	—	1,172
Weighted-average shares outstanding - diluted	199,981	201,062	199,579	201,370
Net (loss) income per common share attributable to controlling interest:				
Basic (loss) income from continuing operations	$ (0.11)	$ 0.12	$ (0.23)	$ 0.01
Basic (loss) income from discontinued operations	(0.30)	(0.24)	0.88	(0.31)
Basic	$ (0.41)	$ (0.12)	$ 0.65	$ (0.30)
Diluted (loss) income from continuing operations	$ (0.11)	$ 0.12	$ (0.23)	$ 0.01
Diluted (loss) income from discontinued operations	(0.30)	(0.24)	0.88	(0.30)
Diluted	$ (0.41)	$ (0.12)	$ 0.65	$ (0.29)

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 income (loss) per common share attributable to controlling interest" because the as-converted effect of the unvested restricted stock and stock units, stock options and warrants would have been anti-dilutive (share amounts in thousands):

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Unvested restricted stock and restricted stock units	393	—	846	—
Stock options	1,820	—	1,708	—
Anti-dilutive warrants	235	—	177	—

For the three and six months ended March 31, 2016, there were 1.8 million 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 income (loss) per common share attributable to controlling interest" because the exercise price per share was above the average stock price for the three and six months ended March 31, 2016.

(13) 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. See discussion above under the heading "Legal and Environmental Matters".

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 is assessed amounts by the state guaranty funds to cover losses to policyholders of insolvent or rehabilitated insurance companies. Those mandatory assessments may be partially recovered through a reduction in future premium taxes in certain states. At March 31, 2017, FGL had accrued $2.1 for guaranty fund assessments that is expected to be offset by estimated future premium tax deductions of $2.2.

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

On July 5, 2013, Plaintiff Eddie L. Cressy filed a putative class complaint captioned Cressy v. *Fidelity Guaranty* [sic] *Life Insurance Company, et. al.* ("*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 asserts, inter alia, that the Plaintiff and members of the putative class relied on defendants' advice in purchasing allegedly unsuitable equity-indexed insurance policies.

On January 2, 2015, the 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.

At March 31, 2017, FGL estimated the total cost for the settlement, legal fees and other costs related to Cressy would be $9.2, with a liability for the unpaid portion of the estimate of less than $0.1. FGL had incurred and paid $6.0 related to legal fees and other costs and $3.2 related to settlement costs as of March 31, 2017. Based on the information currently available, FGL does not expect the actual cost for settlement, legal fees and other related costs to differ materially from the amount accrued.

On January 7, 2015, a putative class action complaint was filed in the United States District Court, Western District of Missouri (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 Racketeer Influenced and Corrupt Organizations Act, 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 Plaintiff Ludwick 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, Plaintiff Ludwick 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 has no appeal as of right from the Court of Appeals' decision but may seek discretionary review by the Court of Appeals *en banc* or by the United States Supreme Court. The Plaintiff's time to seek discretionary review will expire on July 12, 2017. 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.

Unfunded Lending Commitments

Salus and FGL had unfunded investment commitments as of March 31, 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.

Through Salus, the Company enters into commitments to extend credit to meet the financing needs of its asset based lending customers upon satisfaction of certain conditions. At March 31, 2017, the notional amount of unfunded, legally binding lending commitments was approximately $3.8, which all expires in 1 year or less.

FGL had unfunded investment commitments of $210.7 as of March 31, 2017.

(14) Related Party Transactions

FGL has invested in CLO securities issued by Fortress Credit Opportunities III CLO LP ("FCO III") and also invested in securities issued by Fortress Credit BSL Limited ("Fortress BSL"). The parent of both FCO III and Fortress BSL is Fortress Investment Group LLC ("Fortress"), which has acquired interests greater than 10% ownership in HRG as of March 31, 2017. Such CLOs had an aggregate total carrying value of $275.2 and $203.2 as of March 31, 2017 and September 30, 2016, respectively, of which $18.5 and $18.0, respectively, was included in the funds withheld receivables portfolio of Front Street. The Company's net investment income from such securities was $3.1 and $6.1 for the three and six months ended March 31, 2017, respectively, of which $0.3 and $0.6, respectively, was included in "Net investment income", and the remaining $2.8 and $5.5, respectively, was included in "(Loss) income from discontinued operations" in the accompanying Condensed Consolidated Statements of Operations. For the three and six months ended March 31, 2016, the Company's net investment income from such securities was $2.3 and $4.5, respectively, of which $0.2 and $0.5, respectively, was included in "Net investment income", and the remaining $2.0 and $4.0, respectively, was included in "(Loss) income from discontinued operations" in the accompanying Condensed Consolidated Statements of Operations.

(15) Segment Data

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

The following schedules present the Company's segment information for the three and six months ended March 31, 2017 and 2016:

	Three months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Revenues:				
Consumer Products	$ 1,169.9	$ 1,209.6	$ 2,381.7	$ 2,428.4
Insurance	41.0	40.1	12.3	30.1
Intersegment adjustments and eliminations	4.5	16.0	10.7	10.6
Consolidated segment revenues	1,215.4	1,265.7	2,404.7	2,469.1
Corporate and Other	0.7	1.6	1.0	7.6
Total revenues	$ 1,216.1	$ 1,267.3	$ 2,405.7	$ 2,476.7
Operating income:				
Consumer Products	$ 144.2	$ 148.5	$ 295.2	$ 291.0
Insurance	(4.1)	(1.4)	(19.5)	(1.4)
Intersegment adjustments and eliminations (a)	13.5	12.8	15.8	(6.2)
Total segment operating income	153.6	159.9	291.5	283.4
Corporate and Other	(10.1)	(17.4)	(30.3)	(41.1)
Consolidated operating income	143.5	142.5	261.2	242.3
Interest expense	(88.3)	(94.4)	(180.0)	(189.6)
Other expense, net	(2.0)	—	(0.6)	(0.7)
Income from continuing operations before income taxes	53.2	48.1	80.6	52.0
Income tax expense (benefit)	50.2	(15.4)	75.6	(21.0)
Net income from continuing operations	3.0	63.5	5.0	73.0
(Loss) income from discontinued operations, net of tax	(54.4)	(47.6)	204.4	(50.1)
Net (loss) income	(51.4)	15.9	209.4	22.9
Less: Net income attributable to noncontrolling interest	30.7	40.6	79.3	81.5
Net (loss) income attributable to controlling interest	$ (82.1)	$ (24.7)	$ 130.1	$ (58.6)

(a) For its stand-alone reporting purposes, Front Street elected, since inception, to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and future policyholder benefits reserves related to its assumed reinsurance. For the Company's consolidated reporting, the results from Front Street's assumed reinsurance business with FGL is reported on FGL's historical basis. Accordingly, in order to align the Company's consolidated reporting, we have recorded a net intersegment adjustment to operating income (loss) of $13.1 and $13.9 for the three months ended March 31, 2017 and 2016, respectively, and $9.9 and $(3.2) for the six months ended March 31, 2017 and 2016, respectively. Upon the completion of any disposition resulting from the FGL Strategic Evaluation Process, the Company's consolidated results will reflect all reinsurance business on the fair value option.

(16) Consolidating Financial Information

The following schedules present the Company's accompanying Condensed Consolidated Balance Sheets information at March 31, 2017 and September 30, 2016, and accompanying Condensed Consolidated Statements of Operations information for the six months ended March 31, 2017 and 2016. These schedules present the individual segments of the Company and their contribution to the Condensed Consolidated Financial Statements. Amounts presented will not necessarily be the same as those in the individual financial statements of the Company's subsidiaries due to adjustments for purchase accounting, income taxes and noncontrolling interests. In addition, some of the Company's subsidiaries use a classified balance sheet which also leads to differences in amounts reported for certain line items.

The Corporate and Other column primarily reflects the parent company's investment in its subsidiaries, invested cash portfolio and corporate long term debt, and the results of Salus and HGI Energy. The elimination adjustments are for intercompany assets and liabilities, adjustments to align segment accounting policies with the consolidated basis, interest and dividends, the parent company's investment in capital stocks of subsidiaries, and various reclasses of debit or credit balances to the amounts in consolidation. Purchase accounting adjustments have been pushed down to the appropriate subsidiary.

HRG Group, Inc. - Condensed Consolidating Balance Sheets Information

March 31, 2017	Consumer Products	Insurance	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:						
Investments in subsidiaries and affiliates	$ —	$ 0.6	$ 2,445.2	$ —	$ (2,445.8)	$ —
Affiliated loans and receivables	—	20.3	0.2	—	(20.5)	—
Cash and cash equivalents	137.2	25.4	157.7	—	—	320.3
Funds withheld receivables	—	1,700.2	—	—	(66.0)	1,634.2
Receivables, net	572.8	8.2	3.3	—	—	584.3
Inventories, net	836.3	—	—	—	—	836.3
Deferred tax assets	18.3	—	—	—	13.3	31.6
Property, plant and equipment, net	660.8	—	0.9	—	—	661.7
Goodwill	2,473.8	—	—	—	—	2,473.8
Intangibles, net	2,312.5	—	—	—	—	2,312.5
Other assets	117.7	22.2	7.7	—	16.0	163.6
Assets of business held for sale	—	—	—	27,678.5	—	27,678.5
Total assets	$ 7,129.4	$ 1,776.9	$ 2,615.0	$ 27,678.5	$ (2,503.0)	$ 36,696.8
Liabilities and Equity						
Insurance reserves	$ —	$ 1,664.8	$ —	$ —	$ 63.4	$ 1,728.2
Debt	3,780.8	—	1,793.4	—	49.7	5,623.9
Accounts payable and other current liabilities	803.1	8.3	37.1	—	0.5	849.0
Employee benefit obligations	107.8	—	4.4	—	—	112.2
Deferred tax liabilities	577.7	—	11.1	—	—	588.8
Other liabilities	23.4	2.7	4.6	—	—	30.7
Affiliated debt and payables	—	0.2	161.7	—	(161.9)	—
Liabilities of business held for sale	—	—	—	25,995.7	—	25,995.7
Total liabilities	5,292.8	1,676.0	2,012.3	25,995.7	(48.3)	34,928.5
Total stockholders' equity	1,047.2	100.9	605.0	1,306.6	(2,454.7)	605.0
Noncontrolling interests	789.4	—	(2.3)	376.2	—	1,163.3
Total permanent equity	1,836.6	100.9	602.7	1,682.8	(2,454.7)	1,768.3
Total liabilities and equity	$ 7,129.4	$ 1,776.9	$ 2,615.0	$ 27,678.5	$ (2,503.0)	$ 36,696.8

September 30, 2016	Consumer Products	Insurance	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Assets:						
Investment in subsidiaries and affiliates	$ —	$ 3.4	$ 2,405.3	$ —	$ (2,408.7)	$ —
Affiliated loans and receivables	—	20.3	0.2	—	(20.5)	—
Cash and cash equivalents	275.3	32.1	189.9	—	—	497.3
Funds withheld receivables	—	1,725.0	—	—	(74.6)	1,650.4
Receivables, net	538.2	17.4	0.7	—	—	556.3
Inventories, net	740.6	—	—	—	—	740.6
Deferred tax assets	18.3	8.6	—	—	15.7	42.6
Property, plant and equipment, net	542.1	—	1.3	—	—	543.4
Goodwill	2,478.4	—	—	—	—	2,478.4
Intangibles, net	2,372.5	—	—	—	—	2,372.5
Other assets	103.7	18.1	34.6	—	16.2	172.6
Assets of business held for sale	—	—	—	26,738.7	—	26,738.7
Total assets	$ 7,069.1	$ 1,824.9	$ 2,632.0	$ 26,738.7	$ (2,471.9)	$ 35,792.8
Liabilities and Equity:						
Insurance reserves	$ —	$ 1,685.9	$ —	$ —	$ 65.4	$ 1,751.3
Debt	3,620.2	—	1,747.7	—	63.0	5,430.9
Accounts payable and other current liabilities	931.6	6.1	51.6	—	0.5	989.8
Employee benefit obligations	120.2	—	5.2	—	—	125.4
Deferred tax liabilities	532.7	—	13.3	—	—	546.0
Other liabilities	20.4	3.5	8.3	—	(0.2)	32.0
Affiliated debt and payables	—	0.2	171.2	—	(171.4)	—
Liabilities of business held for sale	—	—	—	25,100.2	—	25,100.2
Total liabilities	5,225.1	1,695.7	1,997.3	25,100.2	(42.7)	33,975.6
Total stockholders' equity	1,040.4	129.2	638.1	1,259.6	(2,429.2)	638.1
Noncontrolling interests	803.6	—	(3.4)	378.9	—	1,179.1
Total permanent equity	1,844.0	129.2	634.7	1,638.5	(2,429.2)	1,817.2
Total liabilities and equity	$ 7,069.1	$ 1,824.9	$ 2,632.0	$ 26,738.7	$ (2,471.9)	$ 35,792.8

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

Six months ended March 31, 2017	Consumer Products	Insurance	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:						
Net consumer and other product sales	$ 2,381.7	$ —	$ —	$ —	$ —	$ 2,381.7
Net investment income	—	0.1	1.0	—	22.5	23.6
Net investment gains (losses)	—	12.2	—	—	(14.0)	(1.8)
Insurance and investment product fees and other	—	—	—	—	2.2	2.2
Total revenues	2,381.7	12.3	1.0	—	10.7	2,405.7
Operating costs and expenses:						
Cost of consumer products and other goods sold	1,476.5	—	—	—	—	1,476.5
Benefits and other changes in policy reserves	—	26.3	—	—	(4.9)	21.4
Selling, acquisition, operating and general expenses	610.0	5.5	31.3	—	(0.2)	646.6
Total operating costs and expenses	2,086.5	31.8	31.3	—	(5.1)	2,144.5
Operating income	295.2	(19.5)	(30.3)	—	15.8	261.2
Equity in net income of subsidiaries	—	—	231.4	—	(231.4)	—
Interest expense	(106.4)	—	(73.6)	—	—	(180.0)
Affiliated interest expense	—	—	(3.7)	—	3.7	—
Other expense, net	(0.8)	0.1	0.5	—	(0.4)	(0.6)
Income from continuing operations before income taxes	188.0	(19.4)	124.3	—	(212.3)	80.6
Income tax expense (benefit)	64.1	8.7	(5.7)	—	8.5	75.6
Net income from continuing operations	123.9	(28.1)	130.0	—	(220.8)	5.0
(Loss) income from discontinued operations, net of tax	—	—	—	204.4	—	204.4
Net (loss) income	123.9	(28.1)	130.0	204.4	(220.8)	209.4
Less: Net income attributable to noncontrolling interest	51.9	—	(0.1)	27.5	—	79.3
Net (loss) income attributable to controlling interest	$ 72.0	$ (28.1)	$ 130.1	$ 176.9	$ (220.8)	$ 130.1

Six months ended March 31, 2016	Consumer Products	Insurance	Corporate and Other	Discontinued Operations	Eliminations and adjustments	Total
Revenues:						
Net consumer and other product sales	$ 2,428.4	$ —	$ —	$ —	$ —	$ 2,428.4
Net investment income	—	1.5	6.7	—	28.3	36.5
Net investment gains (losses)	—	28.6	—	—	(20.9)	7.7
Insurance and investment product fees and other	—	—	0.9	—	3.2	4.1
Total revenues	2,428.4	30.1	7.6	—	10.6	2,476.7
Operating costs and expenses:						
Cost of consumer products and other goods sold	1,524.9	—	—	—	—	1,524.9
Benefits and other changes in policy reserves	—	26.1	—	—	17.2	43.3
Selling, acquisition, operating and general expenses	612.5	5.4	48.7	—	(0.4)	666.2
Total operating costs and expenses	2,137.4	31.5	48.7	—	16.8	2,234.4
Operating income	291.0	(1.4)	(41.1)	—	(6.2)	242.3
Equity in net income of subsidiaries	—	—	44.7	—	(44.7)	—
Interest expense	(115.9)	—	(71.4)	—	(2.3)	(189.6)
Affiliated interest expense	—	—	(7.6)	—	7.6	—
Other expense, net	(4.3)	—	3.9	—	(0.3)	(0.7)
Income from continuing operations before income taxes	170.8	(1.4)	(71.5)	—	(45.9)	52.0
Income tax expense (benefit)	4.4	(1.8)	(12.9)	—	(10.7)	(21.0)
Net income from continuing operations	166.4	0.4	(58.6)	—	(35.2)	73.0
(Loss) income from discontinued operations, net of tax	—	—	—	(50.1)	—	(50.1)
Net (loss) income	166.4	0.4	(58.6)	(50.1)	(35.2)	22.9
Less: Net income attributable to noncontrolling interest	70.3	—	—	11.2	—	81.5
Net (loss) income attributable to controlling interest	$ 96.1	$ 0.4	$ (58.6)	$ (61.3)	$ (35.2)	$ (58.6)

(17) 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 9, Debt, for additional discussion regarding Spectrum Brands’ amendment to its credit agreement that took place on April 7, 2017, pursuant to which interest rate margins applicable to the USD Term Loan had been reduced.

See Note 1, Description of Business, for information regarding the FGL Merger Agreement that was terminated on April 17, 2017, as well as the continuation of the FGL Strategic Evaluation Process.

On April 26, 2017, Spectrum Brands entered into a definitive purchase agreement for the acquisition of Petmatrix LLC, a manufacturer and marketer of rawhide-free dog chews, with a cash purchase price of approximately $255.0. The acquisition is expected to close by the end of May 2017 and will be integrated as part of the Company’s Consumer Products segment.

Item 2. ***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 Group, Inc. ("HRG," "we," "us," "our" and, collectively with its subsidiaries, the "Company") should be read in conjunction with our unaudited Condensed Consolidated Financial Statements included elsewhere in this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of HRG which was included with our annual report filed on Form 10-K with the Securities and Exchange Commission (the "SEC") on November 23, 2016 (the "Form 10-K"). Certain statements we make under this Item 2 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" in "Part II — Other Information" of this report. You should consider our forward-looking statements in light of our unaudited Condensed Consolidated Financial Statements, related notes, and other financial information appearing elsewhere in this report, the Form 10-K and our other filings with the SEC. In this Quarterly Report on Form 10-Q we refer to the three and six months ended March 31, 2017 as the "Fiscal 2017 Quarter" and the "Fiscal 2017 Six Months", respectively, and the three and six months ended March 31, 2016 as the "Fiscal 2016 Quarter" and the "Fiscal 2016 Six Months", respectively.

HRG Overview

We are a holding company that conducts its operations through its operating subsidiaries. As of March 31, 2017, our principal operations were conducted through subsidiaries that offer branded consumer products and related businesses (Spectrum Brands Holdings, Inc., ("Spectrum Brands")); and insurance and reinsurance services (Fidelity & Guaranty Life ("FGL") and Front Street Re (Delaware) Ltd. ("Front Street")). We also own Salus Capital Partners, LLC, ("Salus"), an asset-based lender, and 99.5% of NZCH Corporation ("NZCH"), a public shell company. 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 our operations in two reportable segments: (i) Consumer Products, which consists of Spectrum Brands; and (ii) Insurance, which consists of Front Street.

On April 17, 2017, FGL announced that it had terminated the FGL Merger Agreement. FGL also announced that its Board of Directors is continuing to evaluate strategic alternatives to maximize shareholder value and has received interest from a number of parties. See Note 1, Description of Business to our Condensed Consolidated Financial Statements included Part I - Item 1. Financial Statements for additional information. Our ownership interest in FGL has been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and FGL's operations were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows and reported separately for all periods presented. See Note 4, Divestitures to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for additional information.

During the fourth quarter of the fiscal year ended September 30, 2016, HGI Energy completed the sale of its equity interests in Compass Production Partners, LP ("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 Condensed Consolidated Statements of Operations. See Note 4, Divestitures to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for additional information.

Consumer Products Segment

Through Spectrum Brands, we are a diversified global branded consumer products company with positions in the following major product lines and categories: consumer batteries, small appliances, global pet supplies, home and garden control products, personal care products, hardware and home improvement products and global auto care. Spectrum Brands manufactures, markets and/or distributes its products in approximately 160 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.

Insurance Segment

Through Front Street and its Bermuda and Cayman-based subsidiaries, we engage in the business of life, annuity and long-term care reinsurance.

Highlights for the Fiscal 2017 Quarter and the Fiscal 2017 Six Months

Significant Transactions and Activity

Consumer Products Segment

- On October 6, 2016, Spectrum Brands entered into the first amendment to the credit agreement under its term loans ("Credit Agreement"), reducing 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.
- On March 6, 2017, Spectrum Brands entered into a second amendment to the Credit Agreement expanding the overall capacity of the 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.
- Subsequent to the end of the fiscal quarter, 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, subject to a 0.75% floor plus margin of 2.00% per annum, or base rate with a 1.75% floor plus margin of 1.00% per annum.
- 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 and draws on the Revolver Facility 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 the Fiscal 2017 Six Months.
- On April 26, 2017, subsequent to the end of the Fiscal 2017 Quarter, Spectrum Brands entered into a definitive purchase agreement for the acquisition of Petmatrix LLC, a manufacturer and marketer of rawhide-free dog chews, with a cash purchase price of approximately $255.0 million. The acquisition is expected to close by the end of May 2017 and will be integrated as part of the Company's Consumer Products segment.

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, HRG appointed Ehsan Zargar, effective January 1, 2017, as Executive Vice President, Chief Operating Officer, General Counsel and Corporate Secretary of the Company.
- 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.
- 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 March 31, 2017, the Company had drawn $50.0 million under the 2017 Loan. The scheduled maturity date of the 2017 Loan is July 13, 2018, with an option for early termination by the borrower.
- During the Fiscal 2017 Six Months, we continued the wind-down of the operations of Salus. The remaining outstanding amount of Salus loans continued to run-off, primarily attributable to paydowns. During the Fiscal 2017 Six Months, Salus sold its entire interest in the loan to RadioShack Corporation ("RadioShack") to a third party buyer for $1.0 million (including $0.3 million attributable to FGL). The net carrying value of the loan to RadioShack prior to the sale was $2.5 million (including $0.8 million attributable to FGL). As of March 31, 2017, there were three asset-based loans outstanding carried at $6.3 million, net of loan loss allowance.

Discontinued Operations

- On April 17, 2017, FGL terminated the FGL Merger Agreement. Prior to its termination, the FGL Merger Agreement was amended on November 3, 2016 and on February 9, 2017, each time to extend the outside termination date.
- As part of the February 9, 2017 amendment, the FGL Merger Agreement was also amended to permit FGL to explore and negotiate strategic alternatives with other parties, but not to enter into a definitive agreement with a third party while the FGL Merger Agreement was in effect. As a result of the termination of the FGL Merger Agreement, FGL has no remaining obligations under the FGL Merger Agreement and may enter into an alternative transaction.

- In connection with the termination of the FGL Merger Agreement, on April 17, 2017, FGL's Board of Directors announced that it was continuing to evaluate strategic alternatives to maximize shareholder value and had received interest from a number of parties (the "FGL Strategic Evaluation Process").

Key financial highlights

- Basic and diluted net loss from continuing operations attributable to common stockholders for the Fiscal 2017 Quarter was $0.11 per basic and diluted common share attributable to controlling interest, compared to basic and diluted net income from continuing operations attributable to common stockholders of $0.12 per basic and diluted common share attributable to controlling interest in the Fiscal 2016 Quarter. The decrease in net income per share was primarily due to higher effective income tax rate, partially offset by lower interest expenses as a result of the refinancing activities at Spectrum Brands.
- We ended the quarter with corporate cash and investments of approximately $139.5 million (primarily held at HRG and HGI Funding).
- Our Consumer Products segment's operating income for the Fiscal 2017 Quarter decreased $4.3 million, or 2.9%, to $144.2 million from $148.5 million for the Fiscal 2016 Quarter. 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) decreased by $9.4 million, or 4.1%, to $220.2 million versus the Fiscal 2016 Quarter. The decrease in operating income and Adjusted EBITDA was impacted by delayed inventory intake by all major U.S. retailers of seasonal home and garden and global auto care products. Adjusted EBITDA margin represented 18.8% of sales as compared to 19.0% in the Fiscal 2016 Quarter.
- Our Insurance segment's operating loss for the Fiscal 2017 Quarter was $4.1 million compared to $1.4 million for the Fiscal 2016 Quarter primarily driven by a mismatch between the changes in the fair value of the insurance liabilities and the fair value of the assets backing such liabilities due to market conditions and changes in risk-free and discount rates.
- During the Fiscal 2017 Six Months, we received cash dividends of $33.6 million from our subsidiaries, including $27.5 million and $6.1 million from Spectrum Brands and FGL, respectively.

Results of Operations

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 Quarter			Fiscal Six Months		
	2017	2016	Increase / (Decrease)	2017	2016	Increase / (Decrease)
Revenues:						
Consumer Products	$ 1,169.9	$ 1,209.6	$ (39.7)	$ 2,381.7	$ 2,428.4	$ (46.7)
Insurance	41.0	40.1	0.9	12.3	30.1	(17.8)
Intersegment adjustments and eliminations	4.5	16.0	(11.5)	10.7	10.6	0.1
Consolidated segment revenues	1,215.4	1,265.7	(50.3)	2,404.7	2,469.1	(64.4)
Corporate and Other	0.7	1.6	(0.9)	1.0	7.6	(6.6)
Total revenues	$ 1,216.1	$ 1,267.3	$ (51.2)	$ 2,405.7	$ 2,476.7	$ (71.0)
Operating income:						
Consumer Products	$ 144.2	$ 148.5	$ (4.3)	$ 295.2	$ 291.0	$ 4.2
Insurance	(4.1)	(1.4)	(2.7)	(19.5)	(1.4)	(18.1)
Intersegment adjustments and eliminations (a)	13.5	12.8	0.7	15.8	(6.2)	22.0
Total segment operating income	153.6	159.9	(6.3)	291.5	283.4	8.1
Corporate and Other	(10.1)	(17.4)	7.3	(30.3)	(41.1)	10.8
Consolidated operating income	143.5	142.5	1.0	261.2	242.3	18.9
Interest expense	(88.3)	(94.4)	6.1	(180.0)	(189.6)	9.6
Other expense, net	(2.0)	—	(2.0)	(0.6)	(0.7)	0.1
Income from continuing operations before income taxes	53.2	48.1	5.1	80.6	52.0	28.6
Income tax expense (benefit)	50.2	(15.4)	65.6	75.6	(21.0)	96.6
Net income from continuing operations	3.0	63.5	(60.5)	5.0	73.0	(68.0)
(Loss) income from discontinued operations, net of tax	(54.4)	(47.6)	(6.8)	204.4	(50.1)	254.5
Net (loss) income	(51.4)	15.9	(67.3)	209.4	22.9	186.5
Less: Net income attributable to noncontrolling interest	30.7	40.6	(9.9)	79.3	81.5	(2.2)
Net (loss) income attributable to controlling interest	$ (82.1)	$ (24.7)	$ (57.4)	$ 130.1	$ (58.6)	$ 188.7

(a) For its stand-alone reporting purposes, Front Street elected, since inception, to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and future policyholder benefits reserves related to its assumed reinsurance. For the Company's consolidated reporting, the results from Front Street's assumed reinsurance business with FGL is reported on FGL's historical basis. Accordingly, in order to align the Company's consolidated reporting, we have recorded a net intersegment adjustment to operating income (loss) of $13.1 million and $13.9 million for the Fiscal 2017 Quarter and the Fiscal 2016 Quarter, respectively, and $9.9 million and $(3.2) million for the Fiscal 2017 Six Months and the Fiscal 2016 Six Months, respectively. Upon the completion of any disposition resulting from the FGL Strategic Evaluation Process, the Company's consolidated results will reflect all reinsurance business on the fair value option.

Revenues. Revenues for the Fiscal 2017 Quarter decreased $51.2 million, or 4.0%, to $1,216.1 million from $1,267.3 million for the Fiscal 2016 Quarter. The decrease was primarily due to lower revenues from our Consumer Products segment driven by lower sales in lawn and garden control products and repellents due to timing of seasonal inventory sales, reduction in distribution from retail inventory management initiatives and higher demand driven by Zika concerns in the prior period coupled with lower revenues generated by Salus as a result of the continued run-off of the asset-backed loan portfolio.

Revenues for the Fiscal 2017 Six Months decreased $71.0 million, or 2.9%, to $2,405.7 million from $2,476.7 million for the Fiscal 2016 Six Months. The decrease was primarily due to lower net sales from our Consumer Products segment mainly as a result of the effect of foreign exchange rates and decrease in home and garden products as discussed above; lower revenues generated by Salus as a result of the continued run-off of the asset-backed loan portfolio; and a decrease in fair value of the funds withheld receivables with third parties in the Insurance segment due to higher interest rates and wider credit spreads.

Consolidated operating income. Consolidated operating income for the Fiscal 2017 Quarter increased $1.0 million, or 0.7%, to $143.5 million from $142.5 million for the Fiscal 2016 Quarter. The increase was primarily due to lower impairments and loan loss provision expense in our Corporate and Other segment, partially offset by lower operating income from our Consumer Products and Insurance segments.

Consolidated operating income for the Fiscal 2017 Six Months increased $18.9 million, or 7.8%, to $261.2 million from $242.3 million for the Fiscal 2016 Six Months. The increase was primarily due to lower impairments and loan loss provision expense in our Corporate and Other segment and increased profitability in our Consumer Products segment.

Interest Expense. Interest expense decreased $6.1 million to $88.3 million for the Fiscal 2017 Quarter from $94.4 million for the Fiscal 2016 Quarter and decreased $9.6 million to $180.0 million for the Fiscal 2017 Six Months from $189.6 million for the Fiscal 2016 Six Months. The decreases were primarily due to the effect of refinancing activities to lower interest rates at our Consumer Products segment, partially offset by interest expense on the 2017 Loan.

Other expense, net. Other expense increased $2.0 million for the Fiscal 2017 Quarter as compared to the Fiscal 2016 Quarter primarily driven by foreign exchange losses.

Other expense remained flat at $0.6 million for the Fiscal 2017 Six Months compared to $0.7 million for the Fiscal 2016 Six Months.

Income Taxes. For the Fiscal 2017 Quarter and the Fiscal 2017 Six Months, our effective tax rate of 94.4% and 93.8%, respectively, differed from the expected U.S. statutory tax rate of 35.0% and was primarily impacted by U.S. pretax losses in our Corporate and Other and Insurance segments in the U.S. where the tax benefits were not more-likely-than-not to be realized, resulting in the recording of valuation allowance. Additionally, the Company determined that the deferred tax assets of the Insurance segment at the beginning of the fiscal year were no longer more-likely-than-not to be realized and established a full valuation allowance against its deferred tax assets in the Fiscal 2017 Quarter and the Fiscal 2017 Six Months. The increase in income tax expense for the Fiscal 2017 Quarter and the Fiscal 2017 Six Months, was principally due to current year losses from our Corporate and Other and Insurance segments in the U.S. that were not more-likely-than-not to be realized.

For the Fiscal 2016 Quarter and the Fiscal 2016 Six Months, our effective tax rate of (32.0)% and (40.4)%, respectively, differed from the expected U.S. statutory tax rate of 35.0% and was impacted by the expected utilization of a portion of Spectrum Brands' U.S. net operating losses ("NOL") that were previously recorded with valuation allowance against Spectrum Brands' earnings during the fiscal year 2016, the effects of the adoption of Accounting Standards Update 2016-09 that resulted in the recognition of excess tax benefits in the Company's provision for income taxes rather than paid-in capital and recognition of tax benefits on a portion of current year losses from our Corporate and Other segment in the U.S. during the fiscal year 2016. The Company determined that a portion of the fiscal year 2016 losses related to our Corporate and Other segment were more-likely-than-not to be realized based on the expected taxable gain from the completion of any disposition resulting from the FGL Strategic Evaluation Process. In addition, for the Fiscal 2016 Six Months, the effective tax rate was also reduced by $5.9 million for non-recurring items related to the impact of tax law changes in state deferred tax rates on Spectrum Brands' net deferred tax liabilities.

The majority of NOL, capital loss and tax credit carryforwards at HRG and a portion of Spectrum Brands have historically been subject to valuation allowances, as the Company concluded that all or a portion of the related tax benefits were not more-likely-than-not to be realized. Utilization of a portion of the NOL, capital loss and tax credit carryforwards of HRG and Spectrum Brands are subject to limitations under Internal Revenue Code ("IRC") Sections 382 and 383. Such limitations resulted from ownership changes of more than 50 percentage points over a three-year period. The completion of any disposition resulting from the FGL Strategic Evaluation Process is expected to result in significant utilization of tax attribute carryforwards against the taxable gain.

(Loss) income from discontinued operations, net of tax. Loss from discontinued operations, net of tax for the Fiscal 2017 Quarter was $54.4 million and was entirely attributable to FGL. Loss from discontinued operations, net of tax for the Fiscal 2016 Quarter was $47.6 million due to a $34.5 million loss related to Compass' operations and a $13.1 million loss attributable to FGL.

The increase in loss of $41.3 million attributable to FGL was driven by a $72.8 million write-down of the carrying value of the assets of business held for sale to fair value less cost to sell for the Fiscal 2017 Quarter compared to $23.5 million for the Fiscal 2016 Quarter; partially offset by an increase in net income attributable to FGL's operations of $9.1 million.

The increase in net income attributable to FGL's operations of $9.1 million was driven primarily by the change in the fixed indexed annuity present value of future credits and guarantee liability that increased $12.2 million during the Fiscal 2017 Quarter compared to a $77.2 million increase for the Fiscal 2016 Quarter. The change was a result of the greater decrease in longer duration risk free rates in the Fiscal 2016 Quarter compared to the Fiscal 2017 Quarter. Also contributing to the increase in net income attributable to FGL was higher net investment income driven by higher assets under management. These increases were partially offset by credit-related impairment losses of $20.0 million on available-for-sale debt securities; and higher amortization of intangibles and income tax expense.

Income from discontinued operations, net of tax for the Fiscal 2017 Six Months was $204.4 million and was entirely attributable to FGL. Loss from discontinued operations, net of tax for the Fiscal 2016 Six Months was $50.1 million due to a $48.7 million loss attributable to FGL and a $1.4 million loss related to Compass' operations.

The increase in income of $253.1 million attributable to FGL was driven by the non-recurrence of $90.9 million income tax expense recorded in the Fiscal 2016 Six Months; a write-up of the carrying value of the assets of business held for sale to fair value less cost to sell of $71.7 million for the Fiscal 2017 Six Months compared to a write-down of $23.5 million for the Fiscal 2016 Six Months and an increase in net income attributable to FGL's operations of $65.8 million.

The non-recurrence of $90.9 million income tax expense recorded in the Fiscal 2016 Six Months was related to the establishment of a deferred tax liability of $328.6 million at March 31, 2016 as a result of classifying HRG's ownership interest in FGL as held

for sale, partially offset by a $237.7 million reduction of valuation allowance on HRG's net operating and capital loss carryforwards expected to offset the tax effects of the completion of any disposition resulting from the FGL Strategic Evaluation Process.

At March 31, 2017, the carrying value of the Company's interest in FGL was $291.1 million higher than the fair value less cost to sell based on the closing price of FGL's common stock at March 31, 2017 and as a result, the Company partially reversed the previously recorded $362.8 million write-down of assets of business held for sale by $71.7 million. The decrease in the carrying value of the Company's interest was primarily as a result of a decrease in unrealized gains on FGL's investment portfolio during the Fiscal 2017 Six Months due to the increase in market yields.

The increase in net income attributable to FGL's operations of $65.8 million was driven primarily by the change in the fixed indexed annuity present value of future credits and guarantee liability that decreased $160.6 million during the Fiscal 2017 Six Months compared to an increase of $53.9 million for the Fiscal 2016 Six Months due to the increase in longer duration risk free rates in the current period. Also contributing to the increase in net income attributable to FGL was higher net investment income driven by higher assets under management. These increases were partially offset by credit-related impairment losses of $20.0 million on available-for-sale debt securities; and 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

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 periods (in millions):

	Fiscal Quarter			Fiscal Six Months		
	2017	2016	Increase / (Decrease)	2017	2016	Increase / (Decrease)
Net consumer and other product sales	$ 1,169.9	$ 1,209.6	$ (39.7)	$ 2,381.7	$ 2,428.4	$ (46.7)
Cost of consumer products and other goods sold	714.7	746.8	(32.1)	1,476.5	1,524.9	(48.4)
Consumer products segment gross profit	455.2	462.8	(7.6)	905.2	903.5	1.7
Selling, acquisition, operating and general expenses	311.0	314.3	(3.3)	610.0	612.5	(2.5)
Operating income - Consumer Products segment	$ 144.2	$ 148.5	$ (4.3)	$ 295.2	$ 291.0	$ 4.2

Net consumer and other product sales. Net consumer and other product sales for the Fiscal 2017 Quarter decreased $39.7 million, or 3.3%, to $1,169.9 million from $1,209.6 million for the Fiscal 2016 Quarter. The decrease in net consumer and other product sales in the Fiscal 2017 Quarter was primarily due to a decline in home and garden control products, global pet supplies and small appliances product categories, and a negative impact of foreign exchange rates of $9.6 million. These decreases were partially offset by the increases in organic net sales in hardware and home improvement and consumer batteries product categories.

Net consumer and other product sales for the Fiscal 2017 Six Months decreased $46.7 million, or 1.9%, to $2,381.7 million from $2,428.4 million for the Fiscal 2016 Six Months. The decrease in net consumer and other product sales in the Fiscal 2017 Six Months was primarily due to the negative impact of foreign exchange rates of $28.4 million and a decline in organic net sales in home and garden control products, global pet supplies, small appliances, global auto care and personal care product categories. These decreases were partially offset by the increase in organic net sales in consumer batteries and hardware and home improvement product categories. Organic net sales exclude the impact of foreign currency translation and is considered a non-GAAP measurement (See "Non-GAAP Measurements" section below for reconciliation of net sales to organic net sales).

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

	Fiscal Quarter			Fiscal Six Months		
	2017	2016	Increase /(Decrease)	2017	2016	Increase / (Decrease)
Hardware and home improvement products	$ 313.7	$ 301.6	$ 12.1	$ 602.5	$ 584.3	$ 18.2
Consumer batteries	185.2	178.2	7.0	445.7	430.8	14.9
Global pet supplies	191.8	208.5	(16.7)	386.0	411.9	(25.9)
Small appliances	123.6	138.3	(14.7)	310.0	328.2	(18.2)
Personal care products	104.7	108.4	(3.7)	267.3	277.2	(9.9)
Global auto care	119.0	119.6	(0.6)	188.5	193.3	(4.8)
Home and garden control products	131.9	155.0	(23.1)	181.7	202.7	(21.0)
Total net sales to external customers	$ 1,169.9	$ 1,209.6	$ (39.7)	$ 2,381.7	$ 2,428.4	$ (46.7)

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

		Net Sales
Fiscal 2016 Quarter Net consumer and other product sales	$	1,209.6
Increase in hardware and home improvement products		10.7
Increase in consumer batteries		9.0
Decrease in global auto care		(0.5)
Decrease in personal care products		(1.7)
Decrease in small appliances		(11.2)
Decrease in global pet supplies		(13.3)
Decrease in home and garden control products		(23.1)
Foreign currency impact, net		(9.6)
Fiscal 2017 Quarter Net consumer and other product sales	$	1,169.9

Net sales in hardware and home improvement products increased $12.1 million, or 4.0%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, while organic net sales increased $10.7 million, or 3.5%, primarily attributable to increases in security and locksets of $6.4 million from higher volumes through the introduction of new products with key retailers, increased volumes with non-retail wholesale and builder channels, and the introduction of Tell Manufacturing, Inc. product into retail channels, partially offset by the exit of lower margin business; the increase in plumbing of $4.3 million through introduction of new products with key retailers; and a marginal increase in hardware. Overall, net sales were adversely impacted by $4.0 million due to product exits that were primarily associated with a branded product that was transitioned under a third party license agreement.

Net sales in consumer batteries increased $7.0 million, or 3.9%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, with an organic net sales increase of $9.0 million, or 5.1%, primarily due to an increase in EMEA of $7.0 million from promotional sales of branded alkaline batteries plus expansion with new and existing customers for both branded alkaline and specialty batteries; an increase in NA of $2.6 million due to branded alkaline and specialty batteries volume growth with a key retailer, partially offset with reduced retail inventory on lighting products; an increase in APAC of $0.3 million and a decrease in LATAM of $1.0 million.

Net sales in global auto care decreased $0.6 million, or 0.5%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, with a decrease in organic net sales of $0.5 million, or 0.4%, primarily due to lower auto appearance products of $3.8 million due to cooler weather conditions; partially offset by an increase in refrigerant products of $2.9 million from implemented price increases in response to product cost increases; and a marginal increase in licensing and auto performance products.

Net sales in personal care products decreased $3.7 million, or 3.4%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, with an organic net sales decrease of $1.7 million, or 1.6%, primarily attributable to decreases in NA and EMEA of $2.5 million and $0.8 million, respectively, due to softer category point of sale (“POS”) retail inventory reductions and competitor promotions; offset by increases in LATAM and APAC of $0.8 million and $0.8 million, respectively, from promotional sales and market expansion.

Net sales in small appliances decreased $14.7 million, or 10.6%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, with an organic net sales decrease of $11.2 million, or 8.1%, primarily due to a decrease in NA of $5.5 million from declines in POS due to category softness retailer inventory reductions and competitor promotions, partially offset by sales growth through e-commerce channels; decreases in EMEA of $4.8 million from Brexit-related market softness in the UK; and decreases in LATAM and APAC of $0.8 million and $0.2 million, respectively.

Net sales in global pet supplies decreased $16.7 million, or 8.0%, for the Fiscal 2017 Quarter compared to the Fiscal 2016 Quarter, with a decrease in organic net sales of $13.3 million, or 6.4%, driven by decreases in companion animal and pet food sales of $6.7 million and aquatics of $6.6 million. The decrease in companion animal and pet food sales was due to a decrease in EMEA of $7.4 million from lower distribution of branded companion animal products and a reduction of $4.5 million for the acceleration of the exit of a pet food tolling agreement; partially offset by an increase in NA of $0.3 million from channel expansion of Nature’s Miracles products, despite exiting of low margin private label products reducing net sales by $2.2 million; and increases in LATAM and APAC of $0.1 million and $0.3 million, respectively. The decrease in aquatics was due to a decrease in NA of $4.5 million driven by soft category POS and lower retailer inventory; a decrease in EMEA of $1.7 million driven by deferred sales due to weather; and a decrease of $0.4 million in APAC.

Net sales in home and garden control products decreased $23.1 million, or 14.9%, primarily attributable to lower sales in lawn and garden control products and repellents of $10.1 million and $12.0 million, respectively, due to timing of seasonal inventory sales, reduction in distribution from retail inventory management initiatives and higher demand driven by Zika concerns in the prior period; and a decrease in household insect control products of $1.0 million.

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

		Net Sales
Fiscal 2016 Six Months Net consumer and other product sales	$	2,428.4
Increase in consumer batteries		21.4
Increase in hardware and home improvement products		17.1
Decrease in personal care products		(4.2)
Decrease in global auto care		(4.6)
Decrease in small appliances		(7.3)
Decrease in global pet supplies		(19.7)
Decrease in home and garden control products		(21.0)
Foreign currency impact, net		(28.4)
Fiscal 2017 Six Months Net consumer and other product sales	$	2,381.7

Net sales in consumer batteries increased $14.9 million, or 3.5%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, with an organic net sales increase of $21.4 million, or 5.0%, due to an increase in EMEA of $18.2 million from promotional sales of branded alkaline batteries, plus expansion with new and existing customers for both branded alkaline and specialty batteries; an increase in NA of $2.0 million due to branded alkaline and specialty batteries volume growth with a key retailer and specialty batteries previously discussed coupled with strong holiday POS on branded alkaline batteries, partially offset by discontinued private label business and reduced retail inventory on lighting products; an increase in APAC of $1.8 million and a decrease in LATAM of $0.6 million.

Net sales in hardware and home improvement products increased $18.2 million, or 3.1%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, while organic net sales increased $17.1 million, or 2.9%, primarily attributable to increases in security and locksets of $13.6 million from higher volumes through the introduction of new products with key retailers, promotional sales through e-commerce channels, increased volumes with non-retail wholesale and builder channels, and the introduction of Tell Manufacturing, Inc. product into retail channels, partially offset by the exit of lower margin business; increase in plumbing of $4.1 million through introduction of new products with key retailers; and decrease in hardware of $0.6 million driven by the exit of lower margin business offset by incremental retail volumes and new product introduction. Overall, net sales were adversely impacted by $8.0 million due to product exits that were primarily associated with a branded product that was transitioned under a third party license arrangement.

Net sales in personal care products decreased $9.9 million, or 3.6%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, with an organic net sales decrease of $4.2 million, or 1.5%, due to decreases in NA of $7.7 million due to softer category POS, retail inventory reductions and competitor promotions; offset by increases in EMEA of $2.0 million from promotional sales and market expansion; and increases in APAC and LATAM of $1.2 million and $0.1 million, respectively.

Net sales in global auto care decreased $4.8 million, or 2.5%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, with a decrease in organic net sales of $4.6 million, or 2.4%, primarily due to the cooler weather conditions and marginal increases in refrigerant from price increases and auto performance products.

Net sales in small appliances decreased $18.2 million, or 5.5%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, with an organic net sales decrease of $7.3 million, or 2.2%, primarily due to a decrease in EMEA of $3.9 million from Brexit-related market softness in the UK; a decrease in LATAM of $4.0 million for lower promotion activity and a decrease in APAC of $2.6 million from lower POS within the region; offset by an increase in NA of $3.2 million from incremental product listings and volumes with key retailers, promotional sales and expansion in other distribution channels including e-commerce, partially offset by declines in POS and lost distribution discussed above.

Net sales in global pet supplies decreased $25.9 million, or 6.3%, for the Fiscal 2017 Six Months compared to the Fiscal 2016 Six Months, with a decrease in organic net sales of $19.7 million, or 4.8%, driven by lower sales in companion animal and pet food of $15.5 million and aquatics of $4.2 million. The decrease in companion animal sales was due to a decrease in EMEA of $12.1 million from lower distribution of branded companion animal products and a reduction of $5.1 million for the acceleration of the exit of a pet food tolling agreement, partially offset by promotional activity during the period; a decrease in NA of $4.0 million from reduced listings and retail inventory with key pet retailers, increased competition and low-margin product exits of $4.3 million, offset by channel expansion of Nature's Miracle product; partially offset by an increase in APAC and LATAM of $0.4 million and $0.2 million, respectively. The decrease in aquatics was due to a decrease in NA of $4.5 million driven by soft category POS and lower retail inventory; marginal increase in EMEA of $1.0 million due to promotional sales offset by deferred sales due to weather; and a decrease in APAC of $0.7 million.

Net sales in home and garden control products decreased $21.0 million, or 10.4%, primarily attributable to lower sales in lawn and garden control products and repellents of $11.0 million and $12.5 million, respectively, due to timing of seasonal inventory

sales, inventory management initiatives at retailers and higher demand in prior period discussed above; partially offset by an increase in household insect control products of $2.5 million driven by stronger POS at major retailers.

Cost of consumer products and other goods sold / Consumer products segment gross profit. Consumer products segment gross profit, representing net consumer products sales minus consumer products cost of goods sold, for the Fiscal 2017 Quarter was $455.2 million compared to $462.8 million for the Fiscal 2016 Quarter. The decrease in gross profit was mainly attributable to a reduction in net sales offset by gross margin improvement. Gross profit margin for the Fiscal 2017 Quarter increased to 38.9% compared to 38.3% for the Fiscal 2016 Quarter. The increase in gross profit margin was primarily due to a shift to higher margin product sales, the exit of low-margin product sales and continuing cost improvements initiatives.

Consumer products segment gross profit, representing net consumer products sales minus consumer products cost of goods sold, for the Fiscal 2017 Six Months was $905.2 million compared to $903.5 million for the Fiscal 2016 Six Months. The increase in gross profit was mainly attributable to an increase in gross profit margin. Gross profit margin for the Fiscal 2017 Six Months increased to 38.0% compared to 37.2% for the Fiscal 2016 Six Months. The increase in gross profit margin was primarily due to a shift to higher margin product sales, the exit of low-margin product sales and continuing cost improvements initiatives.

Selling, acquisition, operating and general expenses. Selling, acquisition, operating and general expenses decreased by $3.3 million, or 1.0%, to $311.0 million for the Fiscal 2017 Quarter, from $314.3 million for the Fiscal 2016 Quarter mainly due to a decrease in acquisition and integration related charges of $8.3 million from lower integration activity offset by increased restructuring and related charges of $2.7 million for restructuring initiatives.

Selling, acquisition, operating and general expenses decreased by $2.5 million, or 0.4%, to $610.0 million for the Fiscal 2017 Six Months, from $612.5 million for the Fiscal 2016 Six Months mainly due to a decrease in acquisition and integration related charges of $14.0 million due to lower integration activity, partially offset by an increase in general and administrative expenses of $6.0 million and an increase in restructuring and related charges of $3.7 million for restructuring initiatives.

Insurance Segment

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

	Fiscal Quarter			Fiscal Six Months		
	2017	**2016**	**Increase / (Decrease)**	**2017**	**2016**	**Increase / (Decrease)**
Insurance segment revenues	$ 41.0	$ 40.1	$ 0.9	$ 12.3	$ 30.1	$ (17.8)
Benefits and other changes in policy reserves	42.0	38.5	3.5	26.3	26.1	0.2
Selling, acquisition, operating and general expenses	3.1	3.0	0.1	5.5	5.4	0.1
Total Insurance segment operating costs and expenses	45.1	41.5	3.6	31.8	31.5	0.3
Operating loss - Insurance segment	$ (4.1)	$ (1.4)	$ (2.7)	$ (19.5)	$ (1.4)	$ (18.1)

For segment reporting purposes, at the inception date of the reinsurance transactions, Front Street elected to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and future policyholder benefits reserves related to its assumed reinsurance. For consolidated reporting, the results from Front Street’s assumed reinsurance business with FGL is reported on FGL’s historical basis. Upon the completion of any disposition resulting from the FGL Strategic Evaluation Process, our consolidated results will reflect all reinsurance business on the fair value option.

Insurance segment revenues. Insurance segment revenues remained relatively flat for the Fiscal 2017 Quarter as compared to the Fiscal 2016 Quarter. For the Fiscal 2017 Six Months, Insurance segment revenues decreased $17.8 million to $12.3 million from $30.1 million for the Fiscal 2016 Six Months. The decrease in Insurance segment revenues was primarily driven by a decrease in the fair value of the underlying fixed maturity debt securities included in the funds withheld receivables during the Fiscal 2017 Six Months due to market conditions with increasing risk-free rates and widening credit spreads resulting in generally lower valuations of fixed maturity debt securities; the non-recurrence of realized gains on securities included in Front Street’s capital account portfolio for the Fiscal 2016 Six Months; and credit impairment losses due to intercompany investments for the Fiscal 2017 Six Months.

Benefits and other changes in policy reserves. For the Fiscal 2017 Quarter, benefits and other changes in policy reserves were $42.0 million as compared to $38.5 million for the Fiscal 2016 Quarter. The change was primarily due to a decrease in the insurance liability discount rate.

For the Fiscal 2017 Six Months, benefits and other changes in policy reserves remained relatively flat at $26.3 million as compared to $26.1 million for the Fiscal 2016 Six Months.

Selling, acquisition, operating and general expenses. Selling, acquisition, operating and general expenses of the Insurance segment remained flat for the Fiscal 2017 Quarter as compared to the Fiscal 2016 Quarter and for the Fiscal 2017 Six Months as compared to the Fiscal 2016 Six Months.

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 Quarter			Fiscal Six Months		
	2017	2016	Increase / (Decrease)	2017	2016	Increase / (Decrease)
Corporate and Other segment revenues	$ 0.7	$ 1.6	$ (0.9)	$ 1.0	$ 7.6	$ (6.6)
Selling, acquisition, operating and general expenses	10.8	19.0	(8.2)	31.3	48.7	(17.4)
Operating loss - Corporate and Other segment	$ (10.1)	$ (17.4)	$ 7.3	$ (30.3)	$ (41.1)	$ 10.8

Corporate and Other segment revenues. Corporate and Other segment revenues decreased $0.9 million to $0.7 million for the Fiscal 2017 Quarter from $1.6 million for the Fiscal 2016 Quarter. Corporate and Other segment revenues decreased $6.6 million to $1.0 million for the Fiscal 2017 Six Months from $7.6 million for the Fiscal 2016 Six Months. These decreases were 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 and a lack of new loan originations by Salus, coupled with the effect of the Company's sale of its ownership interest in CorAmerica Capital, LLC ("CorAmerica") and the wind-down of the operations of Energy & Infrastructure Capital, LLC ("EIC").

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 Quarter			Fiscal Six Months		
Selling, acquisition, operating and general expenses	2017	2016	Increase / (Decrease)	2017	2016	Increase / (Decrease)
Corporate	$ 10.0	$ 8.2	$ 1.8	$ 25.5	$ 22.8	$ 2.7
Asset management operating and general expenses	0.8	10.8	(10.0)	5.8	25.9	(20.1)
Selling, acquisition, operating and general expenses - Corporate and Other segment	$ 10.8	$ 19.0	$ (8.2)	$ 31.3	$ 48.7	$ (17.4)

Corporate

Selling, acquisition, operating and general expenses increased $1.8 million to $10.0 million for the Fiscal 2017 Quarter from $8.2 million for the Fiscal 2016 Quarter. Selling, acquisition, operating and general expenses increased $2.7 million to $25.5 million for the Fiscal 2017 Six Months from $22.8 million for the Fiscal 2016 Six Months. These increases were primarily due to severance costs related to headcount reduction and an increase in legal expense related to the exploration and evaluation of strategic alternatives available to the Company with a view toward enhancing shareholder value. These increases were partially offset by a decrease in stock-based compensation.

Asset Management Operating and General Expenses

Selling, acquisition, operating and general expenses decreased $10.0 million to $0.8 million for the Fiscal 2017 Quarter from $10.8 million for the Fiscal 2016 Quarter. Selling, acquisition, operating and general expenses decreased $20.1 million to $5.8 million for the Fiscal 2017 Six Months from $25.9 million for the Fiscal 2016 Six Months. These decreases in selling, acquisition, operating and general expenses reflect lower impairments and loan loss provision expenses on the asset-based loan portfolio, coupled with 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 EIC.

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 prepared 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 (when applicable). Our Consumer Products segment believes this non-GAAP measure provides useful information to investors because it reflects regional and operating performance from our Consumer Products segment’s activities without the effect of changes in currency exchange rate and/or acquisitions. The Consumer Products segment 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 period. 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. Our Consumer Products segment excludes net sales from acquired businesses in the current period for which there are no comparable sales in the prior period.

The following is a reconciliation of reported net sales to organic net sales for the Fiscal 2017 Quarter compared to net sales for the Fiscal 2016 Quarter:

	Net Sales Fiscal 2017 Quarter	Effect of Changes in Currency	Organic Net Sales Fiscal 2017 Quarter	Net Sales Fiscal 2016 Quarter	Variance	% Variance
Hardware and home improvement products	$ 313.7	$ (1.4)	$ 312.3	$ 301.6	$ 10.7	3.5 %
Global pet supplies	191.8	3.4	195.2	208.5	(13.3)	(6.4)%
Consumer batteries	185.2	2.0	187.2	178.2	9.0	5.1 %
Home and garden control products	131.9	—	131.9	155.0	(23.1)	(14.9)%
Small appliances	123.6	3.5	127.1	138.3	(11.2)	(8.1)%
Global auto care	119.0	0.1	119.1	119.6	(0.5)	(0.4)%
Personal care products	104.7	2.0	106.7	108.4	(1.7)	(1.6)%
Total	$ 1,169.9	$ 9.6	$ 1,179.5	$ 1,209.6	$ (30.1)	(2.5)%

The following is a reconciliation of reported net sales to organic net sales for the Fiscal 2017 Six Months compared to net sales for the Fiscal 2016 Six Months:

	Net Sales Fiscal 2017 Six Months	Effect of changes in Currency	Organic Net Sales Fiscal 2017 Six Months	Net Sales Fiscal 2016 Six Months	Variance	% Variance
Hardware and home improvement products	$ 602.5	$ (1.1)	$ 601.4	$ 584.3	$ 17.1	2.9 %
Consumer batteries	445.7	6.5	452.2	430.8	21.4	5.0 %
Global pet supplies	386.0	6.2	392.2	411.9	(19.7)	(4.8)%
Small appliances	310.0	10.9	320.9	328.2	(7.3)	(2.2)%
Personal care products	267.3	5.7	273.0	277.2	(4.2)	(1.5)%
Global auto care	188.5	0.2	188.7	193.3	(4.6)	(2.4)%
Home and garden control products	181.7	—	181.7	202.7	(21.0)	(10.4)%
Total	$ 2,381.7	$ 28.4	$ 2,410.1	$ 2,428.4	$ (18.3)	(0.8)%

Adjusted EBITDA

Adjusted EBITDA is a metric used by our Consumer Products segment and one of the non-GAAP measures that 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 and 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 Spectrum Brands’ debt covenant compliance. See Note 9, Debt, to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements 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 10, Stock-Based Compensation, to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements 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; (3) restructuring and related charges, which consist of project costs associated with restructuring initiatives; (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 the Fiscal 2017 Quarter and Fiscal 2017 Six Months, other adjustments consisted of professional fees associated with non-acquisition based strategic initiatives of our Consumer Products segment. During the Fiscal 2016 Quarter and Fiscal 2016 Six Months, other adjustments consisted of costs associated with the exiting of a key executive, coupled with onboarding a key executive.

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

	Fiscal Quarter			Fiscal Six Months		
Reconciliation to reported net income:	**2017**	**2016**	**Increase / (Decrease)**	**2017**	**2016**	**Increase / (Decrease)**
Reported net income - Consumer Products segment	$ 58.7	$ 92.7	$ (34.0)	$ 123.9	$ 166.4	$ (42.5)
Interest expense	50.6	57.5	(6.9)	106.4	115.9	(9.5)
Income tax expense (benefit)	33.0	(2.5)	35.5	64.1	4.4	59.7
Depreciation of properties	24.2	21.4	2.8	46.6	44.4	2.2
Amortization of intangibles	23.5	23.4	0.1	47.1	47.0	0.1
EBITDA - Consumer Products segment	190.0	192.5	(2.5)	388.1	378.1	10.0
Stock-based compensation	14.2	21.5	(7.3)	23.0	31.6	(8.6)
Acquisition and integration related charges	5.1	13.3	(8.2)	9.2	23.2	(14.0)
Restructuring and related charges	8.3	1.6	6.7	11.5	2.8	8.7
Other	2.6	0.7	1.9	2.6	1.0	1.6
Adjusted EBITDA - Consumer Products segment	$ 220.2	$ 229.6	$ (9.4)	$ 434.4	$ 436.7	$ (2.3)

Our Consumer Products segment's Adjusted EBITDA decreased $9.4 million to $220.2 million in the Fiscal 2017 Quarter as compared to $229.6 million in the Fiscal 2016 Quarter primarily driven by a $8.6 million decrease in the home and garden product categories due to lower sales volumes, incremental marketing costs for new product launches and channel expansion. Adjusted EBITDA margin represented 18.8% of sales in the Fiscal 2017 Quarter as compared to 19.0% in the Fiscal 2016 Quarter.

Our Consumer Products segment's Adjusted EBITDA decreased $2.3 million to $434.4 million in the Fiscal 2017 Six Months as compared to $436.7 million in the Fiscal 2016 Six Months primarily driven by a decrease of $10.0 million in the home and garden product categories due to the reasons described above, which was partially offset by an increase of $8.5 million in the hardware and home improvement product categories due to increase in sales volumes with cost improvements. Adjusted EBITDA margin represented 18.2% of sales in the Fiscal 2017 Six Months as compared to 18.0% in the Fiscal 2016 Six Months.

Liquidity and Capital Resources

HRG

HRG is a holding company and 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 $139.5 million per year), professional fees (including advisory services, legal and accounting fees), retention bonuses, salaries and benefits, 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 $100.0 million of available borrowings under the 2017 Loan.

During the Fiscal 2017 Six Months, we received cash dividends of $33.6 million from our subsidiaries, including $27.5 million and $6.1 million from Spectrum Brands and FGL, respectively. During the fiscal year ending September 30, 2017, we expect to receive approximately $68.5 million of dividends from our subsidiaries’ distributable earnings.

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, including general economic and business conditions, tax considerations, strategic plans, financial results and condition, expansion plans, any contractual, legal or regulatory restrictions on the payment of dividends, and such other factors such subsidiary’s Board of Directors considers relevant including, in the case of FGL, target capital ratios and ratio levels anticipated by regulatory agencies to maintain or improve current ratings. In addition, if the completion of any disposition resulting from the FGL Strategic Evaluation Process is consummated, while we will receive the proceeds from the sale of our shares of FGL common stock, we will no longer receive dividends from FGL. 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 business, 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. For example, Front Street has required, and may in the future require, additional capital in order to operate its business, engage in reinsurance transactions, and/or to meet regulatory or other applicable capital requirements. Similarly, Salus has required, and may in the future require, additional capital in order to operate its business, collect its existing loans and wind-down its business. HGI Energy has required, and may in the future require, additional capital to conduct its operations and pay interest on the HGI Energy Notes (as defined below).

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 March 31, 2017, HRG’s corporate cash, cash equivalents and investments were $139.5 million.

We expect that dividends from our subsidiaries 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 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. We seek to service any such new 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 7.875% Notes, the 7.75% Notes, the 2017 Loan, or common stock through open market purchases, tender offers, negotiated transactions or otherwise.

HGI Energy

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 mature on August 22, 2017 and carry interest of 0.71% payable semi-annually. HGI Energy’s assets at March 31, 2017 included $117.1 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.

Spectrum Brands

Spectrum Brands expects to fund its cash requirements, including capital expenditures, dividend, interest and principal payments due during the remainder of the fiscal year ending September 30, 2017 through a combination of cash on hand ($137.2 million at

March 31, 2017), cash flows from operations and $472.3 million available borrowings under the Revolver Facility. Spectrum Brands expects its capital expenditures for the fiscal year ending September 30, 2017 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.

Front Street

Front Street's liquidity needs consist primarily of supporting the capitalization of its reinsurance business. As of March 31, 2017, Front Street maintained regulatory capital in excess of its minimum requirements. Front Street's reinsurance obligations are collateralized by the assets in the funds withheld accounts of ceding companies. Front Street 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.

Funds withheld receivables

Front Street Re (Cayman) Ltd. ("Front Street Cayman"), a wholly-owned subsidiary of Front Street, has entered into various reinsurance agreements on a funds withheld basis, meaning that funds are withheld by the ceding company, from the coinsurance premium owed to Front Street Cayman as collateral for Front Street Cayman's payment obligations. Accordingly, the collateral assets remain under the ultimate ownership for the ceding company. Front Street Cayman's investment portfolio underlying the funds withheld assets includes fixed maturities and short-term investments that are recorded at fair value and other invested assets. The carrying values of the investments underlying the funds withheld receivables at March 31, 2017 and September 30, 2016 were as follows (in millions):

	March 31, 2017		September 30, 2016	
Asset Class	**Fair Value**	**Percent**	**Fair Value**	**Percent**
Corporates	$ 1,048.4	68.0%	$ 1,033.3	67.3%
Asset/Mortgage-backed securities	330.7	21.4%	350.4	22.8%
Government bonds	80.5	5.2%	69.9	4.6%
Municipals	68.3	4.4%	66.4	4.3%
Preferred stock	8.2	0.5%	8.2	0.5%
Agency bonds	7.3	0.5%	6.9	0.5%
Total fixed maturity securities included in funds withheld receivables	1,543.4	100.0%	1,535.1	100.0%
Accrued interest	17.0		17.8	
Net cash receivables	52.2		77.7	
Policy loans and other	21.6		19.8	
Total funds withheld receivables	$ 1,634.2		$ 1,650.4	

The decrease in fair value of the funds withheld receivables at March 31, 2017 compared to September 30, 2016 was primarily related to the increase in risk-free rates and widening credit spreads.

The table below summarizes Front Street's funds withheld receivables rated by established nationally recognized statistical rating organizations in percentage terms at March 31, 2017 and September 30, 2016 (by credit rating, in millions):

	March 31, 2017		September 30, 2016	
Rating	**Fair Value**	**Percent**	**Fair Value**	**Percent**
AAA	$ 112.5	7.3%	$ 109.9	7.2%
AA	193.0	12.5%	205.9	13.4%
A	298.3	19.3%	263.7	17.2%
BBB	497.8	32.3%	502.1	32.7%
BB	204.1	13.2%	187.6	12.2%
B and below	227.2	14.7%	256.8	16.7%
Not rated	10.5	0.7%	9.1	0.6%
Total	$ 1,543.4	100.0%	$ 1,535.1	100.0%

See Note 7, Funds Withheld Receivables, to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for additional information regarding the funds withheld receivables portfolio.

Salus

Salus expects that its available cash on hand will be sufficient for it to fund its operations going forward, which consists principally of collecting outstanding loans and winding down its business. However, there can be no assurance that unexpected losses and contingencies, such as larger than expected litigation expenses, would not require additional capital to conduct its operations.

The Company's portfolio of asset-based loans receivable, originated by Salus and its co-lender Front Street, are included in "Other assets" in the Condensed Consolidated Balance Sheets, included in Part I - Item 1. Financial Statements. The asset-based loans participations by FGL are included in "Assets of business held for sale" in the Condensed Consolidated Balance Sheets, included in Part I - Item 1. Financial Statements.

As of March 31, 2017 and September 30, 2016, the Company's portfolio of asset-based loans receivable originated by Salus and its co-lender Front Street consisted of the following:

	March 31, 2017	September 30, 2016
Asset-based loans, net of deferred fees, by major industry:		
Manufacturing	$ 8.1	$ 10.9
Jewelry	0.9	7.2
Other	1.0	6.0
Apparel	—	18.8
Electronics	—	3.1
Total asset-based loans	10.0	46.0
Less: Allowance for credit losses	3.7	11.0
Total asset-based loans, net	$ 6.3	$ 35.0

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, Fidelity & Guaranty Life Insurance Company ("FGL Insurance") and Fidelity & Guaranty Life Insurance Company of New York ("FGL NY Insurance"). FGL Insurance's and FGL NY Insurance's primary sources of liquidity are cash flow from insurance premiums and fees and investment income. FGL's principal use of cash is to fund 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 our counterparties would also decline (or increase). Likewise, when the value of a derivative liability declines (or increases), the collateral we are required to post to our 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, and other limitations applicable to its subsidiaries.

Discussion of Consolidated Cash Flows

Summary of Consolidated Cash Flows

Presented below is a table that summarizes the cash provided or used in our continuing 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 Six Months		
	2017	2016	Increase / (Decrease)
Net change in cash due to continuing operating activities:			
Consumer Products	$ 30.1	$ (144.5)	$ 174.6
Insurance, including eliminations related to the cession between Front Street and FGL	59.5	73.2	(13.7)
Corporate and Other	(112.3)	(106.6)	(5.7)
Net change in cash due to continuing operating activities	(22.7)	(177.9)	155.2
Net change in cash due to continuing investing activities	(27.8)	88.3	(116.1)
Net change in cash due to continuing financing activities	(122.5)	(113.8)	(8.7)
Effect of exchange rate changes on cash and cash equivalents	(4.0)	(0.3)	(3.7)
Net change in cash and cash equivalents in continuing operations	$ (177.0)	$ (203.7)	$ 26.7

Operating Activities

Cash used in operating activities totaled $22.7 million for the Fiscal 2017 Six Months as compared to cash used of $177.9 million for the Fiscal 2016 Six Months. The $155.2 million decrease in cash used was primarily the result of a $174.6 million increase in cash provided by the Consumer Products segment; partially offset by (i) $13.7 million decrease in cash provided by operating activities by the Insurance segment, including eliminations related to the cession between Front Street and FGL primarily as a result of the run-off of the reinsurance agreements with FGL and (ii) $5.7 million increase in cash used in operating activities by the Corporate and Other segment, primarily due to higher cash bonus payments related to fiscal year 2016 as compared to fiscal year 2015 that were paid during the Fiscal 2017 Six Months and Fiscal 2016 Six Months, respectively.

The $174.6 million increase in cash provided by operating activities in the Consumer Products segment was primarily due to (i) $167.1 million incremental cash generated from the segment operations; including cash contributed by working capital of $164.0 million, primarily from decreases of receivables and inventory due to working capital management initiatives; (ii) decrease in cash paid for interest of $23.4 million due to a reduction in annualized interest costs; (iii) $13.5 million decrease in cash paid for restructuring and integration related costs; and (iv) a decrease in cash paid for income taxes of $4.9 million. These increases were partially offset by (i) cash paid to Stanley Black & Decker, Inc. of $23.2 million as a non-recurring settlement of transitional operating costs subsequent to the acquisition of the hardware and home improvement business that was acquired in 2013; (ii) non-recurring financing costs of $5.6 million associated with a premium on redemption of the 6.375% Notes and costs for re-pricing the USD Term Loan; and (iii) increased corporate expenditures of $5.5 million.

Investing Activities

Cash used in investing activities was $27.8 million for the Fiscal 2017 Six Months and was primarily related to purchases of property, plant and equipment by Spectrum Brands of $51.3 million; partially offset by cash proceeds from the net repayment of asset-based loans of $25.3 million.

Cash provided by investing activities was $88.3 million for the Fiscal 2016 Six Months and was primarily related to (i) $74.7 million of cash provided from the net repayment of asset-based loans; and (ii) $52.2 million of cash provided from sales, maturities and repayments, net of purchases, of fixed maturity securities and other investments. Partially offsetting these inflows were purchases of property, plant and equipment by Spectrum Brands of $38.8 million.

Financing Activities

Cash used in financing activities was $122.5 million for the Fiscal 2017 Six Months and was primarily related to (i) debt repayment by Spectrum Brands of $151.6 million, including $129.7 million for the redemption of the 6.375% Notes; (ii) purchases of Spectrum Brands stock of $103.1 million; (iii) cash used for payment of contractholder account withdrawals, net of account deposits of $59.0 million; (iv) share-based award tax withholding payments of $37.4 million; (v) dividend paid by Spectrum Brands to noncontrolling interests of $19.8 million; and (vi) debt repayment at Salus of $19.4 million; partially offset by (i) proceeds, net of debt issuance costs, from the Revolver Facility and other notes by Spectrum Brands of $213.4 million and the 2017 Loan by HRG of $48.9 million and (ii) proceeds from the exercise of stock options of $5.5 million.

Cash used in financing activities was $113.8 million for the Fiscal 2016 Six Months and was primarily related to the (i) $126.4 million repayment of debt primarily by Salus; (ii) cash used for payment of contractholder account withdrawals, net of contractholder

account deposits of $69.5 million; (iii) purchases of Spectrum Brands stock of $49.6 million; (iv) share-based award tax withholding payments of $27.3 million; and (v) dividend paid by Spectrum Brands to noncontrolling interests of $18.2 million, partially offset by borrowing under Spectrum Brands' Revolver Facility of $175.0 million.

Debt Financing Activities

At March 31, 2017, HRG and its subsidiaries were in compliance with their respective covenants under their respective documents. See Note 9, Debt, to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for additional information regarding the Company and its subsidiaries' debt activities during the Fiscal 2017 Six Months.

Equity Financing Activities

During the Fiscal 2017 Six Months, we granted shares and restricted stock awards representing approximately 25 thousand shares to our employees and directors. The total market value of the restricted shares on the date of grant was approximately $0.4 million, a portion of which represented unearned restricted stock-based compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

Contractual Obligations

At March 31, 2017, there have been no material changes to the contractual obligations as set forth in our Form 10-K, except as discussed in Note 9, Debt, to our Condensed Consolidated Financial Statements. Refer to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for additional information.

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. At March 31, 2017, there have been no material changes to the off-balance sheet arrangements as set forth in our Form 10-K.

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. Actual results could differ materially from those estimates. There have been no material changes to the critical accounting policies and estimates as discussed in our Form 10-K.

Recent Accounting Pronouncements Not Yet Adopted

See Note 2, Basis of Presentation, Significant Accounting Policies and Recent Accounting Pronouncements to the Company's Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements for recent accounting policies not yet adopted.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Market Risk Factors

There has been no material changes in the Company's market risk during the six months ended March 31, 2017. For additional information, refer to Note 5, Derivative Financial Instruments, Note 6, Fair Value of Financial Instruments, Note 7, Funds Withheld Receivables and Note 9, Debt to our Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements in this report and to Part II, Item 7A of our Form 10-K.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that, as of March 31, 2017, the Company's disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

Changes in Internal Controls Over Financial Reporting

An evaluation was performed under the supervision of the Company's management, including the Principal Executive Officer and Principal Financial Officer, of whether any change in the Company's internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the Fiscal 2017 Quarter. Based on that evaluation, the Company's management, including the Principal Executive Officer and Principal Financial Officer, concluded that no significant changes in the Company's internal controls over financial reporting occurred during the Fiscal 2017 Quarter that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that the Company's disclosure controls and procedures or the Company's internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

PART II. OTHER INFORMATION

Unless otherwise indicated in this report (this "10-Q") or the context requires otherwise, in this 10-Q, references to the "Company," "HRG," "we," "us" or "our" refer to HRG Group, Inc. and, where applicable, its consolidated subsidiaries; "FGL" refers to Fidelity & Guaranty Life and, where applicable, its consolidated subsidiaries; "Front Street" refers to Front Street Re (Delaware) Ltd. and, where applicable, its consolidated subsidiaries; "Salus" refers to Salus Capital Partners, LLC and, where applicable, its consolidated subsidiaries; and "Spectrum Brands" refers to Spectrum Brands Holdings, Inc. and, where applicable, its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

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

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 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 forward-looking 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: that the review of strategic alternatives at FGL or HRG will result in a transaction, or if a transaction is undertaken, as to its terms or timing; the ability of HRG's subsidiaries to close previously announced transactions, including statements regarding HRG's and/or FGL's ongoing strategic review process; 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 HRG's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, filed with the Securities and Exchange Commission.

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.

In addition, you should understand that the following important factors, in addition to those discussed in Item 1A of this report and those discussed in Part I, Item 1A. "Risk Factors" in our Form 10-K, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. You should also understand that many factors described under one heading below may apply to more than one section in which we have grouped them for the purpose of this presentation. As a result, you should consider all of the following factors, together with all of the other information presented herein, in evaluating the business of the Company and our subsidiaries.

HRG and its Subsidiaries

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

- our dependence on distributions from our subsidiaries and our ability to access the capital markets to fund our operations and payments on our debt and other obligations;

- the decision of our subsidiaries' boards to make upstream cash distributions, which is subject to numerous factors such as restrictions contained in applicable financing agreements, state and regulatory restrictions and other relevant considerations as determined by the applicable board;
- our and our subsidiaries' liquidity, which may be impacted by a variety of factors, including the capital needs of us and our current and future subsidiaries and our current and future subsidiaries' ability to access the capital markets;
- the ability to satisfy the successfully identify or consummate a strategic alternative for HRG and/or its assets;
- the need to provide sufficient capital to our operating businesses;
- limitations on our ability to successfully identify suitable acquisition, disposition and other strategic opportunities and to compete for these opportunities with others who have greater resources;
- our and our subsidiaries' dependence on certain key personnel;
- our and our subsidiaries' ability to attract and retain key employees;
- the impact of covenants in the indenture governing our 7.875% Senior Secured Notes due 2019, the covenants in the indenture governing our 7.750% Senior Notes due 2022 and the 2017 Loan, the continuing covenants contained in the certificate of designation governing our Series A Participating Convertible Preferred Stock and future financing or refinancing agreements, on our ability to operate our business and finance our pursuit of our business strategy;
- our ability to incur new debt and refinance our existing indebtedness;
- the impact on our business and financial condition of our substantial indebtedness and the significant additional indebtedness and other financing obligations we and our subsidiaries may incur;
- the impact on us and/or our subsidiaries from interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, integrity confidentiality or privacy of sensitive data residing on such systems;
- the impact on the aggregate value of our assets and our stock price from changes in the market prices of publicly traded equity interests we hold, particularly during times of volatility in security prices;
- the impact of decisions by our significant stockholders, whose interest may differ from those of our other stockholders, or any of them ceasing to remain significant stockholders;
- the effect any interests of our officers, directors, stockholders and their respective affiliates may have in certain transactions in which we are involved;
- the impact of additional material charges associated with our oversight of acquired or target businesses and the integration of our financial reporting;
- the impact of restrictive covenants and applicable laws, including securities laws, on our ability to dispose of equity interests we hold;
- the impact of potential losses and other risks from changes in the value of our assets;
- our ability to effectively increase the size of our organization, if needed, and manage our growth;
- the impact of a determination that we are an investment company or personal holding company;
- the impact of claims or litigation arising from operations, agreements and transactions, including litigation arising from or involving former subsidiaries;
- the impact of expending significant resources in considering acquisition or disposition targets or strategic opportunities that are not consummated;
- our and our subsidiaries' ability to successfully integrate current and future acquired businesses into our existing operations and achieve the expected economic benefits;
- tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- the impact of delays or difficulty in satisfying the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 or negative reports concerning our internal controls;
- the impact of the relatively low market liquidity for shares of our Common Stock ("Common Stock");
- the impact on the holders of our Common Stock if we issue additional shares of our Common Stock or preferred stock; and
- the effect of price fluctuations in our Common Stock caused by general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly-held subsidiaries.

Spectrum Brands

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

- the impact of Spectrum Brands’ substantial indebtedness on its business, financial condition and results of operations;
- the impact of restrictions in Spectrum Brands’ debt instruments on its ability to operate its business, finance its capital needs or pursue or expand its business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of Spectrum Brands’ debt instruments;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- Spectrum Brands’ inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated;
- the unanticipated loss of key members of Spectrum Brands’ senior management;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers’ willingness to advance credit;
- interest rate and exchange rate fluctuations;
- Spectrum Brands’ ability to utilize their net operating loss carry-forwards to offset tax liabilities from future taxable income;
- the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s);
- competitive promotional activity or spending by competitors or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where Spectrum Brands does business;
- changes in consumer spending preferences and demand for Spectrum Brands’ products;
- Spectrum Brands’ ability to develop and successfully introduce new products, protect its intellectual property and avoid infringing the intellectual property of third parties;
- Spectrum Brands’ ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of products that Spectrum Brands manufactures and sells, including the potential for environmental liabilities, product liability claims, litigation and other claims;
- the impact of pending or threatened litigation;
- the impact of cyber security breaches or Spectrum Brands’ actual or perceived failure to protect company and personal data;
- changes in accounting policies applicable to Spectrum Brands’ business;
- government regulations;
- the seasonal nature of sales of certain of Spectrum Brands’ products;
- the effects of climate change and unusual weather activity; and
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets.

FGL and Front Street

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

- the ability of FGL to successfully identify or consummate a strategic alternative for FGL;
- the inability of FGL’s and Front Street’s subsidiaries and affiliates to generate sufficient cash to service all of their obligations;

- the ability of FGL's and Front Street's subsidiaries to pay dividends;
- the impact of restrictions in FGL's debt instruments on its ability to operate its business, finance its capital needs or pursue or expand its business strategies;
- the accuracy of FGL's and Front Street's assumptions and estimates;
- the accuracy of FGL's and Front Street's assumptions regarding the fair value and future performance of their investments;
- FGL and its insurance subsidiaries' abilities to maintain or improve their financial strength ratings;
- FGL's and Front Street's and their insurance subsidiaries' potential need for additional capital to maintain their financial strength and credit ratings and meet other requirements and obligations;
- FGL's and Front Street's ability to defend themselves against or respond to, potential litigation (including class action litigation), enforcement investigations or increased regulatory scrutiny;
- FGL's and Front Street's ability to manage their businesses in a highly-regulated industry, which is subject to numerous legal restrictions and regulations;
- regulatory changes or actions, including those relating to regulation of financial services, affecting (among other things) underwriting of insurance products and regulation of the sale, underwriting and pricing of products and minimum capitalization and statutory reserve requirements for insurance companies, or the ability of FGL's and Front Street's insurance subsidiaries to make cash distributions to FGL or Front Street, as applicable (including dividends or payments on surplus notes FGL's subsidiaries issue to FGL);
- the impact of the newly finalized Department of Labor "fiduciary" rule on FGL, its products, distribution and business model;
- the impact of the anticipated implementation of principle based reserving on FGL's ability to write certain products, manage risk and deploy capital efficiently;
- the impact of FGL's reinsurers failing to meet or timely meet their assumed obligations, increasing their reinsurance rates, or becoming subject to adverse developments that could materially adversely impact their ability to provide reinsurance to FGL at consistent and economical terms;
- restrictions on FGL's ability to use captive reinsurers;
- the impact of interest rate fluctuations on FGL and Front Street and withdrawal demands in excess of FGL's and Front Street's assumptions;
- the impact of market and credit risks;
- equity market volatility;
- credit market volatility or disruption;
- changes in the federal income tax laws and regulations which may affect the relative income tax advantages of FGL's products;
- increases in FGL's and Front Street's valuation allowance against FGL's and Front Street's deferred tax assets, and restrictions on FGL's and Front Street's ability to fully utilize such assets;
- the performance of third-parties, including independent distributors, underwriters, actuarial consultants and other service providers;
- interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data residing on such systems;
- the continued availability of capital required for FGL's and Front Street's insurance subsidiaries to grow;
- the impact on FGL's or Front Street's business of new accounting rules or changes to existing accounting rules;
- the risk that FGL's or Front Street's exposure to unidentified or unanticipated risk is not adequately addressed by their risk management policies and procedures;
- general economic conditions and other factors, including prevailing interest and unemployment rate levels and stock and credit market performance;
- FGL's ability to protect its intellectual property;
- difficulties arising from FGL's and Front Street's outsourcing relationships;
- the impact on FGL's and Front Street's business of natural and of man-made catastrophes, pandemics, computer viruses, network security breaches, and malicious and terrorist acts;
- FGL's and Front Street's ability to compete in a highly competitive industry;

- FGL's and Front Street's ability to maintain competitive policy expense costs;
- adverse consequences if the independent contractor status of FGL's independent insurance marketing organizations ("IMOs") is successfully challenged;
- FGL's ability to attract and retain national marketing organizations and independent agents;
- the potential adverse tax consequences to FGL if FGL generates passive income in excess of operating expenses;
- the significant operating and financial restrictions contained in FGL's debt agreements, which may prevent FGL from capitalizing on business opportunities;
- the impact on FGL and Front Street of non-performance of loans originated by Salus; and
- the ability to maintain or obtain approval of the Iowa Insurance Division ("IID") and other regulatory authorities as required for FGL's operations and those of its insurance subsidiaries.

Salus

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

- Salus' ability to recover amounts that are contractually owed to it and its ability to adequately address the various risks it faces in executing its business strategy;
- Salus' ability to orderly and efficiently wind-down its business and to address the variety of risks associated with such a process, including litigation risk, regulatory compliance and retention of employees, management, agents and advisors required for such wind-down; and
- Salus' ability to address a variety of other risks associated with its business, including the risk of fraud or theft, operational errors and systems malfunctions.

Item 1. Legal Proceedings

See Note 13, Commitments and Contingencies, to the Company's Condensed Consolidated Financial Statements included in Part I - Item 1. Financial Statements.

Item 1A. Risk Factors

Information about our risk factors is contained in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended
September 30, 2016. With the exception of the change in risk factors discussed below, we believe that at March 31, 2017, there has been no material changes to this information.

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 expressed its desire to modify NAFTA and has already taken action against the Trans Pacific Partnership Agreement ("TPPA"), which have the ability to impact Spectrum Brands' business on a macro level in terms of demand for American built products, as well as affect Spectrum Brands' ability to leverage lower cost facilities in territories outside of the U.S. The current administration has also indicated that imports from China and Mexico, as well as other countries with which the U.S. runs a trade deficit, may be subject to an import tax. Spectrum Brands sources many products for certain segments of Spectrum Brands from Mexico, China and other Asian 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 sells, 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 US 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 US 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.

FGL's businesses are highly regulated and subject to numerous legal restrictions and regulations.

In April 2016, the Department of Labor ("DOL") issued its "fiduciary" rule which could have a material impact on FGL, its products, distribution, and business model. The final rule treats persons who provide investment advice for a fee or other compensation with respect to assets of an employer plan or individual retirement account ("IRA") as fiduciaries of that plan or IRA. Significantly, the rule expands the definition of fiduciary to apply to persons, including insurance agents, who advise and sell products to IRA owners. As a practical matter, this means commissioned insurance agents selling FGL's IRA products must qualify for a prohibited transaction exemption which requires the agent and financial institution to meet various conditions including that an annuity sale be in the "best interest" of the client without regard for the agent's, financial institution's or other party's financial or other interests, and that any compensation paid to the agent and financial institution be reasonable. The final rule was effective June 2016 and was supposed to become applicable in April 2017. However, the rule has generated considerable controversy and the "applicability date" was delayed by the DOL for 60 days from April 10, 2017 to June 9, 2017. DOL also acted to delay certain aspects of the prohibited transaction exemption requirements during a transition period through January 1, 2018. Industry efforts to block implementation of the rule continue both in Congress and in court actions. The success or failure of these efforts cannot be predicted. Assuming the rule is not blocked, the precise impact of the rule on the financial services industry more generally, and the impact on FGL and its business in particular, is difficult to assess. FGL believes however it could have an adverse effect on sales of annuity products to IRA owners particularly in the independent agent distribution channel. A significant portion of FGL's annuity sales are to IRAs. Compliance with the prohibited transaction exemptions when fully phased in would likely require additional supervision of agents, cause changes to compensation practices and product offerings, and increase litigation risk, all of which could adversely impact FGL's business, results of operations and/or financial condition. Regardless of the outcome of the court and political challenges, FGL believes that it is prepared to execute on its implementation plans on the revised applicability date.

On April 17, 2017, FGL announced that they were evaluating strategic alternatives for FGL, however, there can be no assurance that such process will be successful in identifying or consummating a strategic alternative. In addition, the evaluation of strategic alternatives could adversely affect FGL's business and operations.

On April 17, 2017, FGL terminated the Agreement and Plan of Merger and announced that FGL's Board of Directors was continuing to evaluate strategic alternatives to maximize shareholder value and had received interest from a number of parties. There can be no assurance that FGL's evaluation of strategic alternatives will result in a transaction, or that any transaction, if pursued, will be consummated. FGL's evaluation of strategic alternatives may be terminated at any time with or without notice. FGL does not intend to disclose developments with respect to this process until such time that it determines otherwise in its sole discretion or as required by applicable law.

In addition, the evaluation of strategic alternatives could cause disruptions to FGL's business and business relationships, which could have an adverse impact on FGL's results of operations, liquidity and financial condition. For example, FGL may refrain from taking certain actions during the pendency of the review process, the attention of FGL's management may be re-directed to the strategic review process and related matters and away from the business of FGL, and FGL's current and prospective employees may experience uncertainty about their future roles with FGL. Any or all such matters may adversely affect FGL's ability to retain and hire key personnel, and parties with which FGL has business relationships, including customers, potential customers and distributors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended March 31, 2017, HRG did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

On May 29, 2014, the HRG's Board of Directors authorized a program to purchase up to $100.0 million of HRG's shares of common stock. During the three months ended March 31, 2017, we did not repurchase any of our common stock. At March 31, 2017, there were $12.3 million of shares that may yet be repurchased under the plans of the program authorized by HRG's Board of Directors.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibits
10.1	Retention Agreement, dated as of January 20, 2017, by and between HRG Group, Inc. and George C. Nicholson (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 24, 2017 (File No. 1-4219)).
10.2*	Employment Agreement, dated as of October 1, 2012, by and between HRG Group, Inc. and Ehsan Zargar.
10.3*	Retention and Severance Agreement, dated as of January 20, 2017, by and between HRG Group, Inc. and Ehsan Zargar.
31.1*	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	XBRL Taxonomy Definition Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith
** Furnished herewith

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, thereunto duly authorized.

HRG GROUP, INC.
(Registrant)

Dated: May 5, 2017

By: /s/ George C. Nicholson

Senior Vice President, Chief Accounting Officer and Chief Financial Officer
(on behalf of the Registrant and as Principal Financial Officer)

Exhibit 10.2

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), dated as of October 1, 2012 (the "Effective Date") is entered into by and between Harbinger Group Inc., a Delaware corporation (the "Company"), and Ehsan Zargar ("Executive").

WHEREAS, Executive and the Company entered into an employment agreement dated as of January 11, 2012 (the "Original Agreement");

WHEREAS, Executive and the Company have mutually agreed to amend and restate the Original Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as set forth below:

1. Term; Effectiveness. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive and Executive agrees to be employed by the Company as an at-will employee as of the Effective Date. As an at-will employee, the Company may terminate Executive's employment at any time, with or without reason, and Executive may resign at any time, with or without reason, both subject to the notice provisions in Section 5. The provisions of this Agreement will continue to apply unless and until Executive is informed in writing that it is being prospectively modified by the Company, or until it is superseded by a subsequent written agreement between Executive and the Company. The entire period during which Executive is employed by the Company is at times referred to herein as the "Employment Period."
2. Definitions. For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.
    (a) "Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has a direct or indirect ownership interest of more than five (5) percent shall be treated as an Affiliate of the Company.
    (b) "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.
    (c) "Person" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body or other entity.
    (d) "Subsidiary" means, with respect to any Person, (i) any corporation of which at least a majority of the voting power with respect to the capital stock is owned, directly or indirectly, by such Person, any of its other Subsidiaries or any combination thereof or (ii) any Person other than a corporation in which such Person, any of its other Subsidiaries or any combination thereof has, directly or indirectly, at least a majority of the total equity or other ownership interest therein.
    (e) "Termination Date" means the last day that Executive is employed by the Company. For the avoidance of doubt, the Termination Date shall mean the last date of employment, whether such day is selected by mutual agreement with Executive or unilaterally by the Company or by Executive and whether with or without advance notice.
3. Duties and Responsibilities.
    (a) Executive agrees to be employed by the Company and be actively engaged on a full-time basis in the business and activities of the Company and its Affiliates during the Employment Period, and, subject to Section 3(c), to devote substantially all of Executive's working time and attention to the Company and its Affiliates and the promotion of its business and interests and the performance of Executive's duties and responsibilities hereunder. During the Employment Period, Executive agrees to use his reasonable best efforts to ensure that the business and activities of the Company and its Subsidiaries are conducted in compliance with all applicable laws, rules and regulations in all material respects. Executive shall be employed hereunder as Vice President, Counsel and Corporate Secretary of the Company with such duties and responsibilities as directed from time to time by the Company. Executive shall report directly to the President and the Managing Director/Executive Vice President, Investments. Executive agrees to cooperate with reasonable requests of the Company to

provide services to its Affiliates (including Harbinger Capital Partners LLC) in accordance with Company policies.

(b) During the Employment Period, Executive will carry out his duties as Vice President, Counsel and Corporate Secretary in the Company's headquarters in New York City, or any future headquarters of the Company, subject to normal travel requirements in connection with the performance of his duties.

(c) During the Employment Period, Executive shall use Executive's reasonable best efforts to faithfully and diligently serve the Company and shall not act in any capacity that is in conflict with Executive's duties and responsibilities hereunder. For the avoidance of doubt, during the Employment Period, Executive shall not be permitted to become employed by, engaged in or to render services for any Person other than the Company and its Affiliates, shall not be permitted to be a member of the board of directors of any Person (other than charitable or nonprofit organizations), in any case without the consent of the President of the Company, and shall not be directly or indirectly materially engaged or interested in any business activity, trade or occupation (other than employment with the Company and its Affiliates as contemplated by the Agreement); provided that nothing herein shall preclude Executive from engaging in charitable or community affairs and managing his personal investments to the extent that such other activities do not, subject to Section 7, conflict in any material way with the performance of Executive's duties hereunder.

4. Compensation and Related Matters.

(a) Base Compensation. During the Employment Period, for all services rendered under this Agreement, Executive shall receive aggregate annual base salary ("Base Salary") at a rate of $250,000 per annum, payable in accordance with the Company's applicable payroll practices.

(b) Annual Bonus. For each fiscal year in which Executive remains employed by the Company through the last business day of the fiscal year, Executive shall have the opportunity to be awarded an annual bonus ("Annual Bonus"), which will have two components: (i) an "Individual Bonus", in an amount to be tied to Executive's achievement of performance goals, and (ii) a "Discretionary Bonus," which shall be determined in the Company's sole and absolute discretion.

(i) The performance goals for the Individual Bonus for each year will be determined by the Company, in its sole discretion, after consultation with Executive. The determination whether Executive has achieved the performance goals for a fiscal year, and the amount of the Individual Bonus to be awarded for such year, will be determined by the Company in its sole discretion. Notwithstanding the foregoing, in any fiscal year in which the performance goals for Executive's Individual Bonus are objective goals based entirely on Executive's performance, as distinct from goals based in whole or part on the performance of the Company, or any of its Affiliates, Subsidiaries, divisions, or departments, or a specified group of employees ("Protected Individual Bonus"), if Executive's employment ends for any reason before the end of such fiscal year, then Executive will be eligible to receive a Protected Individual Bonus to the extent Executive has achieved the performance goals for such fiscal year as of the Termination Date, and such Protected Individual Bonus will be pro rated based on the period of the fiscal year worked by Executive.

(ii) Whether or not Executive is awarded a Discretionary Bonus, the amount of any such Discretionary Bonus, and how such Discretionary Bonus is paid (in terms of stock or equity, or immediate or deferred payment) will be determined by the President and/or Chief Executive Officer of the Company ("CEO") in their sole and absolute discretion. Any immediately payable cash bonus will be paid within seventy-four (74) days of the end of the fiscal year for which it is awarded.

(c) Benefits and Perquisites. During the Employment Period, Executive shall be entitled to participate in the benefit plans and programs commensurate with Executive's position that are provided by the Company from time to time for its Vice Presidents generally, subject to the terms and conditions of such plans. The Company may alter, modify, add to or delete its employee benefit plans at any time as it, in its sole judgment, determines to be appropriate, without recourse by Executive, except that no such action shall adversely affect any previously vested rights of Executive under such plans.

(d) Business Expense Reimbursements. The Company shall reimburse Executive for reasonable and properly documented business expenses incurred during the Employment Period in accordance with the Company's then-prevailing policies and procedures for expense reimbursement.

(e) Vacation. During the Employment Period, Executive shall be entitled to annual paid vacation of no less than four (4) weeks and to reasonable sick leave as determined by the Company.

(f) Initial Equity Grant. Executive acknowledges he timely received a one-time equity award of options to acquire stock of the Company ("Options") and restricted stock or restricted stock units (the

"Restricted Stock") in accordance with Appendix B of the Original Agreement (the "Initial Equity Grant"). The Options have an exercise price equal to the closing price of the Company's common stock on the date of grant and will vest in equal installments on each of the first four anniversaries of the Effective Date, subject to Executive's continued employment on such dates, subject to accelerated vesting as set forth herein. The Restricted Stock will vest and the restrictions shall lapse on the third anniversary of the Effective Date, subject to Executive's continued employment on such date, subject to accelerated vesting as set forth herein. The Options and Restricted Stock shall be subject to the terms of the underlying award agreements and the Company's equity plan in effect from time to time. Notwithstanding the preceding two sentences, if Executive's employment is terminated by the Company Without Cause (defined below) or by Executive for Good Reason (defined below), or by reason of death or Disability (defined below), then Executive's then unvested Options and Restricted Stock granted pursuant to this Section 4(f) shall vest (and the restrictions on such Restricted Stock shall lapse) in the proportion to the number of years of service completed to the total vesting period, calculated as though Executive continued to be employed for six (6) months after the Termination Date, on the date the Release Condition (as defined in the Company's Severance Benefits Plan) is satisfied. Executive shall thereafter have six (6) months within which to exercise any Options that have vested pursuant to such accelerated vesting.

5. Termination of Employment.

(a) Executive's employment shall automatically and immediately terminate upon Executive's death. Executive's employment may be terminated by the Company at any time because of Disability (defined below), or for Cause (defined below), or for any reason other than Cause or Disability ("Without Cause"), by delivering written notice that states the reason for termination, and may be terminated by Executive at any time for Good Reason (defined below) or for any other reason, provided, however, Executive shall be required to give the Company at least 30 days advance written notice of any resignation other than a resignation for Good Reason, and the Company shall be required to give Executive at least 30 days advance written notice of any termination Without Cause. The Company may, in its discretion, require Executive to cease performing services for the Company, in whole or part, during any portion of such thirty day notice period, in which event the Company will continue to pay Base Salary, provide benefits and calculate bonuses through the end of such thirty day period.

(b) Following any termination of Executive's employment, notwithstanding any provision to the contrary in this Agreement, the obligations of the Company to pay or provide Executive with compensation and benefits under Section 4 shall cease as of the Termination Date, except as otherwise provided herein, and the Company shall have no further obligations to provide compensation or benefits to Executive hereunder except (i) for payment of any accrued but unpaid Base Salary and vacation time and for payment of any accrued obligations and unreimbursed expenses under Section 4(d) accrued or incurred through the Termination Date, (ii) for the payment of the non-deferred cash portion of any Annual Bonus earned in respect of the fiscal year prior to the fiscal year in which termination of employment occurs but unpaid as of the Termination Date (paid when such non-deferred cash portion of the Annual Bonus would otherwise be payable), (iii) as set forth in any other benefit plans, programs or arrangements applicable to terminated employees in which Executive participates, and (iv) as otherwise expressly required by applicable statute. Notwithstanding any provision to the contrary in this Agreement (including the above provisions of this paragraph), if Executive's employment is terminated for Cause or if Executive resigns without Good Reason, Executive shall not be entitled to receive any previously unpaid portion of the current or any prior fiscal year's Corporate Bonus, nor any unpaid portion of the current or any prior fiscal year's Individual Bonus that is not a Protected Individual Bonus.

(c) If Executive's employment is terminated by the Company Without Cause or by Executive for Good Reason (defined below), then, in addition to the entitlements described in Section 5(b), Executive shall be entitled to severance payments and benefits in accordance with, and subject to the terms of, the Company's Severance Benefits Plan in effect as of the Termination Date, and to accelerated vesting of the Initial Equity Grant in accordance with, and subject to the terms of, Section 4(f) of this Agreement. For purposes of this Agreement:

(i) "Cause" means: (A) Executive's willful misconduct in the performance of his duties for the Company which causes material injury to the Company, (B) Executive's conviction of, or plea of guilty or nolo contendere to, a felony (or the equivalent of a felony in a jurisdiction other than the United States), or conviction of, or plea of guilty or nolo contendere to, any other crime that results in imprisonment for more than 30 days, (C) Executive's material breach of this Agreement, (D) Executive's willful violation of the

Company's written policies in a manner that is detrimental to the best interests of the Company; (E) Executive's fraud or misappropriation, embezzlement, or misuse of funds or property belonging to the Company; (F) Executive's act of personal dishonesty which results in personal profit in connection with Executive's employment with the Company; (G) Executive's breach of fiduciary duty owed to the Company, or (H) Executive's negligent actions which result in the loss of a material amount of capital of the Company or its Affiliates (the Company shall make the determination of materiality and shall promptly communicate such determination to Executive); provided, however, that Executive shall be provided a ten (10)-day period to cure any of the events or occurrences described in the immediately preceding clauses (C) or (D) hereof, to the extent curable. For purposes hereof, no act, or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in the best interests of the Company. An act, or failure to act, based on specific authority given pursuant to a resolution duly adopted by the Board of Directors of the Company ("Board") or based upon the advice of counsel for the Company shall be presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company.

(ii) "Disability" means Executive's incapacity, due to mental, physical or emotional injury or illness, such that Executive is substantially unable to perform his duties hereunder for a continuous period of ninety calendar days, or for more than a total of 85 business days during any 12 month period, subject to reasonable accommodation provisions of applicable laws.

(iii) "Good Reason" means the occurrence, without Executive's express written consent, of any of the following events: (A) a material diminution in Executive's authority, duties or responsibilities; (B) a diminution of Base Salary; (C) a change in the geographic location of Executive's principal place of performance of his services hereunder to a location more than thirty (30) miles outside of New York City that is also more than thirty (30) miles from his primary residence at the time of such change, except for travel consistent with the terms of this Agreement; or (D) a material breach by the Company of this Agreement. Executive shall give the Company a written notice (specifying in detail the event or circumstances claimed to give rise to Good Reason) within 25 days after Executive has knowledge that an event or circumstances constituting Good Reason has occurred, and if Executive fails to provide such timely notice, then such event or circumstances will no longer constitute Good Reason. The Company shall have 30 days to cure the event or circumstances described in such notice, and if such event or circumstances are not timely cured, then Executive must actually terminate employment within 120 days following the specified event or circumstances constituting Good Reason; otherwise, such event or circumstances will no longer constitute Good Reason.

(d) Upon termination of Executive's employment for any reason, and regardless of whether Executive continues as a consultant to the Company, upon the Company's request Executive agrees to resign, as of the date of such termination of employment or such other date requested, from the Board and any committees thereof (and, if applicable, from the board of directors (and any committees thereof) of any Affiliate of the Company) to the extent Executive is then serving thereon.

(e) The payment of any amounts accrued under any benefit plan, program or arrangement in which Executive participates shall be subject to the terms of the applicable plan, program or arrangement, and any elections Executive has made thereunder. Subject to Section 20 and applicable laws, the Company may offset any amounts due and payable by Executive to the Company or its Subsidiaries against any amounts the Company owes Executive hereunder.

6. Acknowledgments.

(a) Executive acknowledges that the Company has expended and shall continue to expend substantial amounts of time, money and effort to develop business strategies, employee and customer relationships and goodwill and build an effective organization. Executive acknowledges that Executive is and shall become familiar with the Company's Confidential Information (as defined below), including trade secrets, and that Executive's services are of special, unique and extraordinary value to the Company, its Subsidiaries and Affiliates. Executive acknowledges that the Company has a legitimate business interest and right in protecting its Confidential Information, business strategies, employee and customer relationships and goodwill, and that the Company would be seriously damaged by the disclosure of Confidential Information and the loss or deterioration of its business strategies, employee and customer relationships and goodwill.

(b) Executive acknowledges (i) that the business of the Company and its Affiliates is global in scope, without geographical limitation, and capable of being performed from anywhere in the world, and (ii) notwithstanding the jurisdiction of formation or principal office of the Company, or the location of any of their respective executives or employees (including, without limitation, Executive), it is expected that the Company and its Affiliates will have business activities and have valuable business relationships within their respective industries throughout the world.

(c) Executive acknowledges that Executive has carefully read this Agreement and has given careful consideration to the restraints imposed upon Executive by this Agreement, and is in full accord as to the necessity of such restraints for the reasonable and proper protection of the Confidential Information, business strategies, employee and customer relationships and goodwill of the Company and its Affiliates now existing or to be developed in the future. Executive expressly acknowledges and agrees that each and every commitment and restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area, in light of (i) the scope of the business of the Company and its Affiliates, (ii) the importance of Executive to the business of the Company and its Affiliates, (iii) Executive's status as an officer of the Company, (iv) Executive's knowledge of the business of the Company and its Affiliates and (v) Executive's relationships with the Company's clients or customers. Accordingly, Executive agrees (x) to be bound by the provisions of Sections 7, 8, 9, 10 and 11, it being the intent and spirit that such provisions be valid and enforceable in all respects and (y) acknowledges and agrees that Executive shall not object to the Company, (or any other intended third-party beneficiary of this Agreement) or any of their respective successors in interest enforcing Sections 7, 8, 9, 10 and 11 of this Agreement. Executive further acknowledges that although Executive's compliance with the covenants contained in Sections 7, 8, 9, 10, and 11 may prevent Executive from earning a livelihood in a business similar to the business of the Company, Executive's experience and capabilities are such that Executive has other opportunities to earn a livelihood and adequate means of support for Executive and Executive's dependents.

7. Nondisclosure of Confidential Information.

(a) Executive acknowledges that the Confidential Information obtained by Executive while employed hereunder by the Company and its Affiliates is the property of the Company or its Affiliates, as applicable. Therefore, Executive agrees that Executive shall not, whether during or after the Employment Period, disclose, share, transfer or provide access to any unauthorized Person or use for Executive's own purposes or any unauthorized Person any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions in violation of this Agreement; provided, however, that if Executive receives a request to disclose Confidential Information pursuant to a deposition, interrogation, request for information or documents in legal proceedings, subpoena, civil investigative demand, governmental or regulatory process or similar process, (A) Executive shall, unless prohibited by law, promptly notify in writing the Company, and consult with and assist the Company in seeking a protective order or request for other appropriate remedy, (B) in the event that such protective order or remedy is not obtained, or if the Company waives compliance with the terms hereof, Executive shall disclose only that portion of the Confidential Information which is legally required to be disclosed and shall exercise reasonable efforts to provide that the receiving Person shall agree to treat such Confidential Information as confidential to the extent possible (and permitted under applicable law) in respect of the applicable proceeding or process and (C) the Company shall be given an opportunity to review the Confidential Information prior to disclosure thereof.

(b) For purposes of this Agreement, "Confidential Information" means information, observations and data concerning the business or affairs of the Company and its Affiliates, or any funds or accounts managed by the foregoing, including, without limitation, all business information (whether or not in written form) which relates to the Company, its Affiliates, or any funds or accounts managed by the foregoing, or their customers, suppliers or contractors or any other third parties in respect of which the Company or any of its Affiliates has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: investment methodologies, investment advisory contracts, fees and fee schedules; investment performance of the accounts managed by the Company or its respective Affiliates ("Track Records"); technical information or reports; brand names, trademarks, formulas; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer or investor lists; customer buying records and habits; product sales records and documents, and product development, marketing and

sales strategies; market surveys; marketing plans; profitability analyses; product cost; analyses or plans relating to the acquisition or development of businesses, or relating to the sale of Subsidiaries or Company assets; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation, employee evaluations, or other personnel-related information; contracts; and supplier lists. Without limiting the foregoing, Executive agrees to keep confidential the existence of, and any information concerning, any dispute between Executive and the Company or their respective Subsidiaries and Affiliates, except that Executive may disclose information concerning such dispute to the court or arbitrator that is considering such dispute or to their respective legal counsel (provided that such counsel agrees not to disclose any such information other than as necessary to the prosecution or defense of such dispute). Executive acknowledges and agrees that the Track Records were the work of teams of individuals and not any one individual and are the exclusive property of the Company and its Affiliates, and agrees that he shall in no event claim the Track Records as his own following termination of his employment for the Company.

(c) Except as set forth otherwise in this Agreement, Executive agrees that Executive shall not disclose the terms of this Agreement, except to Executive's immediate family and Executive's financial and legal advisors, or if previously disclosed by the Company in any public filing, or as may be required by law or ordered by a court. Executive further agrees that any disclosure to Executive's financial and legal advisors will only be made after such advisors acknowledge and agree to maintain the confidentiality of this Agreement and its terms.

(d) Executive further agrees that Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Executive has an obligation of confidentiality, and will not bring onto the premises of the Company or its Affiliates any unpublished documents or any property belonging to any former employer or any other Person to whom Executive has an obligation of confidentiality unless consented to in writing by the former employer or other Person.

8. Return of Property. Executive acknowledges that all notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the businesses of the Company and its Subsidiaries and Affiliates, in whatever form (including electronic), and all copies thereof, that are received or created by Executive while employed hereunder by the Company or its Subsidiaries or Affiliates (including but not limited to Confidential Information and Inventions (as defined below)) are and shall remain the property of the Company and its Subsidiaries and Affiliates, and Executive shall immediately return such property to the Company upon the termination of Executive's employment hereunder and, in any event, at the Company's request. Executive further agrees that any property situated on the premises of, and owned by, the Company or its Subsidiaries or Affiliates, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by Company's personnel at any time with or without notice.

9. Intellectual Property Rights.

(a) Executive agrees that the results and proceeds of Executive's employment by the Company or its Subsidiaries or Affiliates (including, but not limited to, any trade secrets, products, services, processes, know-how, Track Record, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings and other works of authorship) resulting from, or developed in the course of, services performed by Executive for the Company while employed by the Company and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived or reduced to practice or learned by Executive, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company (or, if applicable or as directed by the Company, any of its Subsidiaries or Affiliates) shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to Executive whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights which do not accrue to the Company (or, as the case may be, any of its Subsidiaries or Affiliates) under the immediately preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title and interest thereto, including any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing,

contemplated, recognized or developed, to the Company (or, if applicable or as directed by the Company, any of its Subsidiaries or Affiliates), and the Company or such Subsidiaries or Affiliates shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company or such Subsidiaries or Affiliates without any further payment to Executive whatsoever. As to any Invention that Executive is required to assign, Executive shall promptly and fully disclose to the Company all information known to Executive concerning such Invention.

(b) Executive agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall do any and all reasonable and lawful things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and/or patent applications or assignments. To the extent Executive has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Executive unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 9(b) is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of Executive's employment by the Company. Executive further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall assist the Company in every reasonable, proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. To this end, Executive shall execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Executive shall execute, verify, and deliver assignments of such Proprietary Rights to the Company or its designees. Executive's obligation to provide reasonable assistance to the Company with respect to Proprietary Rights relating to such Inventions in any and all countries shall continue beyond the termination of the Employment Period.

(c) Executive hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that Executive now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

10. Nondisparagement.

(a) During Executive's employment with the Company and thereafter, Executive agrees not to make, publish or communicate at any time to any person or entity, including, but not limited to, customers, clients and investors of the Company, its Affiliates, or any entity affiliated with Philip A. Falcone or any of his family members, any Disparaging (defined below) remarks, comments or statements concerning the Company its Affiliates, any entity affiliated with Philip A. Falcone or any of his family members, or any of their respective present and former members, partners, directors, officers, employees or agents.

(b) In the event (i) Executive's employment terminates for any reason; and (ii) Executive provides the Company with an irrevocable waiver and general release in favor of the Released Parties in the Company's customary form that has become effective and irrevocable in accordance with its terms, the Company agrees that the CEO and Board shall not make, publish, or communicate at any time to any person or entity any Disparaging (defined below) remarks, comments or statements concerning Executive, except nothing herein shall prevent the Company from making truthful statements regarding Executive's termination as required or, in the discretion of the Board, deemed advisable to be made in the Company's public filings.

(c) For the purposes of this Section 10, "Disparaging" remarks, comments or statements are those that impugn the character, honesty, integrity, morality, business acumen or abilities of the individual or entity being disparaged.

(d) Notwithstanding the foregoing, this Section 10 does not apply to (i) any truthful testimony, pleading, or sworn statements in any legal proceeding; (ii) attorney-client communications; or (iii) any communications with a government or regulatory agency, and further, it shall not be construed to prevent Executive from filing a charge with the Equal Employment Opportunity Commission or a comparable state or local agency.

11. Remedies and Injunctive Relief. Executive acknowledges that a violation by Executive of any of the covenants contained in Section 7, 8, 9, or 10 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, the Company may be entitled (without the necessity of showing economic loss or

other actual damage and without the requirement to post a bond) to injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 7, 8, 9, or 10 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company's rights shall be unrestricted.

12. Representations of Executive; Advice of Counsel.

(a) Executive represents, warrants and covenants that as of the date hereof: (i) Executive has the full right, authority and capacity to enter into this Agreement and perform Executive's obligations hereunder, (ii) Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of Executive's duties and obligations to the Company hereunder during or after the Employment Period and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which Executive is subject.

(b) Prior to execution of this Agreement, Executive was advised by the Company of Executive's right to seek independent advice from an attorney of Executive's own selection regarding this Agreement. Executive acknowledges that Executive has entered into this Agreement knowingly and voluntarily and with full knowledge and understanding of the provisions of this Agreement after being given the opportunity to consult with counsel. Executive further represents that in entering into this Agreement, Executive is not relying on any statements or representations made by any of the Company's directors, officers, employees or agents which are not expressly set forth herein, and that Executive is relying only upon Executive's own judgment and any advice provided by Executive's attorney.

13. Cooperation. Executive agrees that, upon reasonable notice and without the necessity of the Company obtaining a subpoena or court order, Executive shall provide reasonable cooperation in connection with any suit, action or proceeding (or any appeal from any suit, action or proceeding), or the decision to commence on behalf of the Company any suit, action or proceeding, and any investigation and/or defense of any claims asserted against any of the Company's or its Affiliates' current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, which relates to events occurring during Executive's employment hereunder by the Company as to which Executive may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and/or providing testimony at depositions and at trial), provided that with respect to such cooperation occurring following termination of the Employment Period, the Company shall reimburse Executive for expenses reasonably incurred in connection therewith and shall schedule such cooperation to the extent reasonably practicable so as not to unreasonably interfere with Executive's business or personal affairs. Notwithstanding anything to the contrary, in the event the Company requests cooperation from Executive after his employment with the Company has terminated and at a time when Executive is not receiving any severance pay from the Company, Executive shall not be required to devote more than forty (40) hours of his time per year with respect to this Section 13, except that such forty (40) hour cap shall not include or apply to any time spent testifying at a deposition or at trial, or spent testifying before or being interviewed by any administrative or regulatory agency.

14. Withholding. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, non-U.S. or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation.

15. Assignment.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive, and any assignment in violation of this Agreement shall be void.

(b) This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, successors by merger, consolidation, sale or similar transaction and in the event of Executive's death, Executive's estate and heirs in the case of any payments due to Executive hereunder).

(c) Executive acknowledges and agrees that all of Executive's covenants and obligations to the Company, as well as the rights of the Company hereunder, shall run in favor of and shall be enforceable by the Company and any successor or assign to all or substantially all of the Company's business or assets.

16. Arbitration. Any controversy, claim or dispute between the parties relating to Executive's employment or termination of employment, whether or not the controversy, claim or dispute arises under this Agreement (other than any controversy or claim arising under Section 7), shall be resolved by arbitration in accordance

with the Employment Arbitration Rules and Mediation Procedures ("Rules") of the American Arbitration Association through a single arbitrator selected in accordance with the Rules. The decision of the arbitrator shall be rendered within thirty (30) days of the close of the arbitration hearing and shall include written findings of fact and conclusions of law reflecting the appropriate substantive law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof in the State of New York. In reaching his or her decision, the arbitrator shall have no authority (a) to authorize or require the parties to engage in discovery (provided, however, that the arbitrator may schedule the time by which the parties must exchange copies of the exhibits that, and the names of the witnesses whom, the parties intend to present at the hearing), (b) to interpret or enforce Section 7 of the Agreement (for which Section 17 shall provide the sole and exclusive venue), (c) to change or modify any provision of this Agreement, (d) to base any part of his or her decision on the common law principle of constructive termination, or (e) to award punitive damages or any other damages not measured by the prevailing party's actual damages and may not make any ruling, finding or award that does not conform to this Agreement. Each party shall bear all of his or its own legal fees, costs and expenses of arbitration to the fullest extent permitted by applicable law, and one-half (½) of the costs of the arbitrator.

17. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to its conflict of law provisions, except that Section 16 and any arbitration proceeding pursuant to Section 16 shall be governed by the Federal Arbitration Act ("FAA") to the extent it is applicable and by New York law to the extent that the FAA is not applicable. Furthermore, as to Section 7, Executive and the Company each agrees and consents to submit to personal jurisdiction in the state of New York in any state or federal court of competent subject matter jurisdiction situated in New York County, New York. Executive and the Company further agree that the sole and exclusive venue for any suit arising out of, or seeking to enforce, the terms of Section 7 of this Agreement shall be in a state or federal court of competent subject matter jurisdiction situated in New York County, New York. In addition, Executive and the Company waive any right to challenge in another court any judgment entered by such New York County court or to assert that any action instituted by the Company in any such court is in the improper venue or should be transferred to a more convenient forum. **Further, Executive and the Company waive any right he may otherwise have to a trial by jury in any action to enforce the terms of this Agreement.** The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 25, or such other updated address as has been provided to the other party from time to time in accordance with Section 25. Each party shall bear its own costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement.

18. Amendment; No Waiver; 409A

(a) No provisions of this Agreement may be amended, modified, waived or discharged except by a written document signed by Executive and a duly authorized officer of the Company (other than Executive).

(b) The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

(c) It is the intention of the Company and Executive that this Agreement comply with the requirements of Section 409A, and this Agreement will be interpreted in a manner intended to comply with or be exempt from Section 409A. The Company and Executive agree to negotiate in good faith to make amendments to this Agreement as the parties mutually agree are necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. Notwithstanding the foregoing, Executive shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of Executive in connection with this Agreement (including any taxes and penalties under Section 409A), and neither the Company nor any Affiliate shall have any obligation to indemnify or otherwise hold Executive (or any beneficiary) harmless from any or all of such taxes or penalties.

(d) Notwithstanding anything in this Agreement to the contrary, in the event that Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i), no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Executive prior to the date that is six (6) months after the date of Executive's "separation from service" (as defined in

Section 409A) or, if earlier, Executive's date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. For purposes of Section 409A, each of the payments that may be made under this Agreement are designated as separate payments.

(e) For purposes of this Agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment" (and substantially similar phrases) shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A relating to "separation from service".

(f) To the extent that any reimbursements pursuant to Section 4(e), 4(g) or 15 are taxable to Executive, any such reimbursement payment due to Executive shall be paid to Executive as promptly as practicable, and in all events on or before the last day of Executive's taxable year following the taxable year in which the related expense was incurred. The reimbursements pursuant to Section 4(e), 4(g) and 15 are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.

19. Indemnification. To the extent permitted by law and the Company's governing documents and applicable insurance agreements, Company shall indemnify Executive, hold Executive harmless, and make advances for expenses (including attorneys and costs) to Executive (subject to Executive's providing an undertaking to repay Company that is acceptable to Company) with respect to any and all losses, claims, demands, liabilities, costs, damages, expenses (including, without limitation, reasonable attorneys' fees and expenses) and causes of action imposed on, incurred by, asserted against or to which Executive may otherwise become subject by reason of or in connection with any act or omission of Executive, including any negligent act or omission, for and on behalf of Company that occurs during Executive's employment with the Company or in connection with Executive providing cooperation to the Company as set forth in Section 13, that Executive reasonably and in good faith believes is in furtherance of the interest of Company, unless such act or omission constitutes gross negligence or intentional misconduct or is outside of the scope of Executive's authority, provided, however, that this Section 19 shall not be construed to grant Executive a right to be indemnified by Company for actions or proceedings brought by Company for breach or anticipated breach of this Agreement by Executive.

20. Severability. If any provision or any part thereof of this Agreement, including Sections 7, 8, 9, and 10 hereof, as applied to either party or to any circumstances, shall be adjudged by a court of competent jurisdiction to be invalid or unenforceable, the same shall in no way affect any other provision or remaining part thereof of this Agreement, which shall be given full effect without regard to the invalid or unenforceable provision or part thereof, or the validity or enforceability of this Agreement. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

21. Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Company and Executive with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between Executive and the Company, relating to such subject matter. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

22. Survival. The rights and obligations of the parties under the provisions of this Agreement (including without limitation, Sections 7 through 13 and Section 15) shall survive, and remain binding and enforceable, notwithstanding the termination of this Agreement, the termination of Executive's employment hereunder or any settlement of the financial rights and obligations arising from Executive's employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

23. No Construction against Drafter. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.

24. Clawback. Executive acknowledges that to the extent required by applicable law or written company policy adopted to implement the requirements of such law (including without limitation Section 304 of the Sarbanes Oxley Act and Section 954 of the Dodd Frank Act), the Annual Bonus, signing bonus (if any) and other incentive compensation shall be subject to any required clawback, forfeiture, recoupment or similar requirement.

25. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if

mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to Executive at the most recent address listed in Company records and to the Company at the following address (or at such other address for a party as shall be specified by like notice):

If to the Company: Harbinger Group Inc.
Attn: General Counsel
450 Park Avenue
30th Floor
New York, NY, 10222

With a copy to: Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104-3300
(212) 541-2000
Attn: Vincent Alfieri, Esq.

26. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

27. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (PDF), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF. this Agreement has been duly executed by the parties as of the date first written above.

HARBINGER GROUP INC.

By: /s/ Omar M. Asali
Name: Omar M. Asali
Title: President

/s/ Ehsan Zargar

Exhibit 10.3

HRG GROUP, INC.
450 Park Avenue, 29th Floor
New York, NY 10022

January 20, 2017

Ehsan Zargar

c/o HRG Group, Inc.

450 Park Avenue, 29th Floor

New York, NY 10022

Dear Mr. Zargar,

HRG Group, Inc. ("*HRG*") is pleased to provide you ("*you*" or the "*Employee*") with a retention bonus and/or severance upon and in accordance with the terms of this letter agreement (this "*Agreement*").

1. *Retention Bonus*. Subject to Section 2 below, provided that you remain employed by HRG on a full-time basis from the date of this Agreement through each payment date set forth on Exhibit A, HRG shall pay to you three separate retention bonus payments each in an amount and on the date set forth on Exhibit A, less applicable taxes and withholdings (each such payment, a "*Designated Payment*").
2. *Termination During the Retention Period*. Notwithstanding anything else herein to the contrary, you will not be eligible to receive any unpaid portion of the Designated Payment and/or the COBRA Reimbursement (collectively, the "*Payments*") if you are terminated by HRG for Cause (as defined below) or you choose to resign without Good Reason, in each case prior to the dates specified in clause (1) of Exhibit A; provided that any portion of the Payments earned or paid prior to such termination shall be retained by the Employee and will not be required to be returned. If you are terminated by HRG for any reason other than Cause or you resign with Good Reason or your employment ends as a result of your death or termination by HRG as a result of Disability, in each case prior to the earning or receiving the payments specified in clause (1) of Exhibit A and you have otherwise complied with the terms of this Agreement, you shall receive the Payments, subject to the Required Release and the timing set forth in Section 3 below. You shall be entitled to receive and HRG shall pay your accrued but unpaid base salary, unused vacation time accrued through date of your termination of employment (the "*Termination Date*"), and unreimbursed business expenses (including participation in HRG's FlexNet and the HRG 401K plans) incurred through the Termination Date. The treatment of your restricted stock and options to acquire stock of HRG shall be as set forth on Exhibit A.
3. *Required Release*. Payment of the Payments and the other treatment of your equity set forth on Exhibit A, is conditioned on your execution, delivery and nonrevocation of HRG's standard waiver and release of claims in HRG's customary form ("*Release Letter*") within fifty-five days following the Retention End Date or the date of your termination, if earlier (the "*Release Condition*"). After the Retention End Date or any termination from the Company, HRG shall promptly (any in any event within 10 business days following such event) provide you with the Release Letter. Payments of amounts which do not constitute nonqualified deferred compensation and are not subject to Section 409A (defined below) shall be paid five (5) days after the Release Condition is satisfied and payments and benefits which are subject to Section 409A shall be paid on the 60th day after the Retention End Date or the date of your termination, if earlier (subject to further delay under Section 7 below) provided that the Release Condition is satisfied. You shall be under no obligation to seek other employment or otherwise mitigate the obligations of HRG under this Agreement, and there shall be no offset against amounts or benefits due you under this Agreement on account of any compensation earned by you after your termination.
4. *Definitions*. For purposes of this Agreement:
    a. "*Cause*" means: (A) willful misconduct in the performance of your duties for HRG which causes material injury to HRG or its subsidiaries, (B) you willfully engage in illegal conduct that is injurious to HRG or its subsidiaries, (C) your material breach of the terms of this Agreement or your employment agreement, (D) you willfully violate HRG's written policies in a manner that causes material injury to HRG; (E) you commit fraud or misappropriate, embezzle or misuse the funds or property of HRG or its subsidiaries; (F) you engage in negligent actions that results in the loss of a material amount of capital of HRG or its subsidiaries; or (G) you willfully fail to follow the reasonable and lawful instructions of the Board of Directors of HRG ("*Board*") or your superiors that are consistent with your position with HRG; provided, however, that you

shall be provided a ten (10) day period to cure any of the events or occurrences described in the immediately preceding clauses (C), (D) or (G) hereof, to the extent curable. For purposes hereof, no act, or failure to act, on the part of you shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of HRG. An act, or failure to act, based on specific authority given pursuant to a resolution duly adopted by the Board or based upon the written advice of outside counsel for HRG shall be presumed to be done, or omitted to be done, by you in good faith and in the best interests of HRG.

b. "*COBRA Reimbursement*" shall mean reimbursement for the cost of health insurance continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("*COBRA*"), in excess of the cost of such benefits that active employees of HRG are required to pay, for a period of 6 months (or until you obtain individual or family coverage through another employer, if earlier) (the "*COBRA Period*"), provided that you timely elect COBRA coverage and subject to the conditions that: (A) you are responsible for immediately notifying HRG if you obtain alternative insurance coverage, (B) you will be responsible for the entire COBRA premium amount after the end of the COBRA Period; (C) if you decline COBRA coverage, then HRG will not make any alternative payment to you in lieu of paying for COBRA premiums, and (D) such COBRA reimbursement payments shall be paid on an after tax basis as additional taxable compensation to you.

c. "*Disability*" shall mean your failure, because of illness, accident or any other physical or mental incapacity, to perform the essential functions of your position for 40 business days (consecutive or non-consecutive), subject to reasonable accommodation provisions of applicable laws.

d. "*Good Reason*" means the occurrence, without your express written consent, of any of the following events: (A) a material diminution in your authority, duties or responsibilities; (B) a diminution of base salary; (C) a change in the geographic location of your principal place of performance of his services hereunder to a location more than thirty (30) miles outside of New York City that is also more than thirty (30) miles from your primary residence at the time of such change, except for travel consistent with the terms of your employment agreement; or (D) a material breach by HRG of this Agreement or your employment agreement. You shall give HRG a written notice (specifying in detail the event or circumstances claimed to give rise to Good Reason) within 25 days after you have knowledge that an event or circumstances constituting Good Reason has occurred, and if you fail to provide such timely notice, then such event or circumstances will no longer constitute Good Reason. HRG shall have 30 days to cure the event or circumstances described in such notice, and if such event or circumstances are not timely cured, then you must actually terminate employment within 120 days following the specified event or circumstances constituting Good Reason; otherwise, such event or circumstances will no longer constitute Good Reason.

e. "*Retention End Date*" shall mean the earlier of (x) Transaction Closing Date and (y) such earlier date as HRG may select at its sole discretion.

f. "*Transaction Closing Date*" means the date the Company closes a sale, merger, change in control or other strategic transaction involving the Company and substantially all of its assets, which shall include the Company's beneficial ownership interests in both Spectrum Brands Holdings, Inc. ("SPB") and Fidelity & Guaranty Life Insurance Company ("FGL") to the extent the Company beneficially owns interests in SPB or FGL on such date

5. *Amendment of Employment Agreement*. Your employment agreement with HRG shall remain in full force and effect following execution of this Agreement, provided that you and HRG hereby acknowledge and agree that (i) you will not be entitled to any severance or separation pay pursuant to any other plan or arrangement of HRG, whether pursuant to an employment agreement, severance plan, policy or otherwise (even if your employment continues past the Retention End Date), (ii) you will not be eligible for or entitled to receive any other bonus for fiscal 2017 or thereafter, in each case notwithstanding anything to the contrary in any other agreement with HRG, in each case except as set forth herein. Except as expressly modified by this Section 5, the employment agreement shall remain in full force and effect. The parties recognize that some terms as used in the employment agreement have definitions that differ from those terms in this Agreement, and those definitions are intended to and should be construed independently of each other.

6. *Employment Status*. Nothing in this Agreement shall require you to remain employed for any particular period of time, or guarantee your employment by HRG for any particular period of time, except as specifically provided in the employment agreement.

7. *Section 409A*. It is the intention of HRG and Employee that this Agreement comply with the requirements of Section 409A of the Internal Revenue Code, and this Agreement will be interpreted in a manner intended to comply with or be exempt from Section 409A. HRG and Employee agree to negotiate in good faith to make amendments to this Agreement as the parties mutually agree are necessary or desirable to avoid the imposition of taxes or penalties under

Section 409A. Notwithstanding the foregoing, Employee shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of Employee in connection with this Agreement (including any taxes and penalties under Section 409A), and neither HRG nor any affiliate shall have any obligation to indemnify or otherwise hold Employee (or any beneficiary) harmless from any or all of such taxes or penalties. Notwithstanding anything in this agreement to the contrary, in the event that Employee is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i), no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Employee prior to the date that is six (6) months after the date of Employee's "separation from service" (as defined in Section 409A) or, if earlier, Employee's date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date. For purposes of Section 409A, each of the payments that may be made under this agreement are designated as separate payments. For purposes of this agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment" (and substantially similar phrases) shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A relating to "separation from service".

8. *Entire Agreement*. Except as otherwise provided herein, this Agreement constitutes the only agreement between the parties with respect to the subject matter hereof, superseding in all respects any and all prior oral or written agreements or understandings pertaining to the subject matter hereof, and shall be amended or modified only in writing signed by both of the parties hereto.
9. *General*. This Agreement shall be governed, enforced and construed under the laws of the state of New York. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

If you wish to accept this offer, please sign below and return the enclosed copy of this Agreement to John McKeown no later than January 27, 2017. If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ John McKeown
John McKeown

I have read, understand and accept the terms of this Agreement.

/s/ Ehsan Zargar	January 23, 2017
Ehsan Zargar	Date

Exhibit A

Summary of Certain Cash Payments:

1. The "**Designated Payment**" shall be paid as follows:
    a. On June 30, 2017, you shall be paid $2,000,000, less applicable taxes and withholdings,
    b. On October 2, 2017, you shall be paid $1,000,000, less applicable taxes and withholdings; and
    c. On the Transaction Closing Date, you shall be paid $1,000,000, less applicable taxes and withholdings.

Summary of Outstanding Restricted Stock and Option Awards:

<table>
<tr><td colspan="5">Restricted Shares</td></tr>
<tr><td>Grant Date</td><td>Current Vesting Date</td><td colspan="2">Vesting Date Following Termination*</td><td>Number of Shares</td></tr>
<tr><td>11/25/2014</td><td>11/29/2017</td><td colspan="2">Earlier of 11/29/2017 or 5 business days after the Release Condition is satisfied</td><td>25,539</td></tr>
<tr><td colspan="5">Options**</td></tr>
<tr><td>Grant Date</td><td>Original Vesting Date</td><td>Vesting Date Following Termination*</td><td>Exercise Price</td><td>Number of Options</td></tr>
<tr><td>11/25/2014</td><td>11/29/2017</td><td>Earlier of 11/29/2017 or 5 business days after the Release Condition is satisfied</td><td>$13.36</td><td>11,218</td></tr>
</table>

* HRG shall at your request "net settle" such restricted shares or options at the time taxes are incurred (by deducting cash or stock subject to each tranche of the award equivalent in value, as of the date taxation is triggered, to the tax then owed with respect to such tranche, with the tax calculated at the minimum applicable tax withholding rates), in each case subject to HRG's ability to comply with its contractual arrangements following such net share settlement, including covenants in HRG's debt agreements.

** Unless your employment is terminated for Cause (subject to the Required Release), with respect to any option (or portion thereof) to purchase shares of HRG stock that is exercisable as of the Termination Date (including, for the avoidance of doubt, any option vested prior to the Termination Date that remain unexercised on the Termination Date), you shall be permitted to exercise such option (or portion thereof) at any time from the date that such option (or portion thereof) first becomes exercisable through the first anniversary of the Termination Date (the "Expiration Date"), but if, commencing on the 30th day prior to the Expiration Date (the "Protection Date"), trading in the shares of common stock is prohibited by HRG's insider trading policy or federal securities laws, as applicable ("Blacked Out"), the Expiration Date shall be automatically extended until the date that is the 30th trading day that is not Blacked Out following the Protection Date; (y) with respect to any option (or portion thereof) to purchase shares of HRG stock that will become exercisable after the Termination Date, you shall be permitted to exercise such option (or portion thereof) at any time starting from the date such option (or portion thereof) first becomes exercisable until the first anniversary of such date (the "Post-Release Expiration Date"), but if, commencing on the 30th day prior to the Post-Release Expiration Date (the "Post-Release Protection Date"), trading in the shares of common stock is Blacked Out, the Post-Release Expiration Date shall be automatically extended until the date that is the 30th trading day that is not Blacked Out following the Post-Release Protection Date; provided that in no event shall any exercise period under either clause (x) or (y) extend beyond the 10th anniversary of the date of grant of the option in question (or such earlier date as provided under Sections 12 or 13 of the HRG 2011 Omnibus Equity Award Plan, as amended through the Termination Date.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) or 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph S. Steinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HRG Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ JOSEPH S. STEINBERG

Joseph S. Steinberg
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) or 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George C. Nicholson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HRG Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2017

/s/ GEORGE C. NICHOLSON

George C. Nicholson

Senior Vice President, Chief Accounting Officer and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HRG Group, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph S. Steinberg, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH S. STEINBERG

Joseph S. Steinberg
Chief Executive Officer

May 5, 2017

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HRG Group, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, George C. Nicholson, as the Senior Vice President, Chief Accounting Officer and Acting Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEORGE C. NICHOLSON

George C. Nicholson

Senior Vice President, Chief Accounting Officer and Chief Financial Officer

May 5, 2017

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.