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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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

Harbinger Group Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

**100 Meridian Centre, Suite 350
Rochester, NY**

(Address of principal executive offices)

74-1339132

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

14618

(Zip Code)

(585) 242-2000

(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 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

There were 19,284,850 shares of the registrant's common stock outstanding as of April 30, 2010.

HARBINGER GROUP INC.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements:</u>
	<u>Condensed Consolidated Balance Sheets as of March 31, 2010 and December 31, 2009</u>
	3
	<u>Condensed Consolidated Statements of Operations for the Three Months Ended</u>
	<u>March 31, 2010 and March 31, 2009</u>
	4
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended</u>
	<u>March 31, 2010 and March 31, 2009</u>
	5
	<u>Notes to Condensed Consolidated Financial Statements</u>
	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	11
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	15
<u>Item 4.</u>	<u>Controls and Procedures</u>
	15
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	16
<u>Item 1A.</u>	<u>Risk Factors</u>
	16
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	17
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	17
<u>Item 4.</u>	<u>(Removed and Reserved)</u>
	17
<u>Item 5.</u>	<u>Other Information</u>
	17
<u>Item 6.</u>	<u>Exhibits</u>
	17
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

PART I: FINANCIAL INFORMATION**Item 1. Financial Statements**

HARBINGER GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>March 31,</u> <u>2010</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2009(A)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,377	\$ 127,932
Short-term investments	72,275	15,952
Prepaid expenses and other current assets	568	530
Total current assets	141,220	144,414
Long-term investments	8,045	8,039
Property and equipment, net	31	35
Deferred tax assets	1,080	395
Total assets	<u>\$ 150,376</u>	<u>\$ 152,883</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 567	\$ 593
Accrued and other current liabilities	1,911	1,874
Total current liabilities	2,478	2,467
Pension liabilities	3,487	3,519
Other liabilities	1,060	1,100
Total liabilities	7,025	7,086
Commitments and contingencies		
Harbinger Group Inc. stockholders' equity:		
Common stock	193	193
Additional paid in capital	132,665	132,638
Retained earnings	21,146	23,848
Accumulated other comprehensive loss	(10,682)	(10,912)
Total Harbinger Group Inc. stockholders' equity	143,322	145,767
Noncontrolling interest	29	30
Total equity	143,351	145,797
Total liabilities and equity	<u>\$ 150,376</u>	<u>\$ 152,883</u>

(A) Derived and condensed from the audited consolidated financial statements as of December 31, 2009.

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2010	2009
	(Unaudited)	
Revenues		
Cost of revenues	\$ —	\$ —
Gross profit	<u>—</u>	<u>—</u>
Operating expenses:		
General and administrative	3,738	1,200
Total operating expenses	<u>3,738</u>	<u>1,200</u>
Operating loss	(3,738)	(1,200)
Other income:		
Interest income	36	67
Other, net	<u>232</u>	<u>32</u>
	<u>268</u>	<u>99</u>
Loss before income taxes	(3,470)	(1,101)
Benefit from income taxes	<u>767</u>	<u>374</u>
Net loss	(2,703)	(727)
Less: Net loss attributable to the noncontrolling interest	<u>1</u>	<u>—</u>
Net loss attributable to Harbinger Group Inc.	<u><u>\$ (2,702)</u></u>	<u><u>\$ (727)</u></u>
Net loss per common share — basic and diluted	<u><u>\$ (0.14)</u></u>	<u><u>\$ (0.04)</u></u>
Weighted average common shares outstanding		
Basic	<u>19,285</u>	<u>19,276</u>
Diluted	<u><u>19,285</u></u>	<u><u>19,276</u></u>

See accompanying notes to condensed consolidated financial statements.

HARBINGER GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended	
	2010	2009
	March 31,	
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (2,703)	\$ (727)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4	—
Stock-based compensation	27	—
Deferred income taxes	(732)	(382)
Changes in assets and liabilities:		
Prepaid expenses and other current assets	9	109
Accounts payable	(26)	24
Pension liabilities	198	228
Accrued and other current liabilities	37	30
Other liabilities	(40)	1
Net cash used in operating activities	<u>(3,226)</u>	<u>(717)</u>
Cash flows from investing activities:		
Purchases of investments	(60,329)	(8,016)
Maturities of investments	4,000	3,999
Net cash used in investing activities	<u>(56,329)</u>	<u>(4,017)</u>
Net decrease in cash and cash equivalents	(59,555)	(4,734)
Cash and cash equivalents at beginning of period	<u>127,932</u>	<u>142,694</u>
Cash and cash equivalents at end of period	<u>\$ 68,377</u>	<u>\$ 137,960</u>

See accompanying notes to condensed consolidated financial statements.

HARBINGER GROUP INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Harbinger Group Inc. (which, together with its consolidated subsidiaries, is referred to as the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission. 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 except for the adjustments to income taxes disclosed in Note 5. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations. The year-end condensed balance sheet data was derived and condensed from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company’s 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the three month period ended March 31, 2010 are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2010.

Reclassifications

Certain reclassifications have been made to prior period financial information to conform to the current presentation. Specifically, in the Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2009, the change in prepaid pension cost was previously classified within the change in “Other assets” and is now classified within the change in “Pension liabilities.” Additionally, the Company condensed “Non-trade receivables” into “Prepaid expenses and other current assets” in the Condensed Consolidated Balance Sheets and condensed “Miscellaneous receivables” into “Prepaid expenses and other current assets” in the Condensed Consolidated Statements of Cash Flows.

Subsequent Events

The Company evaluated subsequent events through the date when the financial statements were issued.

HARBINGER GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 2. Fair Value of Financial Instruments

The Company classifies its U.S. Treasury investments as held-to-maturity and, accordingly, their carrying amounts represent amortized cost, which is original cost adjusted for the amortization of premiums and discounts, plus accrued interest. The accrued interest receivable is included in "Prepaid expenses and other current assets." The carrying amounts approximate fair value. The carrying amounts and estimated fair values of the Company's financial instruments for which the disclosure of fair values is required were as follows (in thousands):

	March 31, 2010			December 31, 2009		
	Carrying Amount	Fair Value	Unrecognized Loss	Carrying Amount	Fair Value	Unrecognized Loss
Cash and cash equivalents:						
U.S. Treasury Bills	\$ 28,039	\$ 28,038	\$ (1)	\$ 127,593	\$ 127,591	\$ (2)
Treasury money market	40,243	40,243	—	36	36	—
Checking accounts	97	97	—	303	303	—
Total cash and cash equivalents	<u>68,379</u>	<u>\$ 68,378</u>	<u>(1)</u>	<u>127,932</u>	<u>\$ 127,930</u>	<u>(2)</u>
Less: Interest receivable classified as other current assets	(2)			—		
Total cash and cash equivalents, at cost	<u>68,377</u>			<u>127,932</u>		
Short-term investments						
Certificate of deposit	100	\$ 100	—	—	\$ —	—
U.S. Treasury Bills and Notes	72,233	72,201	(32)	15,956	15,916	(40)
Total short-term investments	<u>72,333</u>	<u>\$ 72,301</u>	<u>(32)</u>	<u>15,956</u>	<u>\$ 15,916</u>	<u>(40)</u>
Less: Interest receivable classified as other current assets	(58)			(4)		
Total short-term investments, at cost	<u>72,275</u>			<u>15,952</u>		
Long-term investments						
U.S. Treasury Notes	8,066	\$ 8,037	(29)	8,056	\$ 8,018	(38)
Total long-term investments	<u>8,066</u>	<u>\$ 8,037</u>	<u>(29)</u>	<u>8,056</u>	<u>\$ 8,018</u>	<u>(38)</u>
Less: Interest receivable classified as other current assets	(21)			(17)		
Total long-term investments, at cost	<u>8,045</u>			<u>8,039</u>		
Total cash and investments	<u>\$ 148,697</u>		<u>\$ (62)</u>	<u>\$ 151,923</u>		<u>\$ (80)</u>

The Company expects that all of the gross unrecognized losses aggregating \$62,000 as of March 31, 2010 will be recovered since the Company has the intent and ability to hold its U.S. Treasury investments to maturity. All short-term investments will mature in less than one year and the long-term investments will mature between 1 and 2 years.

HARBINGER GROUP INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****Note 3. Comprehensive Loss**

The components of comprehensive loss are as follows (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Net loss	\$ (2,703)	\$ (727)
Actuarial adjustments to pension plans, net of tax of \$0 and \$77	230	143
Total comprehensive loss	(2,473)	(584)
Less: Comprehensive loss attributable to the noncontrolling interest	1	—
Comprehensive loss attributable to Harbinger Group Inc.	<u>\$ (2,472)</u>	<u>\$ (584)</u>

Note 4. Net Loss Per Common Share Information

“Net loss per common share — basic” is computed by dividing “Net loss” by the weighted average number of common shares outstanding. “Net loss per common share — diluted” for the three months ended March 31, 2010 and March 31, 2009 was the same as “Net loss per common share — basic” as the Company reported a net loss and, therefore, the effect of all potentially dilutive securities on the net loss would have been anti-dilutive.

As of March 31, 2010, there were 524,000 potential common shares issuable upon the exercise of stock options excluded from the calculation of “Net loss per common share — diluted” because their impact would be anti-dilutive due to the Company’s net loss for the period. Those stock options had a weighted average exercise price of \$5.49 per share.

Note 5. Income Taxes

The effective tax benefit rate for the three months ended March 31, 2010 and March 31, 2009 was 22% and 34%, respectively. The benefit from income taxes for the three months ended March 31, 2010 represents the restoration of \$732,000 of deferred tax assets previously written off in connection with the change in control of the Company in the third quarter of 2009 and a related reversal of \$35,000 of accrued interest and penalties on uncertain tax positions. These deferred tax assets relate to net operating loss carryforwards which are realizable to the extent the Company settles its uncertain tax positions for which it had previously recorded \$732,000 of reserves and \$35,000 of related accrued interest and penalties. As a result, the final resolution of these uncertain tax positions will have no net effect on the Company’s future provision for (or benefit from) income taxes.

Due to the Company’s cumulative losses in recent years, it determined that, as of March 31, 2010, a valuation allowance was still required for all of its deferred tax assets other than its refundable alternative minimum tax credits and the \$732,000 amount described above. Accordingly, the Company does not expect to record any future benefit from income taxes until it is more likely than not that some or all of its remaining net operating loss carryforwards will be realizable.

As of March 31, 2010 and December 31, 2009, the Company continued to have \$732,000 of aggregate unrecognized tax benefits classified within “Other liabilities.”

Note 6. Pension Liabilities

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

Additionally, the Company has an unfunded supplemental pension plan (“the Supplemental Plan”) which provides supplemental retirement payments to certain former senior executives of the Company. The amounts of

HARBINGER GROUP INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

such payments equal the difference between the amounts received under the Pension Plan and the amounts that would otherwise be received if Pension Plan payments were not reduced as the result of the limitations upon compensation and benefits imposed by Federal law. Effective December 1994, the Supplemental Plan was frozen.

The Company plans to make no contributions to its Pension Plan in 2010. However, based on the currently enacted minimum pension plan funding requirements, the Company expects to make contributions during 2011. The Company plans to make no contributions to its Supplemental Plan in 2010 as the Supplemental Plan is an unfunded plan.

The components of net periodic benefit costs are as follows:

	Three Months Ended	
	March 31,	
	2010	2009
Service costs	\$ —	\$ —
Interest costs	251	275
Expected return on plan assets	(257)	(242)
Amortization of actuarial loss	230	220
Net periodic pension cost	<u>\$ 224</u>	<u>\$ 253</u>

Fair value measurements for the Pension Plan's assets at March 31, 2010 are summarized below:

<u>Asset Category</u>	<u>Fair Value(A)</u>
Domestic equity securities	\$ 7,598
International equity securities	1,528
Fixed income	5,989
Total	<u>\$ 15,115</u>

- (A) All Pension Plan investments are invested in and among equity and fixed income asset classes through collective trusts. Each collective trust's valuation is based on its calculation of net asset value per share reflecting the fair value of its underlying investments. Since each of these collective trusts allows redemptions at net asset value per share at the measurement date, its valuation is categorized as a Level 2 fair value measurement.

Note 7: Commitments and Contingencies***Legal and Environmental Matters***

In 2004, Utica Mutual Insurance Company ("Utica Mutual") commenced an action against the Company in the Supreme Court for the County of Oneida, State of New York, seeking reimbursement under a general agreement of indemnity entered into by the Company in the late 1970s. Based upon the discovery to date, Utica Mutual is seeking reimbursement for payments it claims to have made under (1) a workers compensation bond and (2) certain reclamation bonds which were issued to certain former subsidiaries and are alleged by Utica Mutual to be covered by the general agreement of indemnity. While the precise amount of Utica Mutual's claim is unclear, it appears it is claiming approximately \$0.5 million, including approximately \$0.2 million relating to the workers compensation bond and approximately \$0.3 million relating to the reclamation bonds.

In 2005, the Company was notified by Weatherford International Inc. ("Weatherford") of a claim for reimbursement of approximately \$0.2 million in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by a non-operating subsidiary of the Company. The claim was made under an indemnification provision given by the Company to Weatherford in a 1995 asset purchase

HARBINGER GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

agreement and relates to alleged environmental contamination that purportedly existed on the properties prior to the date of the sale. Weatherford has also advised the Company that Weatherford anticipates that further remediation and cleanup may be required, although Weatherford has not provided any information regarding the cost of any such future clean up. The Company has challenged any responsibility to indemnify Weatherford. The Company believes that it has meritorious defenses to the claim, including that the alleged contamination occurred after the sale of the property, and intends to vigorously defend against it.

In addition to the matters described above, the Company is involved in other litigation and claims incidental to its prior businesses. The Company has aggregate reserves for its legal and environmental matters of approximately \$0.4 million and \$0.3 million at March 31, 2010 and December 31, 2009, respectively. Although the outcome of these matters cannot be predicted with certainty and some of these matters may be disposed of unfavorably to the Company, based on currently available information, including legal defenses available to the Company, and given the aforementioned reserves and related insurance coverage, the Company does not believe that the outcome of these legal and environmental matters will have a material effect on its financial position, results of operations or cash flows.

Guarantees

Throughout its history, the Company has entered into indemnifications in the ordinary course of business with customers, suppliers, service providers, business partners and, in certain instances, when it sold businesses. Additionally, the Company has indemnified its directors and officers who are, or were, serving at the request of the Company in such capacities. Although the specific terms or number of such arrangements is not precisely known due to the extensive history of past operations, costs incurred to settle claims related to these indemnifications have not been material to the Company's financial statements. The Company has no reason to believe that future costs to settle claims related to its former operations will have a material impact on its financial position, results of operations or cash flows.

Note 8. Related Party

Effective March 1, 2010, the Company entered into a management agreement with Harbinger Capital Partners LLC ("HCP"), an affiliate of the Company, whereby HCP may provide advisory and consulting services to the Company. The Company has agreed to reimburse HCP for its out-of-pocket expenses and the cost of certain services performed by legal and accounting personnel of HCP under the agreement. For the three months ended March 31, 2010, the Company did not incur any costs related to this agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Harbinger Group Inc. (the "Company," "we," "us," or "our") should be read in conjunction with our unaudited condensed consolidated financial statements included elsewhere in this report and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (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 "Special Note Regarding Forward-Looking Statements and Projections" in "Part II — Other Information." 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, our Form 10-K and our other filings with the Securities and Exchange Commission (the "Commission").

Overview

We are a holding company majority owned by Harbinger Capital Partners Master Fund I, Ltd., Global Opportunities Breakaway Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. (together, our "Principal Stockholders"). At March 31, 2010, we held approximately \$148.7 million in consolidated cash, cash equivalents and investments and approximately 98% of Zap.Com Corporation, a public shell company.

Our principal focus is to identify and evaluate business combinations or acquisitions of businesses. We expect that management associated with our Principal Stockholders will assist us in identifying acquisition and business combination opportunities, which may include businesses which are controlled by, affiliated with or otherwise known to our Principal Stockholders, and we also have engaged third parties to assist us in this effort. At any time, we may be engaged in ongoing discussions with respect to possible acquisitions or business combinations of widely varying sizes and in disparate industries. There can be no assurance that any of these discussions will result in a definitive purchase agreement and if they do, what the terms or timing of any agreement would be.

We may pay acquisition consideration in the form of cash, debt or equity securities or a combination thereof. In addition, as a part of our acquisition strategy we may consider raising additional capital through the issuance of equity or debt securities, including the issuance of preferred stock.

We have not focused and do not intend to focus our acquisition efforts solely on any particular industry. While we generally focus our attention in the United States, we may investigate acquisition opportunities outside of the United States when we believe that such opportunities may be attractive.

Our Principal Stockholders and their affiliates include other vehicles that actively are seeking investment opportunities, and any one of those vehicles may at any time be seeking investment opportunities similar to those targeted by the Company. Our directors and officers who are affiliated with our Principal Stockholders may consider, among other things, asset type and investment time horizon in evaluating opportunities for the Company. In recognition of the potential conflicts that these persons and our other directors may have with respect to corporate opportunities, the certificate of incorporation for Harbinger Group Inc. permits our board of directors from time to time to assert or renounce our interests and expectancies in one or more specific industries. In accordance with this provision, we have determined that we will not seek business combinations or acquisitions of businesses engaged in the wireless communications industry.

Results of Operations

Presented below is a table that summarizes our results of operations and compares the amount of the change between the three months ended March 31, 2010 and March 31, 2009 (in thousands, except loss per share amounts):

	Three Months Ended March 31,		Favorable / (Unfavorable) Change
	2010	2009	
	(Unaudited)		
Revenues	\$ —	\$ —	\$ —
Cost of revenues	—	—	—
Gross profit	—	—	—
Operating expenses:			
General and administrative	3,738	1,200	(2,538)
Total operating expenses	3,738	1,200	2,538
Operating loss	(3,738)	(1,200)	(2,538)
Other income:			
Interest income	36	67	(31)
Other, net	232	32	200
	268	99	169
Loss before income taxes	(3,470)	(1,101)	(2,369)
Benefit from income taxes	767	374	393
Net loss	(2,703)	(727)	(1,976)
Less: Net loss attributable to the noncontrolling interest	1	—	1
Net loss attributable to Harbinger Group Inc.	\$ (2,702)	\$ (727)	\$ (1,975)
Net loss per common share — basic and diluted	\$ (0.14)	\$ (0.04)	\$ (0.10)

Three Months Ended March 31, 2010 Compared to the Three Months Ended March 31, 2009

We reported a net loss of \$2.7 million or \$(0.14) per diluted share for the three months ended March 31, 2010 compared to a net loss of \$0.7 million or \$(0.04) per diluted share for the three months ended March 31, 2009. The increase in net loss principally resulted from an increase in professional fees associated with advisors retained to assist us in evaluating business acquisition opportunities as well as additional employee and other costs related to relocating our corporate headquarters.

The following presents a more detailed discussion of our operating results:

Revenues. For the three months ended March 31, 2010 and March 31, 2009, we had no revenues. We do not expect to recognize revenues until we acquire one or more operating businesses in the future.

Cost of revenues. For the three months ended March 31, 2010 and March 31, 2009, we had no cost of revenues.

General and administrative expenses. General and administrative expenses consist primarily of professional fees (including advisory services, legal and accounting fees), salaries and benefits, pension expense and insurance costs. General and administrative expenses increased \$2.5 million to \$3.7 million for the three months ended March 31, 2010 from \$1.2 million for the three months ended March 31, 2009. This increase was primarily a result of an increase in professional fees associated with advisors retained to assist us in evaluating business acquisition opportunities and increases in employee and other related costs associated with relocating our corporate headquarters to New York City. We expect general and administrative expenses to increase substantially during the remainder of 2010 compared with 2009 for the same reasons affecting the first quarter comparison.

[Table of Contents](#)

Interest income. Interest income decreased \$31,000 to \$36,000 for the three months ended March 31, 2010 from \$67,000 for the three months ended March 31, 2009. Our interest income will continue to be negligible while our cash equivalents and investments are invested principally in U.S. Government instruments and the interest rates on those instruments remain insignificant.

Other, net. Other income increased \$200,000 to \$232,000 for the three months ended March 31, 2010 from \$32,000 for the three months ended March 31, 2009. This increase is related to a settlement agreement under a solvent scheme arrangement with an insurer in the London market. Under the terms of the agreement, we accepted a settlement payment in exchange for the termination of insurance coverage on certain non-operating subsidiaries.

Income taxes. The effective tax benefit rate for the three months ended March 31, 2010 and March 31, 2009 was 22% and 34%, respectively. The benefit from income taxes for the three months ended March 31, 2010 represents the restoration of \$732,000 of deferred tax assets previously written off in connection with the change in control of our Company in the third quarter of 2009 and a related reversal of \$35,000 of accrued interest and penalties on uncertain tax positions. These deferred tax assets relate to net operating loss carryforwards which are realizable to the extent we settle our uncertain tax positions for which we had previously recorded \$732,000 of reserves and \$35,000 of related accrued interest and penalties. As a result, the final resolution of these uncertain tax positions will have no net effect on our future provision for (or benefit from) income taxes.

Due to our cumulative losses in recent years, we determined that, as of March 31, 2010, a valuation allowance was still required for all of our deferred tax assets other than our refundable alternative minimum tax credits and the \$732,000 amount described above. Accordingly, we do not expect to record any future benefit from income taxes until it is more likely than not that some or all of our remaining net operating loss carryforwards will be realizable.

Liquidity and Capital Resources

Our liquidity needs are primarily for professional fees (including advisory services, legal and accounting fees), salaries and benefits, pension expense and insurance costs. We may also utilize a significant portion of our cash, cash equivalents and investments to fund all or a portion of the cost of any future acquisitions.

As of March 31, 2010, our contractual obligations and other commercial commitments have not changed materially from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2009.

Our current source of liquidity is our cash, cash equivalents and investments. Because we currently limit our investments principally to U.S. Government instruments, we do not expect to earn significant interest income in the near term. In the future, we may expand our investment approach to include investments that will generate greater returns, but are not considered "investment securities" as defined under the Investment Company Act of 1940.

We expect these cash, cash equivalents and investment assets to continue to be a source of liquidity except to the extent they may be used to fund the acquisition of operating businesses or assets. As of March 31, 2010, our cash, cash equivalents and investments were \$148.7 million compared to \$151.9 million as of December 31, 2009.

Based on current levels of operations, we do not have any significant capital expenditure commitments and management believes that our consolidated cash, cash equivalents and investments on hand will be adequate to fund our operational and capital requirements for at least the next twelve months. Depending on the size and terms of future acquisitions of operating businesses or assets, we may raise additional capital through the issuance of equity or debt. There is no assurance, however, that such capital will be available at the time, in the amounts necessary or with terms satisfactory to us.

Summary of Cash Flows

The following table summarizes our consolidated cash flow information (in thousands):

Cash Used in:	Three Months Ended March 31,	
	2010	2009
Operating activities	\$ (3,226)	\$ (717)
Investing activities	(56,329)	(4,017)
Net change in cash	<u>(59,555)</u>	<u>(4,734)</u>

Net cash used in operating activities. Net cash used in operating activities was \$3.2 million for the three months ended March 31, 2010 compared to net cash used in operating activities of \$0.7 million for the three months ended March 31, 2009. The increase in usage of cash is related primarily to the higher net loss of \$2.7 million for the three months ended March 31, 2010.

Net cash used in investing activities. Variations in our net cash provided by (used in) investing activities are typically the result of the change in mix of cash, cash equivalents and investments during the period. All highly liquid investments with original maturities of three months or less are considered to be cash equivalents and all investments with original maturities of greater than three months are classified as either short- or long-term investments.

Cash used in investing activities was \$56.3 million for the three months ended March 31, 2010 compared to \$4.0 million for the three months ended March 31, 2009. The increase in cash used in investing activities resulted from additional purchases of short-term investments during the three months ended March 31, 2010 compared to the three months ended March 31, 2009.

We had no cash flows from financing activities for the three months ended March 31, 2010 or March 31, 2009.

Legal and Environmental Matters

In 2004, Utica Mutual Insurance Company (“Utica Mutual”) commenced an action against us in the Supreme Court for the County of Oneida, State of New York, seeking reimbursement under a general agreement of indemnity entered into by us in the late 1970s. Based upon the discovery to date, Utica Mutual is seeking reimbursement for payments it claims to have made under (1) a workers compensation bond and (2) certain reclamation bonds which were issued to certain former subsidiaries and are alleged by Utica Mutual to be covered by the general agreement of indemnity. While the precise amount of Utica Mutual’s claim is unclear, it appears it is claiming approximately \$0.5 million, including approximately \$0.2 million relating to the workers compensation bond and approximately \$0.3 million relating to reclamation bonds.

In 2005, we were notified by Weatherford International Inc. (“Weatherford”) of a claim for reimbursement of approximately \$0.2 million in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by a non-operating subsidiary of ours. The claim was made under an indemnification provision given by us to Weatherford in a 1995 asset purchase agreement and relates to alleged environmental contamination that purportedly existed on the properties prior to the date of the sale. Weatherford has also advised us that Weatherford anticipates that further remediation and cleanup may be required, although Weatherford has not provided any information regarding the cost of any such future clean up. We have challenged any responsibility to indemnify Weatherford. We believe that we have meritorious defenses to the claim, including that the alleged contamination occurred after the sale of the property, and we intend to vigorously defend against it.

In addition to the matters described above, we are involved in other litigation and claims incidental to our prior businesses. We have aggregate reserves for our legal and environmental matters of approximately \$0.4 million and \$0.3 million at March 31, 2010 and December 31, 2009, respectively. Although the outcome of these matters cannot be predicted with certainty and some of these matters may be disposed of unfavorably to us, based on currently available information, including legal defenses available to us, and given the aforementioned reserves and related insurance coverage, we do not believe that the outcome of these legal and environmental matters will have a material effect on our financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements/Guarantees

Throughout our history, we have entered into indemnifications in the ordinary course of business with our customers, suppliers, service providers, business partners and in certain instances, when we sold 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 known due to the extensive history of our past operations, costs incurred to settle claims related to these indemnifications have not been material to our financial statements. We have no reason to believe that future costs to settle claims related to our former operations will have a material impact on our financial position, results of operations or cash flows.

Recent Accounting Pronouncements Not Yet Adopted

As of the date of this report, there are no recent accounting pronouncements that have not yet been adopted that we believe would have a material impact on our consolidated financial statements.

Critical Accounting Policies and Estimates

As of March 31, 2010, our critical accounting policies and estimates have not changed materially from those set forth in our Form 10-K.

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

Not required for Smaller Reporting Companies.

Item 4. *Controls and Procedures*

Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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 report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of March 31, 2010, 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 Commission's rules and forms.

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 CEO and CFO, 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 quarter ended March 31, 2010. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that no significant changes in the Company's internal controls over financial reporting occurred during the quarter ended March 31, 2010 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND PROJECTIONS

This Quarterly Report on Form 10-Q (the “Report”) of Harbinger Group Inc. (which, together with its consolidated subsidiaries, is referred to as the “Company,” “we,” “us,” or “our”) and our majority owned subsidiary, Zap.Com Corporation, filed with the Securities and Exchange Commission (the “Commission”) may contain certain “forward-looking” statements as such term is defined by the Commission in its rules, regulations and releases, which represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans, such as those disclosed under the caption “Risk Factors” appearing in Item 1A of Part II of this Report, and in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “estimate,” “might,” or “continue” or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation and any other factors discussed in our filings with the Commission. These risks and uncertainties include, without limitation, the following:

- We may not be successful in identifying any suitable acquisition opportunities and future acquisitions may involve various risks.
- Volatility in global credit markets may impact our ability to obtain financing to fund acquisitions.
- Our principal stockholders hold a majority of our outstanding common stock and have interests which may conflict with interests of other stockholders. As a result of this ownership, we are a “controlled company” within the meaning of the NYSE rules and are exempt from certain corporate governance requirements.
- Future acquisitions and dispositions may not require a stockholder vote and may be material to us.
- The market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock.
- We may suffer adverse consequences if we are deemed an investment company and we may incur significant costs to avoid investment company status.
- We may be subject to an additional tax as a personal holding company on future undistributed personal holding company income if we generate passive income in excess of operating expenses.
- Agreements, transactions and operations involving former subsidiaries may give rise to future claims that could materially adversely impact our capital resources.
- Litigation defense and settlement costs with respect to our prior businesses may be material.
- Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test our internal controls over financial reporting and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price.

Item 1. *Legal Proceedings*

None.

Item 1A. *Risk Factors*

As of March 31, 2010, other than the risk described below, our risk factors have not changed materially from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009.

Changes in our investment portfolio would likely increase our risk of loss

Because our investments in U.S. Government instruments continue to generate nominal returns, we may explore alternatives (which could include the use of leverage) that could generate higher returns while we search for acquisition opportunities. Any such change in our investment portfolio would likely result in a higher risk of loss to us.

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

None.

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *(Removed and Reserved)*

Item 5. *Other Information*

None.

Item 6. *Exhibits*

- 3.1 Certificate of Incorporation of Harbinger Group Inc. (Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed December 28, 2009 (File No. 1-4219)).
- 3.2 Bylaws of Harbinger Group Inc. (Incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed December 28, 2009 (File No. 1-4219)).
- 10.1 Retention and Consulting Agreement dated as of January 22, 2010, by and between Harbinger Group Inc. and Leonard DiSalvo (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 28, 2010 (File No. 1-4219)).
- 10.2 Management and Advisory Services Agreement, dated as of March 1, 2010, by and between Harbinger Capital Partners LLC and Harbinger Group Inc. (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 5, 2010 (File No. 1-4219)).
- 31.1* Certification of CEO Pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of CFO Pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of CEO 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 CFO Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed or 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.

HARBINGER GROUP INC.
(Registrant)

Dated: May 5, 2010

By: /s/ FRANCIS T. McCARRON

Executive Vice President and Chief Financial Officer
(on behalf of the Registrant and as Principal
Financial Officer)

**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Philip A. Falcone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harbinger 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, 2010

/s/ PHILIP A. FALCONE

Philip A. Falcone

Chairman of the Board, President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Francis T. McCarron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harbinger 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, 2010

/s/ Francis T. McCarron

Francis T. McCarron

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CEO 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 Harbinger Group Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip A. Falcone, as Chairman of the Board, President and 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) 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 result of operations of the Company.

/s/ PHILIP A. FALCONE

Philip A. Falcone
Chairman of the Board, President and Chief Executive Officer
May 5, 2010

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.

**CERTIFICATION OF CFO 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 Harbinger Group Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis T. McCarron, as Executive Vice President and 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) 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 result of operations of the Company.

/s/ FRANCIS T. McCARRON

Francis T. McCarron
Executive Vice President and Chief Financial Officer
May 5, 2010

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.