# 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 September 30, 2010**

**OR**

o **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**<br>*(State or other jurisdiction of incorporation or organization)* | **74-1339132**<br>*(I.R.S. Employer Identification No.)* |
| **450 Park Avenue, 27th Floor**<br>**New York, NY**<br>*(Address of principal executive offices)* | **10022**<br>*(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 ☑ or No o.

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 o or No o.

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 o | Accelerated filer ☑ | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company ☑ |

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

There were 19,287,890 shares of the registrant's common stock outstanding as of November 5, 2010.

**HARBINGER GROUP INC.**

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## PART I: FINANCIAL INFORMATION

**Item 1.** ***Financial Statements***

### HARBINGER GROUP INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS
***(In thousands)***

| | September 30, 2010 (Unaudited) | December 31, 2009(A) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 85,967 | $ 127,932 |
| Short-term investments | 53,965 | 15,952 |
| Prepaid expenses and other current assets | 1,740 | 530 |
| Total current assets | 141,672 | 144,414 |
| Long-term investments | — | 8,039 |
| Property and equipment, net | 143 | 35 |
| Other assets | 497 | 395 |
| Total assets | $ 142,312 | $ 152,883 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,452 | $ 593 |
| Accrued and other current liabilities | 3,786 | 1,874 |
| Total current liabilities | 5,238 | 2,467 |
| Pension liabilities | 3,423 | 3,519 |
| Other liabilities | 684 | 1,100 |
| Total liabilities | 9,345 | 7,086 |
| Commitments and contingencies | | |
| Harbinger Group Inc. stockholders' equity: | | |
| Common stock | 193 | 193 |
| Additional paid in capital | 132,727 | 132,638 |
| Retained earnings | 10,243 | 23,848 |
| Accumulated other comprehensive loss | (10,223) | (10,912) |
| Total Harbinger Group Inc. stockholders' equity | 132,940 | 145,767 |
| Noncontrolling interest | 27 | 30 |
| Total equity | 132,967 | 145,797 |
| Total liabilities and equity | $ 142,312 | $ 152,883 |

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

See accompanying notes to condensed consolidated financial statements.

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## HARBINGER GROUP INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

*(In thousands, except per share data)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | (Unaudited) | | (Unaudited) | |
| Revenues | $ — | $ — | $ — | $ — |
| Cost of revenues | — | — | — | — |
| Gross profit | — | — | — | — |
| Operating expenses: | | | | |
| General and administrative | 7,803 | 1,401 | 14,876 | 3,775 |
| Total operating expenses | 7,803 | 1,401 | 14,876 | 3,775 |
| Operating loss | (7,803) | (1,401) | (14,876) | (3,775) |
| Other income: | | | | |
| Interest income | 60 | 55 | 156 | 197 |
| Other, net | 4 | 831 | 351 | 1,246 |
| | 64 | 886 | 507 | 1,443 |
| Loss before income taxes | (7,739) | (515) | (14,369) | (2,332) |
| (Provision for) benefit from income taxes | (6) | (7,984) | 761 | (7,356) |
| Net loss | (7,745) | (8,499) | (13,608) | (9,688) |
| Less: Net loss attributable to the noncontrolling interest | 1 | 1 | 3 | 2 |
| Net loss attributable to Harbinger Group Inc. | $ (7,744) | $ (8,498) | $ (13,605) | $ (9,686) |
| Net loss per common share — basic and diluted | $ (0.40) | $ (0.44) | $ (0.70) | $ (0.50) |
| Weighted average common shares outstanding | | | | |
| Basic | 19,286 | 19,281 | 19,286 | 19,278 |
| Diluted | 19,286 | 19,281 | 19,286 | 19,278 |

See accompanying notes to condensed consolidated financial statements.

**HARBINGER GROUP INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
***(In thousands)***

| | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Net loss | $ (13,608) | $ (9,688) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 26 | 4 |
| Stock-based compensation | 85 | — |
| Deferred income taxes | 148 | 7,336 |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other current assets | (1,326) | (123) |
| Accounts payable | 859 | (29) |
| Pension liabilities | 593 | 683 |
| Accrued and other current liabilities | 1,912 | 458 |
| Other liabilities | (416) | (57) |
| Net cash used in operating activities | (11,727) | (1,416) |
| Cash flows from investing activities: | | |
| Purchases of investments | (124,514) | (24,041) |
| Maturities of investments | 94,538 | 11,989 |
| Capital expenditures | (134) | (42) |
| Other investing activities | (132) | — |
| Net cash used in investing activities | (30,242) | (12,094) |
| Cash flows from financing activities: | | |
| Stock options exercised | 4 | — |
| Net cash provided by financing activities | 4 | — |
| Net decrease in cash and cash equivalents | (41,965) | (13,510) |
| Cash and cash equivalents at beginning of period | 127,932 | 142,694 |
| Cash and cash equivalents at end of period | $ 85,967 | $ 129,184 |

See accompanying notes to condensed consolidated financial statements.

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**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 on March 9, 2010. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results for any subsequent periods 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, the Company condensed "Non-trade receivables" into "Prepaid expenses and other current assets" in the Condensed Consolidated Balance Sheets and condensed the change in "Other receivables" into the change in "Prepaid expenses and other current assets" in the Condensed Consolidated Statements of Cash Flows.

**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" in the Condensed Consolidated Balance Sheets. 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):

| | September 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Unrecognized Loss | Carrying Amount | Fair Value | Unrecognized Loss |
| **Cash and cash equivalents:** | | | | | | |
| U.S. Treasury Bills | $ 70,043 | $ 70,041 | $ (2) | $ 127,593 | $ 127,591 | $ (2) |
| Treasury money market | 392 | 392 | — | 36 | 36 | — |
| Checking accounts | 15,536 | 15,536 | — | 303 | 303 | — |
| **Total cash and cash equivalents** | 85,971 | $ 85,969 | (2) | 127,932 | $ 127,930 | (2) |
| Less: Interest receivable classified as other current assets | (4) | | | — | | |
| **Total cash and cash equivalents, at cost** | 85,967 | | | 127,932 | | |
| **Short-term investments** | | | | | | |
| U.S. Treasury Bills and Notes | 54,033 | 54,005 | (28) | 15,956 | 15,916 | (40) |
| **Total short-term investments** | 54,033 | $ 54,005 | (28) | 15,956 | $ 15,916 | (40) |
| Less: Interest receivable classified as other current assets | (68) | | | (4) | | |
| **Total short-term investments, at cost** | 53,965 | | | 15,952 | | |
| **Long-term investments** | | | | | | |
| U.S. Treasury Notes | — | — | — | 8,056 | 8,018 | (38) |
| **Total long-term investments** | — | $ — | — | 8,056 | $ 8,018 | (38) |
| Less: Interest receivable classified as other current assets | — | | | (17) | | |
| **Total long-term investments, at cost** | — | | | 8,039 | | |
| **Total cash and investments** | $ 139,932 | | $ (30) | $ 151,923 | | $ (80) |

The Company expects that none of the gross unrecognized losses aggregating $30,000 as of September 30, 2010 will be realized 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.

**Note 3. Comprehensive Loss**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Net loss | $ (7,745) | $ (8,499) | $ (13,608) | $ (9,688) |
| Actuarial adjustments to pension plans, net of tax of $0, $77, $0 and $231 | 230 | 143 | 689 | 429 |
| Total comprehensive loss | (7,515) | (8,356) | (12,919) | (9,259) |
| Less: Comprehensive loss (income) attributable to the noncontrolling interest | 1 | 1 | 3 | 2 |
| Comprehensive loss attributable to Harbinger Group Inc. | $ (7,514) | $ (8,355) | $ (12,916) | $ (9,257) |

**Note 4. Net Loss Per Common Share Information**

"Net loss per common share — basic" is computed by dividing "Net loss attributable to Harbinger Group Inc." by the weighted average number of common shares outstanding. "Net loss per common share — diluted" for the three and nine months ended September 30, 2010 and September 30, 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 September 30, 2010, there were 508,600 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 $5.62 per share.

**Note 5. Income Taxes**

The effective tax benefit rate for the nine months ended September 30, 2010 was 5%. The benefit from income taxes for the nine months ended September 30, 2010 principally represents the restoration in the 2010 first quarter 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.

In the third quarter of 2009, the Company wrote off $8.2 million of deferred tax assets. This resulted from the Company's ownership change that, pursuant to Section 382 and 383 of the Internal Revenue Code, limits its ability to utilize its net operating loss carryforwards and alternative minimum tax credits.

Due to the Company's cumulative losses in recent years, it determined that, as of September 30, 2010, a valuation allowance was still required for all of its deferred tax assets other than its refundable alternative minimum tax credits and the balance of deferred tax assets described above. Accordingly, the Company did not record any tax benefit for the three months ended September 30, 2010 and 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. The $6,000 provision for income taxes in the three months ended September 30, 2010 was for certain state taxes.

As of September 30, 2010 and December 31, 2009, the Company had $366,000 and $732,000, respectively, of aggregate unrecognized tax benefits classified within "Other liabilities". The decrease of $366,000 during the nine months ended September 30, 2010 resulted from the expiration in the third quarter of 2010 of the statute of limitations for certain unrecognized tax benefits. This was effectively offset by a $366,000 reduction of deferred tax assets which, as described above, had been restored in the first quarter of 2010.

**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 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 during 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 (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Service costs | $ — | $ — | $ — | $ — |
| Interest costs | 251 | 275 | 753 | 825 |
| Expected return on plan assets | (257) | (242) | (771) | (726) |
| Amortization of actuarial loss | 230 | 220 | 689 | 660 |
| Net periodic pension cost | $ 224 | $ 253 | $ 671 | $ 759 |

Fair value measurements of net periodic benefit costs are as follows (in thousands):

| Asset Category | Fair Value(A) |
|---|---|
| Domestic equity securities | $ 7,021 |
| International equity securities | 1,456 |
| Fixed income | 6,029 |
| Total | $ 14,506 |

(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 provided by the Company 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 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 current and prior businesses. These include multiple complaints in Mississippi and Louisiana state courts and in a federal multi-district litigation alleging injury from exposure to asbestos on offshore drilling rigs and shipping vessels formerly owned or operated by the Company’s offshore drilling and bulk-shipping affiliates. The Company has aggregate reserves for its legal and environmental matters of approximately $0.3 million at both September 30, 2010 and December 31, 2009. 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 (“Harbinger Capital”), an affiliate of the Company, whereby Harbinger Capital may provide advisory and consulting services to the Company. The Company has agreed to reimburse Harbinger Capital for its out-of-pocket expenses and the cost of certain services performed by legal and accounting personnel of Harbinger Capital under the agreement. For the three and nine months ended September 30, 2010, the Company did not accrue any costs related to this agreement.

On September 10, 2010, the Company entered into a Contribution and Exchange Agreement (the “Exchange Agreement”) with Harbinger Capital Partners Master Fund I, Ltd., a Cayman Islands exempted company (the “Harbinger Master Fund”), Harbinger Capital Partners Special Situations Fund, L.P., a Delaware limited partnership, and Global Opportunities Breakaway Ltd., a Cayman Islands exempted company (collectively, the “Harbinger Parties”). The Harbinger Parties are our principal stockholders and are affiliates of Harbinger Capital.

Pursuant to the Exchange Agreement, the Company will issue an aggregate of 119,909,830 shares of its common stock to the Harbinger Parties in exchange for an aggregate of 27,756,905 shares of common stock (the “SB Holdings Contributed Shares”), $0.01 par value per share (the “SB Holdings common stock”), of Spectrum Brands Holdings, Inc., a Delaware corporation (“SB Holdings”), owned by the Harbinger Parties (the “Spectrum Brands Acquisition”), or approximately 54.4% of the outstanding SB Holdings common stock (approximately 54.1% on a fully diluted basis). The exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average trading prices of the Company’s common stock ($6.33) and SB Holdings common stock ($27.36) on the New York Stock Exchange (the “NYSE”) for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day the Company received the Harbinger Parties’ proposal for the Spectrum Brands Acquisition.

SB Holdings is a global consumer products company and a leading supplier of batteries, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn & garden and home pest control products, personal insect repellents and portable lighting. Included in its portfolio of brands are Rayovac®, Remington®, Varta®, George Foreman®, Black&Decker Home®, Toastmaster®, Tetra®, Marineland®, Nature's Miracle®, Dingo®, 8-in-1 ®, Littermaid®, Spectracide®, Cutter®, Repel®, and HotShot®.

The Harbinger Parties currently own 9,950,061 shares of the Company's common stock, or approximately 51.6% of the outstanding common stock of the Company, and 34,256,905 shares of SB Holdings common stock.

The consummation of the Spectrum Brands Acquisition will result in the following: (i) the Harbinger Parties will together own approximately 93.3% of the Company's outstanding common stock; (ii) SB Holdings will become the Company's majority-owned subsidiary and its results will be consolidated with the Company's results in its financial statements; (iii) the Company will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares; (iv) Harbinger Master Fund will own approximately 12.7% of the outstanding and fully diluted shares of SB Holdings common stock; and (v) the remaining 32.9% of the outstanding SB Holdings common stock, or approximately 32.7% of the fully diluted shares, will continue to be owned by stockholders of SB Holdings who are not affiliated with the Harbinger Parties. SB Holdings common stock will continue to be traded on the NYSE under the symbol "SPB" following the consummation of the Spectrum Brands Acquisition.

On September 10, 2010, a special committee of the Company's board of directors (the "Committee"), consisting solely of directors who have been determined by the Company's board of directors to be independent under the NYSE rules, unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, the Company and its stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that the Company's board of directors approve the Exchange Agreement and the Company's stockholders approve the issuance of the Company's common stock pursuant to the Exchange Agreement. On September 10, 2010, the Company's board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, the Company and its stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that the Company's stockholders approve the issuance of its common stock pursuant to the Exchange Agreement.

On September 10, 2010, the Harbinger Parties, who held a majority of the Company's outstanding common stock on that date, approved the issuance of the Company's common stock pursuant to the Exchange Agreement by written consent in lieu of a meeting pursuant to Section 228 of the General Corporation Law of the State of Delaware.

The Spectrum Brands Acquisition is subject to the following closing conditions, in addition to other customary closing conditions:

- approval of the issuance of shares of the Company's common stock to the Harbinger Parties under the Exchange Agreement by the holders of a majority of the outstanding shares of the Company's common stock (this condition has been satisfied);
- the filing of an information statement with the Securities and Exchange Commission (the "SEC") and the mailing of the information statement to the Company's stockholders at least 20 calendar days prior to the consummation of the Spectrum Brands Acquisition;
- approval for the listing on the NYSE of shares of the Company's common stock to be issued under the Exchange Agreement;
- the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the SB Holdings Contributed Shares must represent at least 52.0% of SB Holdings outstanding common stock as of the closing date of the Spectrum Brands Acquisition calculated on a fully diluted basis;
- each Harbinger Party's delivery of a certificate to the Company with respect to the tax treatment of the Spectrum Brands Acquisition applicable to the Harbinger Parties;
- the Harbinger Parties' delivery to the Company of a certain Lock-Up Letter (as defined); and
- the Company Registration Rights Agreement, as executed by the Company, and the SB Holdings Stockholder Agreement, as joined by the Company (each as defined), remaining in full force and effect.

The shares of the Company's common stock to be issued to the Harbinger Parties pursuant to the Exchange Agreement and the SB Holdings Contributed Shares to be contributed to the Company will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). These shares will be restricted securities under the Securities Act. The Company may not be able to sell the SB Holdings Contributed Shares and the Harbinger Parties may not be able to sell their shares of the Company's common stock acquired under the Exchange Agreement, except pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those shares, (ii) Rule 144 under the Securities Act, which requires a specified holding period and limits the manner and volume of sales, or (iii) any other applicable exemption under the Securities Act.

**Note 9. Subsequent Events**

The Company evaluated subsequent events through the date when the financial statements were issued. During this period, the Company did not have any material recognizable subsequent events; however the Company did have unrecognized subsequent events as described below:

On October 8, 2010, the Company filed a Current Report on Form 8-K disclosing that it received an offer from the Harbinger Master Fund (i) to assign to the Company the Harbinger Master Fund's rights to acquire Old Mutual U.S. Life Holdings, Inc. and (ii) to transfer to the Company the Harbinger Master Fund's interest in Front Street Re, Ltd. (together, the "Insurance Transaction"). After further discussing financing alternatives and the Insurance Transaction as currently proposed, the Company and the Master Fund determined not to proceed with the Insurance Transaction by the Company. The parties may reconsider the Insurance Transaction by the Company on different terms in the future, but there is no proposal at this time and there can be no assurance that there will be an alternate proposal in the future.

On November 5, 2010, the Company priced $350 million aggregate principal amount of its 10.625% senior secured notes due 2015 (the "Notes"). The Notes will be sold in a private placement pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, subject to market and other conditions. The Notes will be issued at a price equal to 98.587% of the principal amount thereof. The Company expects the offering to close on November 15, 2010, subject to the satisfaction of customary closing conditions. The Company intends to use the net proceeds from the offering for general corporate purposes, which may include acquisitions and other investments. The net proceeds of the offering will be held in a segregated escrow account until consummation of the Spectrum Brands Acquisition. If the escrow conditions are not fulfilled by March 31, 2011, the Company will redeem the Notes at the issue price of the Notes, plus accrued yield and accrued and unpaid interest.

**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," "HGI," "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") filed with the Securities and Exchange Commission (the "Commission") on March 9, 2010. 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" 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, our Form 10-K and our other filings with the Commission.

**Overview**

We are a holding company that is majority owned by Harbinger Capital Partners Master Fund I, Ltd. (the "Harbinger Master Fund"), Global Opportunities Breakaway Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. (together, the "Harbinger Parties"). We were incorporated in Delaware in 1954 under the name Zapata Corporation and reincorporated in Nevada in April 1999 under the same name. On December 23, 2009, we were reincorporated in Delaware under the name Harbinger Group Inc. We had approximately $139.9 million in cash, cash equivalents and short-term investments (including U.S. Government Agency and Treasury securities), as of September 30, 2010. Our common stock trades on the New York Stock Exchange (the "NYSE") under the symbol "HRG".

Since the completion of the disposition of our 57% ownership interest in the common stock of Omega Protein Corporation in December 2006, we have held substantially all of our assets in cash, cash equivalents and short-term investments. Since then, we have been actively looking for acquisition or investment opportunities with a principal focus on identifying and evaluating potential acquisitions of operating businesses. These efforts accelerated after the Harbinger Parties acquired 9.9 million shares, or approximately 51.6%, of our common stock in July 2009.

On September 10, 2010, we entered into the exchange agreement (the "Exchange Agreement") with the Harbinger Parties pursuant to which we will issue approximately 119.9 million shares of our common stock to the Harbinger Parties in exchange for approximately 27.8 million shares of common stock of SB Holdings, Inc. ("SB Holdings") (the "Spectrum Brands Acquisition"). We filed our definitive information statement related to the Spectrum Brands Acquisition with the Securities and Exchange Commission (the "SEC") on November 5, 2010 and we mailed the definitive information statement to our stockholders on November 8, 2010. We expect the Spectrum Brands Acquisition to close in the fourth quarter of 2010. Pro forma for the Spectrum Brands Acquisition, we will own approximately 54.4% of the outstanding shares of SB Holdings common stock, with a current market value of approximately $787 million (as of October 29, 2010). The Harbinger Parties will own approximately 93.3% of our outstanding shares of common stock on a pro forma basis. We are also issuing $350 million principal amount of our 10.625% senior secured notes due 2015 (the "Notes").

We plan to become a holding company focused on obtaining controlling equity stakes in subsidiaries that operate across a diversified set of industries. We view the Spectrum Brands Acquisition as a first step in the process. We have identified the following six sectors in which we intend to pursue investment opportunities: consumer products, insurance and financial products, telecom, agriculture, power generation and water and natural resources.

In order to pursue our strategy, we will utilize the investment expertise and industry knowledge of Harbinger Capital Partners LLC ("Harbinger Capital"), a multi-billion dollar private investment firm based in New York. We believe that the team at Harbinger Capital has a track record of making successful investments across various industries. We believe that our affiliation with Harbinger Capital will enhance our ability to identify and evaluate potential acquisition opportunities appropriate for a permanent capital vehicle. Our corporate structure provides significant advantages compared to the traditional hedge fund structure for long-term holdings as our sources of capital are longer term in nature and thus will more closely match our principal investment strategy. In addition, our corporate structure provides additional options for funding acquisitions, including the ability to use our common stock as a form of consideration.

Philip Falcone, who serves as our Chairman, Chief Executive Officer and President, founded Harbinger Capital in 2001. Mr. Falcone has over two decades of experience in leveraged finance, distressed debt and special situations. In addition to Mr. Falcone, Harbinger Capital employs a wide variety of professionals, including more than 20 investment professionals with expertise across various industries, including our targeted sectors.

**Our Competitive Strengths**

*Significant equity value:* Pro forma for the completion of the Spectrum Brands Acquisition and our planned issuance of Notes described above under "Overview", our stockholders equity will be approximately $720 million.

*Strong liquidity position:* Pro forma for the our planned issuance of the Notes, we have ample liquidity with cash, cash equivalents and short-term investments of approximately $468 million. Our liquidity will provide us a significant advantage in pursuing acquisition opportunities, giving us the ability to execute investments without financing contingencies. We believe our liquidity position provides us the ability to meet our cash obligations at HGI, including our general and administrative expenses and interest payments on the Notes we expect to issue.

*Proven investment team:* We believe that we will benefit from the investment expertise and resources of Harbinger Capital. Harbinger Capital employs a wide variety of professionals, including more than 20 investment professionals with expertise across various industries. Mr. Falcone, who serves as our Chairman, Chief Executive Officer and President, founded Harbinger Capital in 2001. Mr. Falcone has over two decades of experience in leveraged finance, distressed debt and special situations. Prior to founding Harbinger Capital, Mr. Falcone was head of high yield trading for Barclays Capital, responsible for all aspects of trading operations (including distressed debt and special situations), managing risk exposure and overseeing the desk trading and analytics team. Mr. Falcone's prior experience included positions with Gleacher Natwest, First Union Capital Markets and Kidder, Peabody & Co. We believe Mr. Falcone's substantial experience and relationships in the investment industry will assist us in identifying and executing investment opportunities.

**Our Strategy**

The key elements of our business strategy will include the following:

*Seek to acquire undervalued assets.* We intend to make investments in businesses that we consider to be undervalued and have potential for growth. We plan to utilize our relationship with Harbinger Capital to identify and evaluate acquisition opportunities. Over time, we plan to become a holding company focused on obtaining controlling equity stakes in subsidiaries that operate across a diversified set of industries. In addition to our intention to acquire controlling equity interests, we may also make investments in debt instruments and acquire minority equity interests in companies.

*Actively manage our business.* We intend to take an active approach to managing our investments in companies in which we acquire a controlling interest. Such activities may include assembling senior management teams with the expertise to operate the businesses and providing management of such companies with specific operating objectives.

**Competition**

In identifying, evaluating and selecting a target business, we may encounter intense competition from other entities having similar business objectives such as strategic investors, private equity groups and special purpose acquisition corporations. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us, and our financial resources will be relatively limited when contrasted with many of these competitors. Any of these factors may place us at a competitive disadvantage in successfully negotiating a business combination.

The Harbinger Parties 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 us. Our directors and officers who are affiliated with Harbinger Capital may consider, among other things, asset type and investment time horizon in evaluating opportunities for us. In recognition of the potential conflicts that these persons and our other directors may have with respect to corporate opportunities, our amended and restated certificate of incorporation 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, our board of directors renounced our interests and expectancies in the wireless communications industry. However, a renunciation of interests and expectancies in specific industries does not preclude us from seeking business acquisitions in those industries. We have had discussions regarding potential investments in various industries, including wireless communications.

**Employees**

At September 30, 2010, we employed 7 persons. In the normal course of business, we use contract personnel to supplement our employee base to meet our business needs. We believe that our employee relations are generally satisfactory. We expect we will need to hire additional employees as a result of our ownership of a majority interest in SB Holdings and the increasing complexity of our business.

**Recent Developments**

***Spectrum Brands Acquisition***

On September 10, 2010, we entered into the Exchange Agreement with the Harbinger Parties. Under the Exchange Agreement, we will issue 119,909,830 shares of our common stock to the Harbinger Parties in exchange for 27,756,905 shares of SB Holdings common stock (the "SB Holdings Contributed Shares"), owned by the Harbinger Parties, or approximately 54.4% of the outstanding SB Holdings common stock (approximately 54.1% on a fully diluted basis). The exchange ratio of 4.32 to 1.00 was based on the respective volume weighted average trading prices of our common stock ($6.33) and SB Holdings common stock ($27.36) on the NYSE for the 30 trading days from and including July 2, 2010 to and including August 13, 2010, the day we received the Harbinger Parties' proposal for the Spectrum Brands Acquisition.

SB Holdings is a global consumer products company and a leading supplier of batteries, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn & garden and home pest control products, personal insect repellents and portable lighting. Included in its portfolio of brands are Rayovac®, Remington®, Varta®, George Foreman®, Black&Decker Home®, Toastmaster®, Tetra®, Marineland®, Nature's Miracle®, Dingo®, 8-in-1®, Littermaid®, Spectracide®, Cutter®, Repel®, and HotShot®. SB Holdings' products are sold by the world's top 25 retailers and are available in more than one million stores in more than 120 countries around the world. SB Holdings' businesses generate annual revenue from continuing operations in excess of $3 billion.

The Harbinger Parties currently own 9,950,061 shares of our common stock, or approximately 51.6% of our outstanding common stock, and 34,256,905 shares of SB Holdings common stock.

The consummation of the Spectrum Brands Acquisition will result in the following: (i) the Harbinger Parties will together own approximately 93.3% of our outstanding common stock; (ii) SB Holdings will become our majority-owned subsidiary and its results will be consolidated with our results in our financial statements; (iii) we will own approximately 54.4% of the outstanding SB Holdings common stock, or 54.1% of the fully diluted shares; (iv) Harbinger Master Fund will own approximately 12.7% of the outstanding and fully diluted shares of SB Holdings common stock; and (v) the remaining 32.9% of the outstanding SB Holdings common stock, or approximately 32.7% of the fully diluted shares, will continue to be owned by stockholders of SB Holdings who are not affiliated with the Harbinger Parties. SB Holdings common stock will continue to be traded on the NYSE under the symbol “SPB” following the consummation of the Spectrum Brands Acquisition.

On September 10, 2010, a special committee of our board of directors (the “Committee”), consisting solely of directors who have been determined by our board of directors to be independent under the NYSE rules, unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of, us and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our board of directors approve the Exchange Agreement and our stockholders approve the issuance of our common stock under the Exchange Agreement. On September 10, 2010, our board of directors (based in part on the unanimous approval and recommendation of the Committee) unanimously determined that the Exchange Agreement and the Spectrum Brands Acquisition are advisable to, and in the best interests of us and our stockholders (other than the Harbinger Parties), approved the Exchange Agreement and the transactions contemplated thereby, and recommended that our stockholders approve the issuance of our common stock pursuant to the Exchange Agreement.

On September 10, 2010, the Harbinger Parties, who held a majority of our outstanding common stock on that date, approved the issuance of our common stock pursuant to the Exchange Agreement by written consent in lieu of a meeting pursuant to Section 228 of the General Corporation Law of the State of Delaware.

The Spectrum Brands Acquisition is subject to the following closing conditions, in addition to other customary closing conditions:

- approval of the issuance of shares of our common stock to the Harbinger Parties under the Exchange Agreement by the holders of a majority of the outstanding shares of our common stock (this condition has been satisfied);
- the filing of an information statement with the SEC and the mailing of the information statement to our stockholders at least 20 calendar days prior to the consummation of the Spectrum Brands Acquisition;
- approval for the listing on the NYSE of shares of our common stock to be issued under the Exchange Agreement;
- the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the SB Holdings Contributed Shares must represent at least 52.0% of SB Holdings outstanding common stock as of the closing date of the Spectrum Brands Acquisition calculated on a fully diluted basis;
- each Harbinger Party's delivery of a certificate to us with respect to the tax treatment of the Spectrum Brands Acquisition applicable to the Harbinger Parties;
- the Harbinger Parties' delivery to us of a certain Lock-Up Letter (as defined); and
- our Registration Rights Agreement, as executed by us, and the SB Holdings Stockholder Agreement, as joined by us (each as defined), remaining in full force and effect.

The shares of our common stock to be issued to the Harbinger Parties pursuant to the Exchange Agreement and the SB Holdings Contributed Shares to be contributed to us will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). These shares will be restricted securities under the Securities Act. We may not be able to sell the SB Holdings Contributed Shares and the Harbinger Parties may not be able to sell their shares of our common stock acquired under the Exchange Agreement, except pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those shares, (ii) Rule 144 under the Securities Act, which requires a specified holding period and limits the manner and volume of sales, or (iii) any other applicable exemption under the Securities Act.

***Insurance Transaction***

On October 8, 2010, we filed a Current Report on Form 8-K with the Commission disclosing that we received an offer from the Harbinger Master Fund (i) to assign to us the Harbinger Master Fund's rights to acquire Old Mutual U.S. Life Holdings, Inc. and (ii) to transfer to us the Harbinger Master Fund's interest in Front Street Re, Ltd. (together, the "Insurance Transaction"). After further discussing financing alternatives and the Insurance Transaction as currently proposed, we and the Master Fund determined not to proceed with the Insurance Transaction by HGI. The parties may reconsider the Insurance Transaction by HGI on different terms in the future, but there is no proposal at this time and there can be no assurance that there will be an alternate proposal in the future.

***Senior Secured Notes Offering***

On November 5, 2010, we priced $350 million aggregate principal amount of our Notes. The Notes will be sold in a private placement pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, subject to market and other conditions. The Notes will be issued at a price equal to 98.587% of the principal amount thereof. We expect the offering to close on November 15, 2010, subject to the satisfaction of customary closing conditions. We intend to use the net proceeds from the offering for general corporate purposes, which may include acquisitions and other investments. The net proceeds of the offering will be held in a segregated escrow account until consummation of the Spectrum Brands Acquisition. If the escrow conditions are not fulfilled by March 31, 2011, we will redeem the Notes at the issue price of the Notes, plus accrued yield and accrued and unpaid interest.

**Results of Operations**

Presented below is a table that summarizes our results of operations and compares the amount of the change between the three and nine months ended September 30, 2010 and September 30, 2009 (in thousands, except per share amounts):

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Favorable / (Unfavorable) Change | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 | Favorable / (Unfavorable) Change |
|---|---|---|---|---|---|---|
| | (Unaudited) | | | (Unaudited) | | |
| Revenues | $ — | $ — | $ — | $ — | $ — | $ — |
| Cost of revenues | — | — | — | — | — | — |
| Gross profit | — | — | — | — | — | — |
| Operating expenses: | | | | | | |
| General and administrative | 7,803 | 1,401 | (6,402) | 14,876 | 3,775 | (11,101) |
| Total operating expenses | 7,803 | 1,401 | (6,402) | 14,876 | 3,775 | (11,101) |
| Operating loss | (7,803) | (1,401) | (6,402) | (14,876) | (3,775) | (11,101) |
| Other income: | | | | | | |
| Interest income | 60 | 55 | 5 | 156 | 197 | (41) |
| Other, net | 4 | 831 | (827) | 351 | 1,246 | (895) |
| | 64 | 886 | (822) | 507 | 1,443 | (936) |
| Loss before income taxes | (7,739) | (515) | (7,224) | (14,369) | (2,332) | (12,037) |
| (Provision for) benefit from income taxes | (6) | (7,984) | 7,978 | 761 | (7,356) | 8,117 |
| Net loss | (7,745) | (8,499) | 754 | (13,608) | (9,688) | (3,920) |
| Less: Net loss attributable to the noncontrolling interest | 1 | 1 | — | 3 | 2 | 1 |
| Net loss attributable to Harbinger Group Inc. | $ (7,744) | $ (8,498) | $ 754 | $ (13,605) | $ (9,686) | $ (3,919) |
| Net loss per common share — basic and diluted | $ (0.40) | $ (0.44) | $ 0.04 | $ (0.70) | $ (0.50) | $ (0.20) |

***Three and Nine Months Ended September 30, 2010 Compared to the Three and Nine Months Ended September 30, 2009***

We reported a net loss of $7.7 million or $(0.40) per diluted share, and $13.6 million or $(0.70) per diluted share for the three and nine months ended September 30, 2010, respectively, compared to a net loss of $8.5 million or $(0.44) per diluted share, and $9.7 million or $(0.50) per diluted share, for the three and nine months ended September 30, 2009, respectively. The net loss for the three and nine months ended September 30, 2009 reflected the write off of $8.2 million of deferred tax assets in connection with our change in controlling shareholders. The increase in our pre-tax loss in both the three and nine month periods principally resulted from an increase in professional fees associated with advisors retained to assist us in evaluating business acquisition opportunities and preparing related public company filings and, to a lesser extent, from 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 and nine months ended September 30, 2010 and September 30, 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 and nine months ended September 30, 2010 and September 30, 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 $6.4 million to $7.8 million for the three months ended September 30, 2010 from $1.4 million for the three months ended September 30, 2009, and increased $11.1 million to $14.9 million for the nine months ended September 30, 2010 from $3.8 million for the nine months ended September 30, 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 preparing related public company filings and, to a lesser extent, increases in employee and other costs related to relocating our corporate headquarters to New York City. For the three and nine months ended September 30, 2010, we incurred $6.3 million and $9.3 million, respectively, in professional fees related to potential acquisitions, including $4.3 million in both periods related to our pending Spectrum Brands Acquisition, compared to insignificant amounts in the prior year comparable periods. We expect professional fees related to acquisitions to decrease in the fourth quarter of 2010 compared to the third quarter of 2010.

*Interest income.* Interest income increased $5,000 to $60,000 for the three months ended September 30, 2010 from $55,000 for the three months ended September 30, 2009, and decreased $41,000 to $156,000 for the nine months ended September 30, 2010 from $197,000 for the nine months ended September 30, 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 decreased $827,000 to $4,000 for the three months ended September 30, 2010 from $831,000 for the three months ended September 30, 2009, and decreased $895,000 to $351,000 for the nine months ended September 30, 2010 from $1.2 million for the nine months ended September 30, 2009. Our other income is primarily related to settlements on legal claims relating to solvent schemes with insurers in various markets. The fluctuation in other income will vary as we reach settlements with these insurers.

*Income taxes.* The effective tax benefit rate for the three and nine months ended September 30, 2010 was nil and 5%, respectively. The benefit from income taxes for the nine months ended September 30, 2010 principally represents the restoration in the 2010 first quarter 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.

In the third quarter of 2009, we wrote off $8.2 million of deferred tax assets. This resulted from our ownership change that, pursuant to Sections 382 and 383 of the Internal Revenue Code, limits our ability to utilize our net operating loss carryforwards and alternative minimum tax credits.

Due to our cumulative losses in recent years, we determined that, as of September 30, 2010, a valuation allowance was still required for all of our deferred tax assets other than our refundable alternative minimum tax credits and the balance of deferred tax assets described above. Accordingly, we did not record any tax benefit for the three months ended September 30, 2010 and 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. The $6,000 provision for income taxes in the three months ended September 30, 2010 was for certain state taxes.

**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 September 30, 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 September 30, 2010, our cash, cash equivalents and investments were $139.9 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. As described in “— Recent Developments — Senior Secured Notes Offering,” we expect to issue $350 million principal amount of 10.625% senior secured notes due 2015, which would significantly enhance our liquidity. Depending on the size and terms of future acquisitions of operating businesses or assets, we may also seek to raise capital through the issuance of equity and to incur additional debt. There is no assurance, however, that such capital or additional debt 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):

| | Nine Months Ended September 30, | |
|---|---|---|
| **Cash (used in) provided by:** | **2010** | **2009** |
| Operating activities | $ (11,727) | $ (1,416) |
| Investing activities | (30,242) | (12,094) |
| Financing activities | 4 | — |
| Net change in cash | $ (41,965) | $ (13,510) |

*Net cash used in operating activities.* Net cash used in operating activities was $11.7 million for the nine months ended September 30, 2010 compared to net cash used in operating activities of $1.4 million for the nine months ended September 30, 2009. The increase in usage of cash is primarily related to higher general and administrative expenditures for the nine months ended September 30, 2010.

*Net cash used in investing activities.* Variations in our net cash provided by or 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.

Net cash used in investing activities was $30.2 million for the nine months ended September 30, 2010 compared to $12.1 million for the nine months ended September 30, 2009. The increase in cash used in investing activities resulted principally from additional purchases of short-term investments during the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009.

*Net cash provided by financing activities.* Cash provided by financing activities was $4 million for the nine months ended September 30, 2010 representing proceeds from stock options exercised. We had no cash flows from financing activities for the nine months ended September 30, 2009.

***Legal and Environmental Matters***

Legal and Environmental Matters Regarding Our Business

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 the 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 it 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 current and prior businesses. These include pending cases in Mississippi and Louisiana state courts and in a federal multi-district litigation alleging injury from exposure to asbestos on offshore drilling rigs and shipping vessels formerly owned or operated by our offshore drilling and bulk-shipping affiliates.

We have aggregate reserves for our legal and environmental matters of approximately $0.3 million at both September 30, 2010 and December 31, 2009, which reserves relate primarily to the Utica Mutual and Weatherford claims described above. Although the outcome of these matters cannot be predicted with certainty, some of these matters may be disposed of unfavorably to us and we continue to incur ongoing defense costs in connection with some of these matters. However, 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.

Legal Matters Involving the Harbinger Parties and Their Affiliates

The Harbinger Parties and their affiliates have historically been involved in miscellaneous corporate litigation related to transactions or the protection and advancement of some of their investments, such as litigation over satisfaction of closing conditions or litigation related to proxy contests and tender offers. These actions arise from the investing activities of the Harbinger Parties and their affiliates conducted in the ordinary course of their business and do not arise from any allegations of misconduct asserted by investors in the Harbinger Capital investment funds against Harbinger Capital or its personnel. Currently, the Harbinger Parties and their affiliates are defendants in one such action filed by Nacco, Inc., concerning the acquisition by certain Harbinger Parties of Applica Incorporated in November 2006.

In addition, the Harbinger Parties and their affiliates routinely cooperate with governmental and regulatory examinations, information-gathering requests (including informal requests, subpoenas, and orders seeking documents, testimony, and other information), and investigations and proceedings (both formal and informal). The Harbinger Parties and their affiliates are currently cooperating with informal investigations with respect to particular investments and trading in securities of particular issuers. The Harbinger Parties and their affiliates or investment funds are not currently parties to any litigation or formal enforcement proceeding brought by any governmental or regulatory authority.

**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 September 30, 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 September 30, 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 September 30, 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 September 30, 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

We have made forward-looking statements in this Quarterly Report on Form 10-Q (the “Report”) that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations of our company. Forward-looking statements specifically include, without limitation, the information regarding: projections, efficiencies/cost avoidance, cost savings, income and margins, earnings per share, growth, economies of scale, combined operations, the economy, future economic performance, conditions to, and the timetable for, completing the Spectrum Brands Acquisition, future acquisitions and dispositions, litigation, potential and contingent liabilities, management’s plans, business portfolios, changes in regulations and taxes.

Forward-looking statements may be preceded by, followed by or include the words “may,” “will,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “could,” “might,” or “continue” or the negative or other variations thereof or comparable terminology. 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.

Forward-looking statements are not guarantees of performance. You should understand that the following important factors, in addition to those discussed in “Item 1A. Risk Factors,” below, could affect the future results of our company, and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements.

Important factors that could affect our future results, include, without limitation, the following:

- our inability to successfully identify additional suitable acquisition opportunities and future acquisitions potentially involving various risks;
- difficulty in fully executing our business strategy due to significant competition for acquisition and investment opportunities, including from numerous companies with a business plan similar to ours;
- various unknown risks and uncertainties that would result from future acquisitions;
- we expect to issue $350 principal amount of senior secured notes due 2015 and we may issue other debt securities or otherwise incur substantial additional debt, which may adversely affect our leverage and financial condition;
- we may issue additional shares of common stock or other securities convertible into our common stock, which would dilute the interests of our stockholders and could present other risks and may adversely affect our price;
- our inability to obtain additional financing to consummate future investments or acquisitions or to fund the operations and growth of an investment or acquisition, which could compel us to restructure the transaction or abandon a particular investment or acquisition;
- changes in the market prices of publicly traded equity interests that we may acquire, particularly during times of volatility in security prices, could impact the aggregate value of our company portfolio and equity;
- our ability to dispose of equity interests that we may acquire may be limited by restrictive stockholder agreements and by securities laws;
- our principal stockholders hold a majority of our outstanding common stock and have interests which may conflict with interests of our other stockholders and, 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;
- our future acquisitions and dispositions may not require a stockholder vote and may be material to us;

- our dependence on certain key personnel;
- our officers, directors, stockholders and their respective affiliates may have a pecuniary interest in certain transactions in which we are involved, and may also compete with us;
- changes in our investment portfolio would likely increase our risk of loss and subject us to additional risks;
- our ability to increase the size of our organization and manage our growth;
- 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 and transactions involving former subsidiaries may give rise to future claims that could materially adversely impact our capital resources;
- our investments in any future joint investment could be adversely affected by our lack of sole decision-making authority, our reliance on a partner's financial condition and disputes between us and our partners;
- resources could be wasted in researching acquisition or investment targets that are not consummated;
- there may be tax consequences associated with our acquisition, holding and disposition of target companies and assets;
- 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;
- if we do not come into compliance with the NYSE's continued listing requirements, the NYSE will delist our common stock, which could have an adverse impact on the liquidity and market price of our common stock;
- the market liquidity for our common stock is relatively low and may make it difficult to purchase or sell our stock; and
- price fluctuations in our common stock could result from general market and economic conditions and a variety of other factors, including factors that affect the volatility of the common stock of any of our publicly held subsidiaries.

### Item 1. *Legal Proceedings*

None.

### Item 1A. *Risk Factors*

### Risks Related to Our Business

***We may not be successful in identifying any additional suitable acquisition or investment opportunities.***

The successful implementation of our business strategy depends on our ability to identify and consummate suitable acquisitions or other investment opportunities. However, to date we have only been able to identify a limited number of such opportunities. There is no assurance that we will be successful in identifying or consummating any additional suitable acquisitions and certain acquisition opportunities may be limited or prohibited by applicable regulatory regimes. Even if we do complete another acquisition or business combination, there is no assurance that it will be successful in enhancing our business or our financial condition. In addition, the Spectrum Brands Acquisition and other acquisitions could divert a substantial amount of our management time and may be difficult for us to integrate, which could adversely affect management's ability to identify and consummate other investment opportunities. The failure to identify or successfully integrate future acquisitions and investment opportunities could have a material adverse affect on our results of operations and financial condition and our ability to service our debt.

***Because we face significant competition for acquisition and investment opportunities, including from numerous companies with a business plan similar to ours, it may be difficult for us to fully execute our business strategy.***

We expect to encounter intense competition for acquisition and investment opportunities from both strategic investors and other entities having a business objective similar to ours, such as private investors (which may be individuals or investment partnerships), blank check companies, and other entities, domestic and international, competing for the type of businesses that we may intend to acquire. Many of these competitors possess greater technical, human and other resources, or more local industry knowledge, or greater access to capital, than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. These factors may place us at a competitive disadvantage in successfully completing future acquisitions and investments.

In addition, while we believe that there are numerous target businesses that we could potentially acquire or invest in, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing acquisition and investment opportunities.

***Future acquisitions or investments could involve unknown risks that could harm our business and adversely affect our financial condition.***

We expect to become a diversified holding company with interests in a variety of industries and market sectors. Future acquisitions that we consummate, including the Spectrum Brands Acquisition, will involve unknown risks, some of which will be particular to the industry in which the acquisition target operates. We may be unable to adequately address the financial, legal and operational risks raised by such acquisitions, especially if we are unfamiliar with the industry in which we invest. The realization of any unknown risks could prevent or limit us from realizing the projected benefits of the acquisitions, which could adversely affect our financial condition and liquidity. In addition, our financial condition, results of operations and the ability to service our debt, including the Notes we expect to issue, will be subject to the specific risks applicable to any company in which we invest.

***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. The indenture pursuant to which we will issue the Notes (the "Indenture") will not generally limit the investments we are permitted to make.

***There can be no assurance that our due diligence investigations will identify every matter that could have a material adverse effect on our company.***

We intend to conduct extensive business, financial and legal due diligence in connection with the evaluation of future acquisition and investment opportunities. However, there can be no assurance that our due diligence investigations will identify every matter that could have a material adverse effect on the acquisition or investment target. Accordingly, there may be matters involving the business and operations of investment targets that we do not identify during our due diligence. To the extent we consummate any acquisition or investment and any of these issues arise, the business and operations of the investment target could be adversely affected, which in turn could adversely affect our results of operations, financial condition and liquidity.

***Resources could be consumed in researching acquisition or investment targets that are not consummated, which could materially adversely affect subsequent attempts to locate and acquire or invest in another business.***

It is anticipated that the investigation of each specific acquisition or investment target and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and other advisors. If a decision is made not to consummate a specific business combination, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition or investment target, we may fail to consummate the investment or acquisition for any number of reasons, including those beyond our control. Any such event will result in a loss to us of the related costs incurred, which could adversely affect our financial position and our ability to consummate other acquisitions and investments.

***We expect to issue the Notes and we may issue other debt securities or otherwise incur substantial additional debt, which may adversely affect our leverage and financial condition.***

In addition to the $350 million principal amount of Notes we expect to issue, we expect to incur substantial additional debt to enable us to consummate future acquisitions and investment opportunities. The incurrence of debt could result in:

- default and foreclosure on our assets if our operating revenues after a business combination or acquisition are insufficient to repay our debt obligations;

- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;

- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;

- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;

- our inability to pay dividends on our common stock;

- using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, expenses, capital expenditures, acquisitions and other general corporate purposes;

- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and

- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.

See also "— Risks Related to Our Issuance of the Notes," below.

***We may issue additional common shares or preferred shares to raise additional capital, to complete our business combinations or as consideration of an acquisition of an operating business or other acquisition or under an employee incentive plan, which would dilute the interests of our stockholders and could present other risks.***

Our amended and restated certificate of incorporation authorizes the issuance of up to 500,000,000 shares of common stock and 1,000,000 shares of preferred stock. After we consummate the Spectrum Brands Acquisition, we will have more than 360,000,000 authorized but unissued shares of our common stock available for issuance (assuming the Harbinger Parties do not contribute to us in the Spectrum Brands Acquisition more than the SB Holdings Contributed Shares). We may issue a substantial number of additional shares of common or preferred stock to complete a business combination or acquisition or under an employee incentive plan after consummation of a business combination or acquisition. The issuance of additional shares of common or preferred stock:

- may significantly dilute the equity interest of our stockholders;

- may subordinate the rights of holders of our common stock if preferred stock is issued with rights senior to those afforded our common stock;

- could cause a change in control of our company if a substantial number of shares of our common stock is issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any; and

- may adversely affect prevailing market prices for our common stock.

***We may be unable to obtain additional financing to consummate future investments or acquisitions or to fund the operations and growth of an investment or acquisition, which could compel us to restructure the transaction or abandon a particular investment or acquisition.***

In addition to the $350 million principal amount of Notes we expect to issue, we will likely need to obtain additional financing in order to consummate future acquisitions and investment opportunities. We cannot assure you that any additional financing will be available to us on acceptable terms, if at all. This risk is exacerbated by the volatility the global credit markets have experienced over the past three years. To the extent that additional financing proves to be unavailable when needed to consummate a particular investment or acquisition, we may be compelled to either restructure the transaction or abandon the investment or acquisition. In addition, if we consummate an acquisition or investment, the company we acquire or invest in may require additional financing to fund continuing operations and/or growth. The failure by such company to secure additional financing if required could have a material adverse effect on the results of operations of such business, which in turn could have a material adverse effect on our results of operations or financial condition.

***Our investments in any future joint investment could be adversely affected by our lack of sole decision-making authority, our reliance on a partner's financial condition and disputes between us and our partners.***

We may in the future co-invest with third parties through partnerships or joint investment in an investment or acquisition target or other entities. In such circumstances, we may not be in a position to exercise significant decision-making authority regarding a target business, partnership or other entity if we do not own a substantial majority of the equity interests of the target. These investments may involve risks not present were a third party not involved, including the possibility that partners might become insolvent or fail to fund their share of required capital contributions. In addition, partners may have economic or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such partners may also seek similar acquisition targets as us and we may be in competition with them for such business combination targets. Disputes between us and partners may result in litigation or arbitration that would increase our costs and expenses and divert a substantial amount of our management's time and effort away from our business. Consequently, actions by, or disputes with, partners might result in subjecting assets owned by the partnership to additional risk. We may also, in certain circumstances, be liable for the actions of our third-party partners. For example, in the future we may agree to guarantee indebtedness incurred by a partnership or other entity. Such a guarantee may be on a joint and several basis with our partner in which case we may be liable in the event such party defaults on its guaranty obligation.

***There may be tax consequences associated with our acquisition, investment, holding and disposition of target companies and assets.***

We may incur significant taxes in connection with effecting acquisitions or investments, holding, receiving payments from, and operating target companies and assets and disposing of target companies or their assets.

***In addition to the Spectrum Brands Acquisition, we may make other significant investments in publicly traded companies. Changes in the market prices of the securities we own, particularly during times of volatility in security prices, can have a material impact on the value of our company portfolio.***

In addition to the Spectrum Brands Acquisition, we may make other significant investments in publicly traded companies. We will either consolidate our investments and subsidiaries or report such investments under the equity method of accounting. Changes in the market prices of the publicly traded securities of these entities could have a material impact on an investor's perception of the aggregate value of our company portfolio and on the value of the assets that we can pledge to creditors for debt financing, which in turn could adversely affect our ability to incur additional debt or finance future acquisitions.

***Our ability to dispose of equity interests we acquire may be limited by restrictive stockholder agreements and by the federal securities laws.***

When we acquire less than 100% of the equity interests of a company, our investment may be illiquid and we may be subject to restrictive terms of agreements with other equityholders. For instance, our investment in SB Holdings will be subject to a stockholder agreement that may adversely affect our flexibility in managing our investment in SB Holdings. In addition, shares of SB Holdings that we received in the Spectrum Brands Acquisition will not be registered under the Securities Act and are, and any other securities we acquire may be, restricted securities under the Securities Act and our ability to sell such securities could be limited to sales pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those securities, (ii) Rule 144 under the Securities Act, which, among other things, requires a specified holding period and limits the manner and volume of sales, or (iii) another applicable exemption under the Securities Act. The inability to efficiently sell restricted securities when desired or necessary may have a material adverse effect on our financial condition and liquidity, which could adversely affect our ability to service our debt.

***Any potential acquisition or investment in a foreign company or a company with significant foreign operations, such as SB Holdings, may subject us to additional risks.***

If we acquire or invest in a foreign business or a company with significant foreign operations, such as SB Holdings, we will be subject to risks inherent in business operations outside of the United States. These risks include, for example, currency fluctuations, complex foreign regulatory regimes, punitive tariffs, unstable local tax policies, trade embargoes, risks related to shipment of raw materials and finished goods across national borders, restrictions on the movement of funds across national borders and cultural and language differences. If realized, some of these risks may have a material adverse effect on our business, results of operations and liquidity, and can have an adverse effect on our ability to service the Notes we expect to issue and any additional debt we incur. For risks that SB Holdings currently faces and we may face after the Spectrum Brands Acquisition, see "— Risks Related to Spectrum Brands, Inc. — Risks Related to Spectrum Brands' Business", below.

***As a holding company our only material assets will be our equity interests in our operating subsidiaries and other investments, and our principal source of revenue and cash flow will be distributions from our subsidiaries.***

As a holding company our only material assets will be our equity interests in our operating subsidiaries and other investments, and our principal source of revenue and cash flow will be distributions from our subsidiaries. Thus our ability to service our debt (including the Notes), finance acquisitions and pay dividends to our stockholders in the future will be dependent on the ability of our subsidiaries to generate sufficient net income and cash flows to make upstream cash distributions to us. Our subsidiaries will be separate legal entities, and although they may be wholly-owned or controlled by us, they will have no obligation to make any funds available to us, whether in the form of loans, dividends or otherwise. The ability of our subsidiaries to distribute cash to us will also be subject to, among other things, restrictions that are contained in our subsidiaries' financing agreements, availability of sufficient funds in such subsidiaries and applicable state laws. Claims of creditors of our subsidiaries generally will have priority as to the assets of such subsidiaries over our claims and claims of our creditors and stockholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us could be limited in any way, this could materially limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, or otherwise fund and conduct our business. See also "— Risks Related to Our Issuance of the Notes — We are a holding company and will be dependent upon dividends or distributions from our operating subsidiaries to fund payments on the Notes, and our ability to receive funds from our operating subsidiaries is dependent upon the profitability of our operating subsidiaries and restrictions imposed by law and contracts."

***The Harbinger Parties hold a majority of our outstanding common stock and have interests which may conflict with interests of our 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.***

The Harbinger Parties beneficially own shares of our outstanding common stock that collectively constitute more than 50% of our total voting power and, after consummation of the Spectrum Brands Acquisition, will hold in excess of 90% of our total voting power. Because of this, the Harbinger Parties exercise a controlling influence over our business and affairs and have the power to determine all matters submitted to a vote of our stockholders, including the election of directors, the removal of directors, and approval of significant corporate transactions such as amendments to our amended and restated certificate of incorporation, mergers and the sale of all or substantially all of our assets. Moreover, a majority of the members of our board of directors were nominated by and are affiliated with or employed by the Harbinger Parties or their affiliates. The Harbinger Parties could cause corporate actions to be taken even if the interests of these entities conflict with or are not aligned with the interests of our other stockholders.

Because of our ownership structure, described above, we qualify for, and rely upon, the "controlled company" exception to the board of directors and committee composition requirements under the rules of the NYSE. Pursuant to this exception, we are exempt from rules that would otherwise require that our board of directors be comprised of a majority of "independent directors" (as defined under the rules of the NYSE), and that any compensation committee and corporate governance and nominating committee be comprised solely of "independent directors," so long as the Harbinger Parties continue to own more than 50% of our combined voting power.

***Future acquisitions and dispositions may not require a stockholder vote and may be material to us.***

Any future acquisitions could be material in size and scope, and our stockholders and potential investors may have virtually no substantive information about any new business upon which to base a decision whether to invest in our common stock. In any event, depending upon the size and structure of any acquisitions, stockholders may not have the opportunity to vote on the transaction, and may not have access to any information about any new business until the transaction is completed and we file a report with the SEC disclosing the nature of such transaction and/or business. Even if a stockholder vote is required for any of our future acquisitions, under our amended and restated certificate of incorporation and our bylaws, The Harbinger Parties, as long as they continue to own a majority of our outstanding common stock, may approve such transaction by written consent without our other stockholders having an opportunity to vote on such transaction.

***We are dependent on certain key personnel.***

We are dependent upon the skills, experience and efforts of Philip A. Falcone, Peter A. Jenson and Francis T. McCarron, our Chairman of the Board, President and Chief Executive Officer, our Chief Operating Officer and our Executive Vice President and Chief Financial Officer, respectively. Mr. Falcone is the Chief Executive Officer and Chief Investment Officer of Harbinger Capital and has significant influence over the acquisition opportunities we review. Mr. Falcone may be deemed to be an indirect beneficial owner of the shares of our common stock owned by the Harbinger Parties. Accordingly, Mr. Falcone may exert significant influence over all matters requiring approval by our stockholders, including the election or removal of directors and stockholder approval of acquisitions or other investment transactions. Mr. Jenson is the Chief Operating Officer of Harbinger Capital and of us. Mr. McCarron currently is our only full-time executive officer and he will be responsible for integrating our operations with SB Holdings and any other businesses we acquire. The loss of Mr. Falcone, Mr. Jenson or Mr. McCarron or other key personnel could have a material adverse effect on our business or operating results.

Under the terms of our management agreement with Harbinger Capital, Harbinger Capital assists us in identifying potential acquisitions. Mr. Falcone's and Harbinger Capital's reputation and access to acquisition candidates is therefore important to our strategy of identifying acquisition opportunities. While we expect that Mr. Falcone and other Harbinger Capital personnel will devote a portion of their time to our business, they are not required to commit their full time to our affairs and will allocate their time between our operations and their other commitments in their discretion. If other business interests require them to devote more substantial amounts of time to those businesses and affairs, it could limit their ability to devote time to our affairs and could have a negative effect on our ability to execute our business strategy. Moreover, their unrelated business activities could present challenges which could not only affect the amount of business time that they are able to dedicate to our affairs, but also affect their ability to help us identify, acquire and integrate acquisition candidates. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Legal Matters Involving the Harbinger Parties and Their Affiliates."

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

We have not adopted a policy that expressly prohibits our directors, officers, stockholders or affiliates from having a direct or indirect pecuniary interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. We also do not have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. Accordingly, such parties may have an interest in certain transactions such as strategic partnerships or joint ventures in which we are involved, and may also compete with us.

***In the course of their other business activities, our officers and directors may become aware of investment and acquisition opportunities that may be appropriate for presentation to our company as well as the other entities with which they are affiliated. Our officers and directors may have conflicts of interest in determining to which entity a particular business opportunity should be presented.***

Our officers and directors may become aware of business opportunities which may be appropriate for presentation to us as well as the other entities with which they are or may be affiliated. Due to our officers' and directors' existing affiliations with other entities, they may have fiduciary obligations to present potential business opportunities to those entities in addition to presenting them to us which could cause additional conflicts of interest. For instance, Messrs. Falcone, Jenson, Clark and Hladek may be required to present investment opportunities to the Harbinger Parties. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. To the extent that our officers and directors identify business combination opportunities that may be suitable for entities to which they have pre-existing fiduciary obligations, or are presented with such opportunities in their capacities as fiduciaries to such entities, they may be required to honor their pre-existing fiduciary obligations to such entities. Accordingly, they may not present business combination opportunities to us that otherwise may be attractive to such entities unless the other entities have declined to accept such opportunities.

***We will need to increase the size of our organization, and may experience difficulties in managing growth.***

We do not have significant operating assets at this time and have only 7 employees as of September 30, 2010. If we complete the Spectrum Brands Acquisition and/or proceed with other acquisitions or investments, we expect to require additional personnel and enhanced information technology systems. Future growth will impose significant added responsibilities on members of our management, including the need to identify, recruit, maintain and integrate additional employees and implement enhanced informational technology systems. Our future financial performance and our ability to compete effectively will depend, in part, on our ability to manage any future growth effectively. Future growth will also increase our costs and expenses and limit our liquidity.

***Agreements and transactions involving former subsidiaries may give rise to future claims that could materially adversely impact our capital resources.***

Throughout our history, we have entered into numerous transactions relating to the sale, disposal or spinoff of partially and wholly owned subsidiaries. We may have continuing obligations pursuant to certain of these transactions, including obligations to indemnify other parties to agreements, and may be subject to risks resulting from these transactions. For example, in 2005, we were notified by Weatherford of a claim for reimbursement in connection with the investigation and cleanup of purported environmental contamination at two properties formerly owned by one of our non-operating subsidiaries. The claim was made under an indemnification provision given by us to Weatherford in a 1995 asset purchase agreement. There can be no assurance that we will avoid costs and expenses in excess of our reserves in connection with any continuing obligation. If we were to incur any such costs and expenses, our results of operations, financial position and liquidity could be materially adversely affected.

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

We and our subsidiaries are or may become parties to legal proceedings that are considered to be either ordinary or routine litigation incidental to our or their current or prior businesses or not material to our consolidated financial position or liquidity. There can be no assurance that we will prevail in any litigation in which we or our subsidiaries may become involved, or that our or their insurance coverage will be adequate to cover any potential losses. To the extent that we or our subsidiaries sustain losses from any pending litigation which are not reserved or otherwise provided for or insured against, our business, results of operations, cash flows and/or financial condition could be materially adversely affected.

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

Since the December 2006 sale of our interest in the common stock of Omega, we have held substantially all of our assets in cash, cash equivalents and investments in U.S. Government Agency and Treasury securities, and have held no "investment securities." In addition, we have not held, and do not hold, ourself out as an investment company. We have been conducting a good faith search for a merger or acquisition candidate, and have repeatedly and publicly disclosed our intention to acquire a business. We believe that we are not an investment company under the Investment Company Act of 1940 (the "Investment Company Act"). The Investment Company Act contains substantive legal requirements that regulate the manner in which investment companies are permitted to conduct their business activities. If the SEC or a court were to disagree with us, we could be required to register as an investment company. This would negatively affect our ability to consummate an acquisition of an operating company, subject us to disclosure and accounting guidance geared toward investment, rather than operating, companies; limit our ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and require us to undertake significant costs and expenses to meet the disclosure and regulatory requirements to which we would be subject as a registered investment company.

In order not to be regulated as an investment company under the Investment Company Act, unless we can qualify for an exemption, we must ensure that we are engaged primarily in a business other than investing, reinvesting, owning, holding or trading in securities (as defined in the Investment Company Act) and that we do not own or acquire "investment securities" having a value exceeding 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Rule 3a-1 of the Investment Company Act provides an exemption from registration as an investment company if a company meets both an asset and an income test and is not otherwise primarily engaged in an investment company business by, among other things, holding itself out to the public as such or by taking controlling interests in companies with a view to realizing profits through subsequent sales of these interests. A company satisfies the asset test of Rule 3a-1 if it has no more than 45% of the value of its total assets (adjusted to exclude U.S. Government securities and cash) in the form of securities other than interests in majority-owned subsidiaries and companies which it primarily and actively controls. A company satisfies the income test of Rule 3a-1 if it has derived no more than 45% of its net income for its last four fiscal quarters combined from securities other than interests in majority owned subsidiaries and primarily controlled companies.

***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.***

Section 541 of the Internal Revenue Code of 1986, as amended (the "Code"), subjects a corporation which is a "personal holding company" ("PHC"), as defined in the Code, to a 15% tax on "undistributed personal holding company income" in addition to the corporation's normal income tax. Generally, undistributed personal holding company income is based on taxable income, subject to certain adjustments, most notably a deduction for federal income taxes and a modification of the usual net operating loss deduction. Personal holding company income ("PHC Income") is comprised primarily of passive investment income plus, under certain circumstances, personal service income. A corporation generally is considered to be a PHC if (i) at least 60% of its adjusted ordinary gross income is PHC Income and (ii) more than 50% in value of its outstanding common stock is owned, directly or indirectly, by five or fewer individuals (including, for this purpose, certain organizations and trusts) at any time during the last half of the taxable year.

Subsequent to the change in control of our company in the third quarter of 2009 in connection with the acquisition of approximately 51.6% of our company by the Harbinger Parties, we did not incur a PHC tax for the 2009 fiscal year, because we had a sufficiently large net operating loss for that fiscal year. We also had a net operating loss for the six-month period ended September 30, 2010. So long as the Harbinger Parties hold more than 50% in value of our outstanding common stock at any time during the second half of 2010 or during any future tax year, it is possible that at least 60% of our adjusted ordinary gross income could consist of PHC Income as discussed above. Thus, there can be no assurance that we will not be subject to this tax in the future, which, in turn, may materially adversely impact our financial position, results of operations, cash flows and liquidity, which in turn could adversely affect our ability to make debt service payments on the Notes we expect to issue and any additional debt we incur. In addition, if we are subject to this tax during future periods, statutory tax rate increases could significantly increase tax expense and adversely affect operating results and cash flows. Specifically, the current 15% tax rate on undistributed PHC Income is scheduled to expire at the end of 2010, so that, absent a statutory change, the rate will revert back to the highest individual ordinary income rate of 39.6% for taxable years beginning after December 31, 2010.

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

We may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we may acquire in the future. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial reporting processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, investors could lose confidence in the reliability of our financial statements. Failure to comply with Section 404 of the Sarbanes-Oxley Act of 2002 could potentially subject us to sanctions or investigations by the SEC, or other regulatory authorities. In addition, failure to comply with our SEC reporting obligations may cause an event of default to occur under the Indenture, or similar instruments governing any debt we incur in the future.

Our Quarterly Report on Form 10-Q/A for the period ended September 30, 2009 stated that we did not maintain effective controls over the application and monitoring of our accounting for income taxes. Specifically, we did not have controls designed and in place to ensure the accuracy and completeness of financial information provided by third party tax advisors used in accounting for income taxes and the determination of deferred income tax assets and the related income tax provision and the review and evaluation of the application of generally accepted accounting principles relating to accounting for income taxes. This control deficiency resulted in the restatement of our unaudited condensed consolidated financial statements for the quarter ended September 30, 2009. Accordingly, we determined that this control deficiency constituted a material weakness as of September 30, 2009. As of the period ended December 31, 2009, we concluded that our ongoing remediation efforts resulted in control enhancements which had operated for an adequate period of time to demonstrate operating effectiveness. Although we believe that this material weakness has been remediated, there can be no assurance that similar weaknesses will not occur in the future which could adversely affect our future results of operations or financial condition.

In addition, if we were to acquire a previously privately owned company, we may incur significant additional costs in order to ensure that after such acquisition we continue to comply with the requirements of the Sarbanes-Oxley Act of 2002 and other public company requirements, which in turn would reduce our earnings and negatively affect our liquidity. A target company may not be in compliance with the provisions of the Sarbanes-Oxley Act of 2002 regarding adequacy of their internal controls and may not be otherwise set up for public company reporting. The development of an adequate financial reporting system and the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act of 2002 may increase the time and costs necessary to complete any business combination. Furthermore, any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could harm our operating results or cause us to fail to meet our reporting obligations.

***Our organizational documents contain provisions which may discourage the takeover of our company, may make removal of our management more difficult and may depress our stock price.***

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

- the authority of our board of directors to issue, without stockholder approval, up to 1,000,000 shares of our preferred stock with such terms as our board of directors may determine;

- special meetings of our stockholders may be called only by the Chairman of our board of directors or by our Secretary upon delivery of a written request executed by three directors (or, if there are fewer than three directors in office at that time, by all incumbent directors);
- a staggered board of directors as a result of which only one of the three classes of directors is elected each year;
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings;
- the absence of cumulative voting rights; and
- subject to any special rights of the holders of any class or series of our stock to elect directors, removal of incumbent directors only for cause.

In addition, our amended and restated certificate of incorporation contains provisions that restrict mergers and other business combinations with an "Interested Stockholder" (as defined) or that may otherwise have the effect of preventing or delaying a change of control of our company. The term "Interested Stockholder" excludes Harbinger Holdings LLC and any affiliates, including the Harbinger Parties and any other entity controlled or managed, directly or indirectly, by Philip A. Falcone.

***Limitations on liability and indemnification matters.***

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

***We do not currently meet the NYSE continued listing requirements. Accordingly, there is the potential that our common stock will be delisted in the future, which could have an adverse impact on the liquidity and market price of our common stock.***

Our common stock currently is listed on the NYSE under the symbol "HRG". Under the continued listing standards of the NYSE Listed Company Manual, which are qualitative as well as quantitative, the NYSE may in its sole discretion commence delisting proceedings against a listed company if its assets are substantially reduced or the company has ceased to be an operating company or discontinued a substantial portion of its operations or business. On August 3, 2010, we received notification from the NYSE that we are not in compliance with the NYSE's listing requirements because we currently have no primary operations and substantially all of our assets are held in cash, cash equivalents and U.S. government securities. As permitted by the NYSE procedures, on August 3, 2010 we submitted our plan to the NYSE to formalize our initiatives and objectives in achieving a return to compliance no later than May 12, 2011 (our "Plan"), the last date of the period granted by the NYSE to cure our non-compliance. Our Plan has been accepted by the NYSE, and we will be subject to ongoing monitoring to ensure our sustained progress with respect to Plan goals. Our common stock will continue to be listed and traded on the NYSE, subject to our compliance with our Plan and other NYSE continued listing standards. If we are not in compliance with the continued listing standards by May 12, 2011, or if we do not make progress toward achieving compliance consistent with our Plan during this period, the NYSE will initiate delisting proceedings.

If our shares of common stock are delisted from the NYSE and we are unable to list our shares of common stock on another U.S. national securities exchange this could, among other things, (i) reduce liquidity and market price of our common stock, (ii) reduce the number of investors willing to hold or acquire our common stock and (iii) negatively impact our ability to use our capital stock as consideration in an acquisition and to raise equity financing.

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

The average daily trading volume in our stock during the twelve month period ended December 31, 2009 and the nine months ended September 30, 2010 was approximately 14,000 and 17,000 shares, respectively. Although a more active trading market may develop in the future, there can be no assurance as to the liquidity of any markets that may develop for our common stock or the prices at which holders may be able to sell our common stock and the limited market liquidity for our stock could affect a stockholder's ability to sell at a price satisfactory to that stockholder. Additionally, the trading market for shares of our common stock will consist of a decreased percentage of our total capitalization following the Spectrum Brands Acquisition, and the future trading and pricing of our common stock may be further limited.

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

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

- actual or anticipated fluctuations in our results of operations and, after we complete the Spectrum Brands Acquisition or other acquisitions or investments, the performance of our subsidiaries and their competitors;
- reaction of the market to our announcement of any future acquisitions or investments;
- the public's reaction to our press releases, our other public announcements and our filings with the Commission;
- changes in general economic conditions;
- actions of our historical equity investors, including sales of common stock by our principal stockholders, our directors and our executive officers; and
- actions by institutional investors trading in our stock.

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

***Future sales of substantial amounts of our common stock may adversely affect our market price.***

Shares of our common stock held by the Harbinger Parties, including those to be acquired by them in the Spectrum Brands Acquisition, will be "restricted securities" under the Securities Act and held by them as our affiliates, as that term is defined in the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. However, in connection with the Spectrum Brands Acquisition, we have granted registration rights to the Harbinger Parties under a registration rights agreement to facilitate the resale of their shares of our common stock. Under this registration rights agreement, the Harbinger Parties will have the right, subject to certain conditions, to require us to register the sale of these shares under the federal securities laws. By exercising their registration rights, and selling all or a large number of their shares, the Harbinger Parties could cause the prevailing market price of our common stock to decline. In addition, the shares of our common stock owned by the Harbinger Parties, including those to be acquired by them in the Spectrum Brands Acquisition, may also be sold in the public market under Rule 144 of the Securities Act after the applicable holding period and manner and volume of sales requirements have been met, subject to the restrictions and limitations of that Rule. The holding period requirement has been met for the shares of our common stock owned by the Harbinger Parties as of September 30, 2010.

Under the terms of the Exchange Agreement, the Harbinger Parties will be subject to a three-month lock-up with respect to the SB Holdings common stock they continue to hold after the Spectrum Brands Acquisition but will not be subject to a lock-up with respect to our common stock. Section 16(b) of the Securities Exchange Act of 1934 generally requires our affiliates to disgorge any profit they realize on the purchase and sale of our common stock within a six-month period unless an exemption is available. The Harbinger Parties will be deemed to have purchased the common stock we issue to them in the Spectrum Brands Acquisition at a price of $6.33 per share; to the extent permitted by law, we have exempted that purchase from the application of Section 16(b).

Future sales of substantial amounts of our common stock into the public market, or perceptions in the market that such sales could occur, may adversely affect the prevailing market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

***Because we do not intend to pay any cash dividends on our common stock in the near term, capital appreciation, if any, of our common stock will be your sole source of potential gain for the foreseeable future.***

We do not intend to pay cash dividends on our common stock in the near term. We currently intend to retain all available funds and any future earnings for use as consideration for an acquisition of an operating business or other acquisition or in the operation and expansion of our future businesses and do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of the Indenture restrict, and any future financing agreements may also restrict, our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of potential gain for the foreseeable future.

***If we consummate the Spectrum Brands Acquisition and/or issue the Notes, we will be subject to additional risk factors. Those risk factors are set forth below.***

**Risks Related to the Spectrum Brands Acquisition**

***The issuance of our common stock to the Harbinger Parties under the Exchange Agreement will substantially dilute the percentage ownership interests of our current stockholders (other than the Harbinger Parties) and will give the Harbinger Parties the ability to effect a short-form merger and assume control of 100% of the outstanding shares of our common stock.***

If the Spectrum Brands Acquisition is consummated, we will issue to the Harbinger Parties 119,909,830 shares of our common stock and the Harbinger Parties will own approximately 93.3% of our outstanding common stock. The issuance of our common stock to the Harbinger Parties will cause a significant reduction in the relative percentage interest of our current stockholders (other than the Harbinger Parties) in our earnings, if any, and voting power.

If the Harbinger Parties elect to contribute to us all of the SB Holdings common stock held by them at September 10, 2010, at the closing of the Spectrum Brands Acquisition they will own, in the aggregate, approximately 94.4% of our outstanding common stock.

In addition, upon the consummation of the Spectrum Brands Acquisition and subject to the provisions of our organizational documents, the Harbinger Parties will be able to effect a short-form merger and assume control of 100% of the outstanding shares of our common stock.

***The exchange ratio is fixed and will not be adjusted in the event of any change in the price of either our common stock or SB Holdings common stock.***

The aggregate number of shares of our common stock to be issued to the Harbinger Parties at Closing is fixed in the Exchange Agreement at 4.32 shares of our common stock for each share of SB Holdings common stock. The exchange ratio will not be adjusted for changes in the market price of either our common stock or SB Holdings common stock. Although the prices of our common stock and SB Holdings common stock on the date the Exchange Agreement was executed, the date we mailed our information statement on Schedule 14C relating to the Spectrum Brands Acquisition and the closing date of the Spectrum Brands Acquisition are likely to vary from the respective volume weighted average prices used to fix the exchange ratio, the comparative values of our company and SB Holdings represented by the exchange ratio will not vary.

***If the benefits of the Spectrum Brands Acquisition do not meet the expectations of the marketplace, investors, financial analysts or industry analysts, the market price of our common stock may decline.***

The market price of our common stock may decline as a result of the Spectrum Brands Acquisition if SB Holdings or its subsidiaries do not perform as expected or if we do not otherwise achieve the perceived benefit of the Spectrum Brands Acquisition to the extent anticipated by the marketplace, investors, financial analysts or industry analysts. Accordingly, investors may experience a loss as a result of a decreasing stock price, and we may not be able to raise future capital, if necessary, in the equity markets.

***We have incurred and expect to continue to incur substantial costs associated with the pending Spectrum Brands Acquisition, which will reduce the amount of cash otherwise available for other corporate purposes, and our financial results and liquidity may be adversely affected.***

We have incurred and expect to continue to incur substantial costs in connection with the pending Spectrum Brands Acquisition and other acquisition opportunities we have and are evaluating, whether or not we complete any acquisition. These costs will reduce the amount of cash otherwise available to us for acquisitions and investments and other corporate purposes. There is no assurance that the actual costs will not exceed our estimates. We may incur additional material charges reflecting additional costs associated with the Spectrum Brands Acquisition in fiscal quarters subsequent to the quarter in which the Spectrum Brands Acquisition is consummated.

***There can be no assurance that we have identified every matter that could have a material adverse effect on SB Holdings or its subsidiaries.***

Although we have conducted business, financial and legal due diligence in connection with the Spectrum Brands Acquisition, there can be no assurance that due diligence has identified every matter that could have a material adverse effect on SB Holdings or its subsidiaries. Accordingly, there may be matters involving either SB Holdings or its subsidiaries and their respective operations that were not identified during our due diligence. Any of these issues could materially and adversely affect our financial condition after giving effect to the Spectrum Brands Acquisition.

***The completion of the Spectrum Brands Acquisition is subject to the satisfaction or waiver of conditions.***

The Spectrum Brands Acquisition is subject to the satisfaction or waiver of a number of closing conditions set forth in the Exchange Agreement. If these conditions are not satisfied or waived, the Spectrum Brands Acquisition will not be completed. Also, even if all of these conditions are satisfied, the Spectrum Brands Acquisition may not be completed, as we and the Harbinger Parties each have the right to terminate the Exchange Agreement under certain circumstances specified in the Exchange Agreement.

**Risks Related to Spectrum Brands, Inc. ("Spectrum Brands")**

**Risks Related to the Combination (the "SB/RH Merger") of Spectrum Brands and Russell Hobbs, Inc. ("Russell Hobbs")**

***Significant costs have been incurred in connection with the consummation of the SB/RH Merger and are expected to be incurred in connection with the integration of Spectrum Brands and Russell Hobbs into a combined company, including legal, accounting, financial advisory and other costs.***

Spectrum Brands expects to incur one-time costs of approximately $23 million in connection with integrating the operations, products and personnel of Spectrum Brands and Russell Hobbs into a combined company, in addition to costs related directly to completing the SB/RH Merger described below. These costs may include costs for:

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

In addition, Spectrum Brands expects to incur a number of non-recurring costs associated with combining its operations with those of Russell Hobbs, which cannot be estimated accurately at this time. Spectrum Brands expects to incur approximately $85 million of transaction fees and other costs related to the SB/RH Merger. Additional unanticipated costs may yet be incurred as Spectrum Brands integrates its business with that of Russell Hobbs. Although Spectrum Brands expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of its operations with those of Russell Hobbs, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all. There can be no assurance that Spectrum Brands will be successful in its integration efforts. In addition, while Spectrum Brands expects to benefit from leveraging distribution channels and brand names across both companies, it cannot assure you that it will achieve such benefits.

***Spectrum Brands may not realize the anticipated benefits of the SB/RH Merger.***

The SB/RH Merger involved the integration of two companies that previously operated independently. The integration of Spectrum Brands' operations with those of Russell Hobbs is expected to result in financial and operational benefits, including increased revenues and cost savings. There can be no assurance, however, regarding when or the extent to which Spectrum Brands will be able to realize these increased revenues, cost savings or other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. Spectrum Brands must integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which are dissimilar. In some instances, Spectrum Brands and Russell Hobbs have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with integration could have a material adverse effect on Spectrum Brands' business, financial condition and operating results.

***Integrating Spectrum Brands' business with that of Russell Hobbs may divert Spectrum Brands' management's attention away from operations.***

Successful integration of Spectrum Brands' and Russell Hobbs' operations, products and personnel may place a significant burden on Spectrum Brands' management and other internal resources. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm Spectrum Brands' business, financial conditions and operating results.

***As a result of the SB/RH Merger, Spectrum Brands may not be able to retain key personnel or recruit additional qualified personnel, which could materially affect its business and require it to incur substantial additional costs to recruit replacement personnel.***

Spectrum Brands is highly dependent on the continuing efforts of its senior management team and other key personnel. As a result of the SB/RH Merger, Spectrum Brands' current and prospective employees could experience uncertainty about their future roles. This uncertainty may adversely affect Spectrum Brands' ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on Spectrum Brands' business after consummation of the SB/RH Merger. In addition, Spectrum Brands currently does not maintain "key person" insurance covering any member of its management team.

***General customer uncertainty related to the SB/RH Merger could harm Spectrum Brands.***

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

**Risks Related to Spectrum Brands' Emergence From Bankruptcy**

***Because Spectrum Brands' consolidated financial statements are required to reflect fresh-start reporting adjustments to be made upon emergence from bankruptcy, financial information in Spectrum Brands' financial statements prepared after August 30, 2009 will not be comparable to Spectrum Brands' financial information from prior periods.***

All conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the U.S. Bankruptcy Code on the August 28, 2009 (the "Effective Date"). However, in light of the proximity of that date to Spectrum Brands' accounting period close immediately following the Effective Date, which was August 30, 2009, Spectrum Brands elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting. Spectrum Brands adopted fresh-start reporting in accordance with the Accounting Standards Codification Topic 852: "Reorganizations," pursuant to which Spectrum Brands' reorganization value, which is intended to reflect the fair value of the entity before considering liabilities and approximate the amount a willing buyer would pay for the assets of the entity immediately after the reorganization, will be allocated to the fair value of assets in conformity with Statement of Financial Accounting Standards No. 141, "Business Combinations," using the purchase method of accounting for business combinations. Spectrum Brands will state liabilities, other than deferred taxes, at a present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of identified tangible and intangible assets will be reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting the accumulated deficit will be eliminated. Thus, Spectrum Brands' future statements of financial position and results of operations will not be comparable in many respects to statements of financial position and consolidated statements of operations data for periods prior to the adoption of fresh-start reporting. The lack of comparable historical information may discourage investors from purchasing Spectrum Brands' or SB Holdings' securities.

## Risks Related to Spectrum Brands' Business

***SB Holdings is a parent company and its primary source of cash is and will be distributions from its subsidiaries.***

SB Holdings is a parent company with limited business operations of its own. Its main asset is the capital stock of its subsidiaries. Spectrum Brands conducts most of its business operations through its direct and indirect subsidiaries. Accordingly, Spectrum Brands' primary sources of cash are dividends and distributions with respect to its ownership interests in its subsidiaries that are derived from their earnings and cash flow. SB Holdings' and Spectrum Brands' subsidiaries might not generate sufficient earnings and cash flow to pay dividends or distributions in the future. SB Holdings' and Spectrum Brands' subsidiaries' payments to their respective parent will be contingent upon their earnings and upon other business considerations. In addition, Spectrum Brands' $300 million senior secured asset-based revolving credit facility due 2014, its $750 million senior secured term facility due 2016 and the indenture governing its 9.50% senior secured notes due 2018 (collectively, the "Senior Secured Facilities"), the indenture governing its 12% Notes due 2019 (the "2019 Indenture") and other agreements limit or prohibit certain payments of dividends or other distributions to SB Holdings. SB Holdings expects that future credit facilities will contain similar restrictions.

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

Spectrum Brands has, and expects to continue to have, a significant amount of indebtedness. As of July 4, 2010, Spectrum Brands had total indebtedness under the Senior Secured Facilities and the 2019 Indenture of approximately $1.7 billion. Spectrum Brands' substantial indebtedness has had, and could continue to have, material adverse consequences for its business, and may:

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

Under the Senior Secured Facilities and the 2019 Indenture, Spectrum Brands may incur additional indebtedness. If new debt is added to its existing debt levels, the related risks that it now faces would increase.

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

***Restrictive covenants in Spectrum Brands' senior credit facilities and indentures governing its notes may restrict its ability to pursue its business strategies.***

The Senior Secured Facilities and the 2019 Indenture each restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. The Senior Secured Facilities and the 2019 Indenture also contain customary events of default. These covenants, among other things, limit Spectrum Brands' ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of its assets and opportunities fully because of the need to dedicate a portion of cash flow from operations to payments on debt. In addition, the Senior Secured Facilities contain financial covenants relating to maximum leverage and minimum interest coverage. Such covenants could limit the flexibility of Spectrum Brands' restricted entities in planning for, or reacting to, changes in the industries in which they operate. Spectrum Brands' ability to comply with these covenants is subject to certain events outside of its control. If Spectrum Brands is unable to comply with these covenants, the lenders under its Senior Secured Facilities could terminate their commitments and the lenders under its Senior Secured Facilities could accelerate repayment of its outstanding borrowings, and, in either case, Spectrum Brands may be unable to obtain adequate refinancing of outstanding borrowings on favorable terms. If Spectrum Brands is unable to repay outstanding borrowings when due, the lenders under the Senior Secured Facilities will also have the right to proceed against the collateral granted to them to secure the indebtedness owed to them. If Spectrum Brands' obligations under the Senior Secured Facilities and the 2019 Indenture are accelerated, it cannot assure you that its assets would be sufficient to repay in full such indebtedness.

***Spectrum Brands faces risks related to the current economic environment.***

The current economic environment and related turmoil in the global financial system has had and may continue to have an impact on Spectrum Brands' business and financial condition. Global economic conditions have significantly impacted economic markets within certain sectors, with financial services and retail businesses being particularly impacted. Spectrum Brands' ability to generate revenue depends significantly on discretionary consumer spending. It is difficult to predict new general economic conditions that could impact consumer and customer demand for Spectrum Brands' products or its ability to manage normal commercial relationships with its customers, suppliers and creditors. The recent continuation of a number of negative economic factors, including constraints on the supply of credit to households, uncertainty and weakness in the labor market and general consumer fears of a continuing economic downturn could have a negative impact on discretionary consumer spending. If the economy continues to deteriorate or fails to improve, Spectrum Brands' business could be negatively impacted, including as a result of reduced demand for its products or supplier or customer disruptions. Any weakness in discretionary consumer spending could have a material adverse effect on its revenues, results of operations and financial condition. In addition, Spectrum Brands' ability to access the capital markets may be restricted at a time when it could be necessary or beneficial to do so, which could have an impact on its flexibility to react to changing economic and business conditions.

In early 2010, concern over sovereign debt in Greece and certain other European Union countries caused significant devaluation of the Euro relative to other currencies, such as the U.S. Dollar. Destabilization of the European economy could lead to a decrease in consumer confidence, which could cause reductions in discretionary spending and demand for Spectrum Brands' products. Furthermore, sovereign debt issues could also lead to further significant, and potentially longer-term, economic issues such as reduced economic growth and devaluation of the Euro against the U.S. Dollar, any of which could adversely affect its business, financial conditions and operating results.

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

The markets in which Spectrum Brands participates are very competitive. In the consumer battery market, its primary competitors are *Duracell* (a brand of The Procter & Gamble Company ("Procter & Gamble")), *Energizer* and *Panasonic* (a brand of Matsushita Electrical Industrial Co., Ltd.). In the electric shaving and grooming and electric personal care product markets, its primary competitors are *Braun* (a brand of Procter & Gamble), *Norelco* (a brand of Koninklijke Philips Electronics NV), and *Vidal Sassoon* and *Revlon* (brands of Helen of Troy Limited). In the pet supplies market, its primary competitors are Mars Corporation, The Hartz Mountain Corporation and Central Garden & Pet Company ("Central Garden & Pet"). In the Home and Garden Business, its principal national competitors are The Scotts Miracle-Gro Company, Central Garden & Pet and S.C. Johnson & Son, Inc. Spectrum Brands' principal national competitors within its Small Appliances segment include Jarden Corporation, DeLonghi America, Euro-Pro Operating LLC, Metro Thebe, Inc., d/b/a HWI Breville, NACCO Industries, Inc. (*Hamilton Beach*) and SEB S.A. In each of these markets, Spectrum Brands also faces competition from numerous other companies. In addition, in a number of its product lines, Spectrum Brands competes with its retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Significant new competitors or increased competition from existing competitors may adversely affect the business, financial condition and results of its operations.

Spectrum Brands competes with its competitors for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. Spectrum Brands' ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

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

Some competitors may be willing to reduce prices and accept lower profit margins to compete with Spectrum Brands. As a result of this competition, Spectrum Brands could lose market share and sales, or be forced to reduce its prices to meet competition. If its product offerings are unable to compete successfully, its sales, results of operations and financial condition could be materially and adversely affected.

***Spectrum Brands may not be able to realize expected benefits and synergies from future acquisitions of businesses or product lines.***

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

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

Sales of Spectrum Brands' battery, electric shaving, grooming and personal care and small household appliance products are seasonal. A large percentage of sales for these products generally occur during Spectrum Brands' first fiscal quarter that ends on or about December 31, due to the impact of the December holiday season. Sales of Spectrum Brands' lawn and garden and household insect control products are also seasonal. A large percentage of Spectrum Brands' sales of these products occur during the spring and summer, typically its second and third fiscal quarters. As a result of this seasonality, Spectrum Brands' inventory and working capital needs fluctuate significantly during the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If Spectrum Brands is unable to accurately forecast and prepare for customer orders or its working capital needs, or there is a general downturn in business or economic conditions during these periods, its business, financial condition and results of operations could be materially and adversely affected.

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

Approximately 44% of Spectrum Brands' net sales for the fiscal year ended September 30, 2009 were from customers outside of the U.S. Spectrum Brands' pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. Its international operations are subject to risks including, among others:

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

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

***Adverse weather conditions during its peak selling season for Spectrum Brands' home and garden control products could have a material adverse effect on its Home and Garden Business.***

Weather conditions in the U.S. have a significant impact on the timing and volume of sales of certain of Spectrum Brands' lawn and garden and household insecticide and repellent products. Periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides.

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

The principal raw materials used to produce Spectrum Brands' products — including zinc powder, electrolytic manganese dioxide powder, petroleum-based plastic materials, steel, aluminum, copper and corrugated materials (for packaging) — are sourced either on a global or regional basis by Spectrum Brands or its suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. In particular, during 2007 and 2008, and to date in 2010, Spectrum Brands experienced extraordinary price increases for raw materials, particularly as a result of strong demand from China. Although Spectrum Brands may increase the prices of certain of its goods to its customers, it may not be able to pass all of these cost increases on to its customers. As a result, its margins may be adversely impacted by such cost increases. Spectrum Brands cannot provide any assurance that its sources of supply will not be interrupted due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on its profitability and results of operations.

Spectrum Brands regularly engages in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs it expects to incur over the next 12 to 24 months; however, Spectrum Brands' hedging positions may not be effective, or may not anticipate beneficial trends, in a particular raw material market or may, as a result of changes in its business, no longer be useful for it. In addition, for certain of the principal raw materials Spectrum Brands uses to produce its products, such as electrolytic manganese dioxide powder, there are no available effective hedging markets. If these efforts are not effective or expose Spectrum Brands to above average costs for an extended period of time, and Spectrum Brands is unable to pass its raw materials costs on to its customers, its future profitability may be materially and adversely affected. Furthermore, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. Spectrum Brands may be unable to pass these fuel surcharges on to its customers, which may have an adverse effect on its profitability and results of operations.

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

***Spectrum Brands may not be able to fully utilize its U.S. net operating loss carryforwards.***

As of July 4, 2010, Spectrum Brands had U.S. federal and state net operating loss carryforwards of approximately $1,109 and $1,978 million, respectively. These net operating loss carryforwards expire through years ending in 2030. As of July 4, 2010, Spectrum Brands management determined that it continues to be more likely than not that the net U.S. deferred tax asset, excluding certain indefinite lived intangibles, would not be realized in the future and as such recorded a full valuation allowance to offset the net U.S. deferred tax asset, including its net operating loss carryforwards. In addition, Spectrum Brands has had changes of ownership, as defined under Section 382 of the Code, that continue to subject a significant amount of Spectrum Brands' U.S. net operating losses and other tax attributes to certain limitations. Spectrum Brands estimated that as of July 4, 2010, approximately $297 million of its federal and $457 million of its state net operating losses will expire unused due to the limitation in Section 382 of the Code.

As a consequence of the Salton-Applica merger, as well as earlier business combinations and issuances of common stock consummated by both companies, use of the tax benefits of Russell Hobbs' loss carryforwards is also subject to limitations imposed by Section 382 of the Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Spectrum Brands' analysis to determine what portion of Russell Hobbs' carryforwards are restricted or eliminated by that provision is ongoing and, pursuant to such analysis, Spectrum Brands expects that a significant portion of these carryforwards will not be available to offset future taxable income, if any. In addition, use of Russell Hobbs' net operating loss and credit carryforwards is dependent upon both Russell Hobbs and Spectrum Brands achieving profitable results in the future.

If Spectrum Brands is unable to fully utilize its net operating losses, other than those restricted under Section 382 of the Code, as discussed above, to offset taxable income generated in the future, its results of operations could be materially and negatively impacted.

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

As a result of consolidation of retailers and consumer trends toward national mass merchandisers, a significant percentage of Spectrum Brands' sales are attributable to a very limited group of customers. Spectrum Brands' largest customer accounted for approximately 23% of its consolidated net sales for the fiscal year ended September 30, 2009. As these mass merchandisers and retailers grow larger and become more sophisticated, they may demand lower pricing, special packaging, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics, or other aspects of the customer-supplier relationship. Because of the importance of these key customers, demands for price reductions or promotions, reductions in their purchases, changes in their financial condition or loss of their accounts could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

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

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

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

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

Spectrum Brands' international sales and certain of its expenses are transacted in foreign currencies. During the nine months ended July 4, 2010, approximately 43% of Spectrum Brands' net sales and 44% of its operating expenses were denominated in foreign currencies. Spectrum Brands expects that the amount of its revenues and expenses transacted in foreign currencies will increase as its Latin American, European and Asian operations grow and, as a result, its exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies will affect its cost of goods sold and its operating margins and could result in exchange losses or otherwise have a material effect on its business, financial condition and results of operations. Changes in currency exchange rates may also affect Spectrum Brands' sales to, purchases from and loans to its subsidiaries as well as sales to, purchases from and bank lines of credit with its customers, suppliers and creditors that are denominated in foreign currencies.

Spectrum Brands sources many products from, and sells many products in, China and other Asian countries. To the extent the Chinese Renminbi ("RMB") or other currencies appreciate with respect to the U.S. dollar, it may experience fluctuations in its results of operations. Since 2005, the RMB has no longer been pegged to the U.S. dollar at a constant exchange rate and instead fluctuates versus a basket of currencies. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate within a flexible peg range against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future Chinese authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

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

***A deterioration in trade relations with China could lead to a substantial increase in tariffs imposed on goods of Chinese origin, which potentially could reduce demand for and sales of Spectrum Brands' products.***

Spectrum Brands purchases a number of its products and supplies from suppliers located in China. China gained Permanent Normal Trade Relations ("PNTR") with the U.S. when it acceded to the World Trade Organization ("WTO"), effective January 2002. The U.S. imposes the lowest applicable tariffs on exports from PNTR countries to the U.S. In order to maintain its WTO membership, China has agreed to several requirements, including the elimination of caps on foreign ownership of Chinese companies, lowering tariffs and publicizing its laws. China may not meet these requirements, it may not remain a member of the WTO, and its PNTR trading status may not be maintained. If China's WTO membership is withdrawn or if PNTR status for goods produced in China were removed, there could be a substantial increase in tariffs imposed on goods of Chinese origin entering the U.S. which could have a material negative adverse effect on its sales and gross margin.

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

Spectrum Brands is subject to three European Union ("EU") Directives that may have a material impact on its business: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed below. Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment requires Spectrum Brands to eliminate specified hazardous materials from products it sells in EU member states. Waste of Electrical and Electronic Equipment requires Spectrum Brands to collect and treat, dispose of or recycle certain products it manufactures or imports into the EU at its own expense. The EU Directive on Batteries and Accumulators and Waste Batteries bans heavy metals in batteries by establishing maximum quantities of heavy metals in batteries and mandates waste management of these batteries, including collection, recycling and disposal systems, with the costs imposed upon producers and importers such as Spectrum Brands. Complying or failing to comply with the EU Directives may harm Spectrum Brands' business. For example:

- Although contracts with its suppliers address related compliance issues, Spectrum Brands may be unable to procure appropriate Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment compliant material in sufficient quantity and quality and/or be able to incorporate it into Spectrum Brands' product procurement processes without compromising quality and/or harming its cost structure.
- Spectrum Brands may face excess and obsolete inventory risk related to non-compliant inventory that it may continue to hold in fiscal 2010 for which there is reduced demand, and it may need to write down the carrying value of such inventories.
- Spectrum Brands may be unable to sell certain existing inventories of its batteries in Europe.

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

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

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

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

Spectrum Brands licenses various trademarks, trade names and patents from third parties for certain of its products. These licenses generally place marketing obligations on Spectrum Brands and require Spectrum Brands to pay fees and royalties based on net sales or profits. Typically, these licenses may be terminated if Spectrum Brands fails to satisfy certain minimum sales obligations or if it breaches the terms of the license. The termination of these licensing arrangements could adversely affect Spectrum Brands' business, financial condition and results of operations.

In the Small Appliances segment, Spectrum Brands licenses the use of the *Black & Decker* brand for marketing in certain small household appliances in North America, South America (excluding Brazil) and the Caribbean. Sales of *Black & Decker* branded products represented approximately 53% and 68% of the total consolidated revenue of the Small Appliances segment in the 2009 and 2008 fiscal year, respectively. In December 2007, The Black & Decker Corporation ("BDC") extended the license agreement through December 2012, with an automatic extension through December 2014 if certain milestones are met regarding sales volume and product return. The failure to renew the license agreement with BDC or to enter into a new agreement on acceptable terms could have a material adverse effect on Spectrum Brands' financial condition, liquidity and results of operations.

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

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

***Spectrum Brands' dependence on a few suppliers and one of its U.S. facilities for certain of its products makes it vulnerable to a disruption in the supply of its products.***

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

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

If Spectrum Brands' relationship with one of its key suppliers is adversely affected, Spectrum Brands may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, molds or other specialized production equipment or processes used by such supplier in the manufacture of its products.

In addition, Spectrum Brands manufactures the majority of its foil cutting systems for its shaving product lines, using specially designed machines and proprietary cutting technology, at its Portage, Wisconsin facility. Damage to this facility, or prolonged interruption in the operations of this facility for repairs, as a result of labor difficulties or for other reasons, could have a material adverse effect on its ability to manufacture and sell its foil shaving products which could in turn harm its business, financial condition and results of operations.

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

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

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

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

***Spectrum Brands may be exposed to significant product liability claims which its insurance may not cover and which could harm its reputation.***

In the ordinary course of its business, Spectrum Brands may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on Spectrum Brands' business, results of operations and financial condition if it is unable to successfully defend against or settle these matters or if its insurance coverage is insufficient to satisfy any judgments against Spectrum Brands or settlements relating to these matters. Although Spectrum Brands has product liability insurance coverage and an excess umbrella policy, its insurance policies may not provide coverage for certain, or any, claims against Spectrum Brands or may not be sufficient to cover all possible liabilities. Additionally, Spectrum Brands does not maintain product recall insurance. Spectrum Brands may not be able to maintain such insurance on acceptable terms, if at all, in the future. Moreover, any adverse publicity arising from claims made against Spectrum Brands, even if the claims were not successful, could adversely affect the reputation and sales of its products. In particular, product recalls or product liability claims challenging the safety of Spectrum Brands' products may result in a decline in sales for a particular product. This could be true even if the claims themselves are ultimately settled for immaterial amounts. This type of adverse publicity could occur and product liability claims could be made in the future.

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

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

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

Risk of environmental liability is inherent in Spectrum Brands' business. As a result, material environmental costs may arise in the future. In particular, it may incur capital and other costs to comply with increasingly stringent environmental laws and enforcement policies, such as the EU Directives: Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment, Waste of Electrical and Electronic Equipment and the Directive on Batteries and Accumulators and Waste Batteries, discussed above. Moreover, there are proposed international accords and treaties, as well as federal, state and local laws and regulations, that would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event that the U.S. government or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with applicable laws or regulations may result in increased manufacturing costs for Spectrum Brands' products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of its products are made. Spectrum Brands may incur some of these costs directly and others may be passed on to it from its third-party suppliers. Although Spectrum Brands believes that it is substantially in compliance with applicable environmental laws and regulations at its facilities, it may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on Spectrum Brands' business, financial condition and results of operations.

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

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

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

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

As a distributor of consumer products in the U.S., certain of Spectrum Brands' products are also subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (the "Consumer Commission") to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Commission could require Spectrum Brands to repair, replace or refund the purchase price of one or more of its products, or it may voluntarily do so. For example, Russell Hobbs, in cooperation with the Consumer Commission, voluntarily recalled approximately 9,800 units of a thermal coffeemaker sold under the *Black & Decker* brand in August 2009 and approximately 584,000 coffeemakers in June 2009. Any additional repurchases or recalls of Spectrum Brands' products could be costly to it and could damage the reputation or the value of its brands. If Spectrum Brands is required to remove, or it voluntarily removes its products from the market, its reputation or brands could be tarnished and it may have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the Consumer Commission of a potential safety hazard can result in significant fines being assessed against Spectrum Brands. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which Spectrum Brands sells its products, and more restrictive laws and regulations may be adopted in the future.

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

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

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

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

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

On occasion, customers and some current or former employees have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that any of its products are not safe, whether justified or not, could impair Spectrum Brands' reputation, damage its brand names and have a material adverse effect on its business, financial condition and results of operations.

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

Approximately 20% of Spectrum Brands' total labor force is employed under collective bargaining agreements. One of these agreements, which covers approximately 35% of the labor force under collective bargaining agreements, or approximately 7% of Spectrum Brands' total labor force, is scheduled to expire on September 30, 2010. While Spectrum Brands currently expects to negotiate continuations to the terms of these agreements, there can be no assurances that it will be able to obtain terms that are satisfactory to it or otherwise to reach agreement at all with the applicable parties. In addition, in the course of its business, Spectrum Brands may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under its current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than existing collective bargaining agreements, could adversely affect the operation of Spectrum Brands' business, including through increased labor expenses. While it intends to comply with all collective bargaining agreements to which it is subject, there can be no assurances that Spectrum Brands will be able to do so and any noncompliance could subject it to disruptions in its operations and materially and adversely affect its results of operations and financial condition.

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

Spectrum Brands' results of operations may be positively or negatively affected by the amount of income or expense it records for its defined benefit pension plans. Accounting principles generally accepted in the United States of American ("GAAP") require that Spectrum Brands calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial market and other economic conditions, which may change based on changes in key economic indicators. The most significant year-end assumptions Spectrum Brands used to estimate pension income or expense are the discount rate and the expected long-term rate of return on plan assets. In addition, Spectrum Brands is required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash Spectrum Brands would contribute to pension plans as required under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

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

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

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

**Risks Related to SB Holdings Common Stock**

***The Harbinger Parties and, upon consummation of the Spectrum Brands Acquisition, HGI will exercise significant influence over SB Holdings and their and HGI's interests in SB Holdings' business may be different from yours.***

The Harbinger Parties beneficially own approximately 67.1% of the outstanding SB Holdings common stock as of September 10, 2010. Upon consummation of the Spectrum Brands Acquisition, HGI will own approximately 54.4% of SB Holdings common stock and Harbinger will directly own approximately 12.7% of SB Holdings common stock. The Harbinger Parties and, upon consummation of the Spectrum Brands Acquisition, HGI, will have the ability to influence the outcome of any corporate action by SB Holdings which requires stockholder approval, including, but not limited to, the election of directors, approval of merger transactions and the sale of all or substantially all of SB Holdings' and Spectrum Brands' assets. The interests of the Harbinger Parties or HGI may diverge from the interests of other SB Holdings stockholders.

This influence and actual control may have the effect of discouraging offers to acquire SB Holdings because any such consummation would likely require the consent of the Harbinger Parties, and upon consummation of the Spectrum Brands Acquisition, of HGI. The Harbinger Parties and HGI may also delay or prevent a change in control of SB Holdings.

In addition, because the Harbinger Parties now own, and upon consummation of the Spectrum Brands Acquisition, HGI (together with Harbinger Capital) will own, more than 50% of the voting power of SB Holdings, SB Holdings is considered a controlled company under the NYSE listing standards. As such, the NYSE corporate governance rules requiring that a majority of SB Holdings' board of directors, SB Holdings' entire compensation committee and SB Holdings' entire Nominating and Corporate Governance Committee be independent do not apply. As a result, the ability of SB Holdings' independent directors to influence its business policies and affairs may be reduced.

If HGI or Harbinger Capital or its affiliates sells substantial amounts of SB Holdings common stock in the public market, or investors perceive that these sales could occur, the market price of SB Holdings common stock could be adversely affected. The Harbinger Parties and SB Holdings entered into, and upon the consummation of the Spectrum Brands Acquisition, HGI will become a party to, the Registration Rights Agreement, dated as February 9, 2010 (the "SB Holdings Registration Rights Agreement"), by and among the Harbinger Parties, SB Holdings, and Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P. and Avenue-CDP Global Opportunities Fund, L.P. If requested properly under the terms of the SB Holdings Registration Rights Agreement, these stockholders have the right to require SB Holdings to register all or some of such shares for sale under the Securities Act in certain circumstances and also have the right to include those shares in a registration initiated by SB Holdings. If SB Holdings is required to include such shares of its common stock in a registration initiated by SB Holdings, sales made by such parties may adversely affect the price of SB Holdings common stock and SB Holdings' ability to raise needed capital. In addition, if the parties to the SB Holdings Registration Rights Agreement exercise their demand registration rights and cause a large number of shares to be registered and sold in the public market or demand that SB Holdings register their shares on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of SB Holdings common stock.

The interests of HGI and the Harbinger Parties, which have investments in other companies, may from time to time diverge from the interests of other SB Holdings stockholders, particularly with regard to new investment opportunities. Neither HGI nor the Harbinger Parties are restricted from investing in other businesses involving or related to the marketing or distribution of household products, pet and pest products and personal care products. HGI and the Harbinger Parties may also engage in other businesses that compete or may in the future compete with SB Holdings.

***Even though SB Holdings common stock is currently traded on the NYSE, it has less liquidity than many other stocks quoted on a national securities exchange.***

The trading volume in SB Holdings common stock on the NYSE has been relatively low when compared with larger companies listed on the NYSE or other stock exchanges. Because of this, it may be more difficult for stockholders to sell a substantial number of shares for the same price at which stockholders could sell a smaller number of shares. SB Holdings cannot predict the effect, if any, that future sales of SB Holdings common stock in the market, or the availability of shares of its common stock for sale in the market, will have on the market price of SB Holdings common stock. SB Holdings can give no assurance that sales of substantial amounts of SB Holdings common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of SB Holdings common stock to decline or impair SB Holdings' future ability to raise capital through sales of its common stock. Furthermore, because of the limited market and generally low volume of trading in SB Holdings common stock that could occur, the share price of its common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in its operating results, changes in the market's perception of its business, and announcements made by SB Holdings, its competitors or parties with whom SB Holdings has business relationships. The lack of liquidity in SB Holdings common stock may also make it difficult for SB Holdings to issue additional securities for financing or other purposes, or to otherwise arrange for any financing it may need in the future. In addition, SB Holdings may experience other adverse effects, including, without limitation, the loss of confidence in it by current and prospective suppliers, customers, employees and others with whom it has or may seek to initiate business relationships.

***The market price of SB Holdings common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond SB Holdings' control.***

Factors that may influence the price of SB Holdings common stock include, without limitation, the following:

- loss of any of its key customers or suppliers;
- additions or departures of key personnel;
- sales of the common stock;
- its ability to execute its business plan;
- operating results that fall below expectations;
- additional issuances of the common stock;
- low volume of sales due to concentrated ownership of the common stock;
- intellectual property disputes;
- industry developments;
- economic and other external factors; and
- period-to-period fluctuations in its financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of SB Holdings common stock. You should also be aware that price volatility might be worse if the trading volume of shares of its common stock is low.

***Additional issuances of SB Holdings common stock may result in dilution to its existing stockholders and to HGI.***

As of August 13, 2010, SB Holdings had issued 667,933 restricted shares and 270,962 restricted stock units under two active equity incentive plans and is authorized to issue up to a total of 5,484,101 shares of its common stock, or options or restricted stock units exercisable for shares of common stock. In addition, SB Holdings' board of directors has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of SB Holdings common stock. If SB Holdings does issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of SB Holdings common stock, including HGI following the consummation of the Spectrum Brands Acquisition, could be decreased. Further, any such issuance or exercise could result in a change of control. Under SB Holdings' certificate of incorporation, holders of 5% or more of the outstanding common stock or capital stock into which any shares of common stock may be converted have certain rights to purchase their pro rata share of certain future issuances of securities.

***SB Holdings has historically not paid dividends on its public common stock and SB Holdings does not anticipate paying dividends on its public common stock in the foreseeable future, and, therefore, any return on investment may be limited to the value of its common stock.***

SB Holdings, prior to the SB/RH Merger, had not declared or paid dividends on its common stock since the stock commenced public trading in 1997, SB Holdings has not declared or paid dividends on its common stock since the stock commenced public trading in 2010, and SB Holdings does not currently anticipate paying dividends in the foreseeable future. The payment of dividends on outstanding SB Holdings common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as its board of directors may consider relevant, including the ability to do so under its credit and other debt agreements. If SB Holdings does not pay dividends, returns on an investment in its common stock will only occur if the stock price appreciates.

### Risks Related to Our Issuance of the Notes

***If the Spectrum Brands Acquisition is not consummated, we will be required to redeem the Notes.***

If we issue the Notes, we will deposit the net proceeds from the offering into a segregated escrow account. Although we expect to consummate the Spectrum Brands Acquisition, a number of conditions must be satisfied prior to the closing. If any of these conditions are not satisfied, the Spectrum Brands Acquisition may not be consummated. If the Spectrum Brands Acquisition is not consummated or the other escrow conditions are not satisfied on or prior to March 31, 2011, we will be required to redeem the Notes at their issue price, plus accrued yield and accrued and unpaid interest.

***We are a holding company and will be dependent upon dividends or distributions from our operating subsidiaries to fund payments on the Notes and any additional debt we incur and our ability to receive funds from our operating subsidiaries is dependent upon the profitability of our operating subsidiaries and restrictions imposed by law and contracts.***

We are a holding company that does not itself conduct any business operations. As a result, we will rely upon dividends and other payments from our operating subsidiaries, including SB Holdings and other future acquired businesses, to generate the funds necessary to meet our obligations under the Notes we expect to issue and any additional debt we incur. We will be entitled to our proportionate share of any such dividends. Our subsidiaries are separate and distinct legal entities and they will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. SB Holdings and its existing and future subsidiaries are expected to be highly leveraged and will be required to dedicate a significant amount of cash to their own debt service needs.

SB Holdings is a holding company with limited business operations of its own and its main asset is the capital stock of its subsidiaries, principally Spectrum Brands. Spectrum Brands’ $300 million senior secured asset-based revolving credit facility due 2014 (the “Spectrum Brands ABL Facility”), its $750 million senior secured term facility due 2016 (the “Spectrum Brands Term Loan”), the indenture governing its 9.50% senior secured notes due 2018 (the “Spectrum Brands Senior Secured Notes”), the indenture governing its 12% Notes due 2019 (the “Spectrum Brands Senior Subordinated Toggle Notes” and, collectively, the “Spectrum loan agreements”) and other agreements substantially limit or prohibit certain payments of dividends or other distributions to SB Holdings. Specifically, (i) each indenture of Spectrum Brands generally prohibits the payment of dividends to shareholders except out of a cumulative basket based on an amount equal to the excess of (a) 50% of the cumulative consolidated net income of Spectrum Brands plus (b) 100% of the aggregate cash proceeds from the sale of equity by Spectrum Brands (or less 100% of the net losses) plus (c) any repayments to Spectrum Brands of certain investments plus (d) in the case of the indenture governing the Spectrum Brands Senior Subordinated Toggle Notes, $50 million, subject to certain other tests and certain exceptions and (ii) each credit facility of Spectrum Brands generally prohibits the payment of dividends to shareholders except out of a cumulative basket amount limited to $40 million per year. We expect that future debt of Spectrums Brands and SB Holdings will contain similar restrictions and we do not expect to receive dividends from SB Holdings in the near future.

The ability of our operating subsidiaries to make payments to us will also be subject to, among other things, the availability of profits or funds and requirements of applicable laws, including surplus, solvency and other limits imposed on the ability of companies to pay dividends.

***Foreclosure on the stock of SB Holdings pledged as collateral for the Notes would constitute a change of control under the agreements governing Spectrum Brands' debt.***

If the collateral agent were to exercise remedies and foreclose on a sufficient amount of the stock of SB Holdings pledged as collateral for the Notes, the foreclosure could constitute a change of control under the agreements governing Spectrum Brands' debt. Under the Spectrum Brands Term Loan and the Spectrum Brands ABL Facility, a change of control is an event of default and, if a change of control were to occur, Spectrum Brands would be required to get an amendment to these agreements to avoid a default. If Spectrum Brands was unable to get such an amendment, the lenders could accelerate the maturity of each of the Spectrum Brands term loan and the Spectrum Brands ABL Facility. In addition, under the indentures governing Spectrum Brands Senior Secured Notes and Spectrum Brands Senior Subordinated Toggle Notes, upon a change of control Spectrum Brands is required to offer to repurchase such notes from the holders at a price equal to 101% of principal amount of the notes plus accrued interest. If Spectrum Brands was unable to make the change of control offer, it would be an event of default under the indentures that could allow holders of such notes to accelerate the maturity of the notes. In the event the lenders under the Spectrum Brands loan agreements or holders of Spectrum Brands notes exercised remedies in connection with a default, their claims to Spectrum Brands assets will have priority over any claims of the holders of the Notes we expect to issue.

***Our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.***

After the completion of the Notes issuance, we will have a significant amount of indebtedness. As of September 30, 2010, after giving effect to our issuance of the Notes and the application of the net proceeds therefrom, our total outstanding indebtedness (excluding the indebtedness of our subsidiaries) would have been $350 million and our subsidiaries would have had approximately $1.8 billion of indebtedness. Our significant indebtedness could have material consequences. For example, it could:

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

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

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

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

Subject to the limitations which will be set forth in the Indenture, we and our subsidiaries may incur indebtedness in addition to the Notes (including additional first-lien obligations) in the future. If new indebtedness is added to our current proposed levels of indebtedness, the related risks that we now face, including our possible inability to service our debt, could intensify.

***Covenants in the Indenture will limit, and other future debt agreements may limit, our ability to operate our business.***

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

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

These restrictions may interfere with our ability to obtain additional financing or to engage in other business activities, which could have a material adverse effect on our business, financial condition, liquidity and results of operations. These restrictions also may interfere with our ability to make payments on the Notes and other debt we may incur.

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

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

**Item 2.** ***Unregistered Sales of Equity 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**

| | |
|---|---|
| 2.1 | Contribution and Exchange Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed September 14, 2010 (File No. 1-4219)). |
| 10.1 | Form of lock-up letter to be delivered to Harbinger Group Inc. by Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. to Harbinger Group Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 14, 2010 (File No. 1-4219)). |
| 10.2 | Registration Rights Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 14, 2010 (File No. 1-4219)). |
| 10.3* | Purchase Agreement, dated November 5, 2010, between Harbinger Group Inc. and certain initial purchasers named therein. |
| 10.4* | Amendment, dated as of November 5, 2010, to the Contribution and Exchange Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. |
| 31.1* | Certification of CEO 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 CFO 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 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. |

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* 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.

**HARBINGER GROUP INC.**
**(Registrant)**

| | |
|---|---|
| Dated: November 9, 2010 | By: /s/ FRANCIS T. McCARRON<br>Executive Vice President and Chief Financial Officer<br>(on behalf of the Registrant and as Principal Financial Officer) |

**Exhibit 10.3**

**$350,000,000**

**HARBINGER GROUP INC.**

**10.625% Senior Secured Notes due 2015**

**PURCHASE AGREEMENT**

November 5, 2010

CREDIT SUISSE SECURITIES (USA) LLC
GOLDMAN, SACHS & CO.,
As Representatives of the Several Purchasers (the "**Representatives**"),

c/o Credit Suisse Securities (USA) LLC
Eleven Madison Avenue,
New York, N.Y. 10010-3629

Goldman, Sachs & Co.
200 West Street,
New York, N.Y. 10282-2198

Dear Sirs:

1. *Introductory.* Harbinger Group Inc., a Delaware corporation (the "**Company**"), agrees with the several initial purchasers named in Schedule A hereto (the "**Purchasers**") subject to the terms and conditions stated herein, to issue and sell to the several Purchasers U.S.$350,000,000 principal amount of its 10.625% Senior Secured Notes due 2015 (the "**Offered Securities**") to be issued under an indenture, dated as of November 15, 2010 (the "**Indenture**"), between the Company and Wells Fargo Bank, National Association, as Trustee.

On the Closing Date (as defined below), the Company will enter into an escrow and security agreement (the "**Escrow Agreement**") with Wells Fargo Bank, National Association, as escrow and security agent (the "**Escrow Agent**"), pursuant to which the Company will deposit into an account pledged to the Trustee (the "**Escrow Account**") the proceeds of the offering of the Offered Securities, together with an additional amount, in cash (collectively with any other property from time to time held by the Escrow Agent, the "**Escrowed Property**"), sufficient to redeem the Offered Securities at a redemption price (the "**Special Redemption Price**") equal to the original issue price of the Offered Securities, plus accrued yield (calculated pursuant to the terms of the Indenture) and accrued and unpaid interest on the Offered Securities through April 7, 2011. Upon the satisfaction of certain conditions set forth in the Indenture as described in the General Disclosure Package (as defined below) and the Escrow Agreement (the "**Escrow Conditions**"), the Escrowed Property will be released to the Company (the "**Escrow Release Date**"). On or before the Escrow Release Date, the Company will acquire good and marketable title to at least 27,756,905 shares of common stock, $0.01 par value per share, of Spectrum Brands Holdings, Inc. ("**Spectrum**") (as adjusted to reflect fully the appropriate effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into or exchangeable for common stock of Spectrum), reorganization, recapitalization, reclassification or other similar change with respect to the common stock of Spectrum) currently owned by Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. (the "**Holders**") and related assets, including all general intangibles under contracts (including without limitation, a registration rights agreement with respect to the shares of Spectrum common stock) that such Holders have with Spectrum (the "**Acquisition**") pursuant to the Contribution and Exchange Agreement, dated as of September 10, 2010, by and among the Company and the Holders (as amended from time to time, the "**Exchange Agreement**").

If the Escrow Conditions are not satisfied on or prior to the earlier of March 31, 2011 or such earlier date that the Directors of the Company determine that the Escrow Conditions will not be satisfied (the "**Special Redemption Date**"), the Company will be required pursuant to the terms of the Indenture and the Escrow Agreement to redeem the Offered Securities at the Special Redemption Price on the Special Redemption Date.

Following the satisfaction of the Escrow Conditions, the Offered Securities will be secured pursuant to a pledge and security agreement and a collateral trust agreement in the forms attached to the Indenture (the "**Security Agreements**") by a first priority lien on all assets of the Company other than Excluded Property (as defined in the "Description of Notes" section of the Final Offering Circular referred to below) (the "**Collateral**").

The holders of the Offered Securities will be entitled to the benefits of a Registration Rights Agreement dated as of the Closing Date between the Company and the Purchasers (the "**Registration Rights Agreement**"), pursuant to which the Company agrees to file a registration statement with the Commission registering the resale of the Offered Securities under the Securities Act.

The transactions described above are collectively referred to as the "**Transactions**."

The Company hereby agrees with the several Purchasers as follows:

2. *Representations and Warranties of the Company.* The Company represents and warrants to, and agrees with, the several Purchasers that:

(a) *Offering Circulars; Certain Defined Terms*. The Company has prepared or will prepare a Preliminary Offering Circular and a Final Offering Circular.

For purposes of this Agreement:

"**Applicable Time**" means 2:40 P.M. (New York time) on the date of this Agreement.

"**Closing Date**" has the meaning set forth in Section 3 hereof.

"**Collateral Trustee**" is the collateral trustee as defined in the Indenture.

"**Commission**" means the Securities and Exchange Commission.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Final Offering Circular**" means the final offering circular relating to the Offered Securities to be offered by the Purchasers that discloses the offering price and other final terms of the Offered Securities and is dated as of the date of this Agreement (even if finalized and issued subsequent to the date of this Agreement).

"**Free Writing Communication**" means a written communication (as such term is defined in Rule 405) that constitutes an offer to sell or a solicitation of an offer to buy the Offered Securities and is made by means other than the Preliminary Offering Circular or the Final Offering Circular.

"**General Disclosure Package**" means the Preliminary Offering Circular together with any Issuer Free Writing Communication existing at the Applicable Time and the information which is intended for general distribution to prospective investors, as evidenced by its being specified in Schedule B hereto.

"**Issuer Free Writing Communication**" means a Free Writing Communication prepared by or on behalf of the Company, used or referred to by the Company or containing a description of the final terms of the Offered Securities or of its offering, in the form retained in the Company's records.

"**Preliminary Offering Circular**" means the preliminary offering circular, dated November 1, 2010, relating to the Offered Securities to be offered by the Purchasers.

"**Rules and Regulations**" means the rules and regulations of the Commission.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securities Laws**" means, collectively, the Sarbanes-Oxley Act of 2002 ("**Sarbanes-Oxley**"), the Securities Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of "issuers" (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of the New York Stock Exchange and the NASDAQ Stock Market (the "**Exchange Rules**").

"**subsidiary**" of the Company, unless the context requires otherwise, means each entity that will be a subsidiary of the Company following the Escrow Release Date.

"**Supplemental Marketing Material**" means any Issuer Free Writing Communication other than any Issuer Free Writing Communication specified in Schedule B hereto. Supplemental Marketing Materials include, but are not limited to, the electronic Bloomberg roadshow slides and the accompanying audio recording.

Unless otherwise specified, a reference to a "rule" is to the indicated rule under the Securities Act.

(b) *Disclosure*. As of the date of this Agreement, the Final Offering Circular does not, and as of the Closing Date, the Final Offering Circular will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the Applicable Time, neither (i) the General Disclosure Package, nor (ii) any individual Supplemental Marketing Material, when considered together with the General Disclosure Package, included, or will include, any untrue statement of a material fact or omitted, or will omit, to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding two sentences do not apply to statements in or omissions from the Preliminary or Final Offering Circular, the General Disclosure Package or any Supplemental Marketing Material based upon written information furnished to the Company by any Purchaser through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 9(b) hereof. Except as disclosed in the General Disclosure Package, on the date of this Agreement, each of the Company's and Spectrum Brands, Inc.'s Annual Reports on Form 10-K most recently filed with the Commission and all subsequent reports and all amendments thereto (collectively, the "**Exchange Act Reports**") which have been filed by the Company, Spectrum and Spectrum Brands, Inc. ("**SBI**") with the Commission pursuant to the Exchange Act and incorporated by reference in the Preliminary or Final Offering Circular do not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such documents, when they were filed (and if amended or superseded by a filing prior to the date of this Agreement, then on the date such filing was so amended and superseded) with the Commission, conformed in all material respects to the requirements of the Exchange Act and the Rules and Regulations.

(c) *Good Standing of the Company*. The Company has been duly organized and is existing and in good standing under the laws of its jurisdiction of organization, with all necessary power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing could not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries, including, without limitation, Spectrum and each of its subsidiaries that will be subsidiaries of the Company following the Escrow Release Date, taken as a whole (a "**Material Adverse Effect**").

(d) *Subsidiaries*. Each Significant Subsidiary (as defined in Regulation S-X but including Spectrum for the avoidance of doubt) of the Company has been duly organized and is existing and in good standing under the laws of the jurisdiction of its organization, with all necessary power and authority (corporate and other) to own its properties and conduct its business as described in the General Disclosure Package; and each Significant Subsidiary of the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; all of the issued and outstanding capital stock of each Significant Subsidiary of the Company has been duly authorized and validly issued and is fully paid and nonassessable; and, as of the Escrow Release Date, the capital stock of each subsidiary owned by the Company, directly or through subsidiaries, is owned free from liens, encumbrances and defects, other than, in the case of Spectrum and its subsidiaries, liens securing SBI's outstanding 9.500% senior secured notes due 2018 (the "**9.5% Notes**"), Permitted Liens as such term is defined in the Indenture, dated June 16, 2010, by and among SBI, the guarantor parties thereto and US Bank National Association, as trustee governing the 9.5% Notes, SBI's $300 million senior secured asset-based revolving credit facility due 2014 and SBI's $750 million senior secured term facility due 2016 ("**Spectrum Liens**").

(e) *Corporate Structure*. The entities listed on Schedule C hereto are the only subsidiaries, direct or indirect, of the Company on the date hereof and immediately upon the release of the Escrow Property on the Escrow Release Date.

(f) *Indenture; Security Interests*. The Indenture has been duly authorized; the Offered Securities have been duly authorized; and assuming the due authorization, execution and delivery of the Indenture and the authentication of the Offered Securities, in each case by the Trustee, when the Offered Securities are delivered and paid for pursuant to this Agreement on the Closing Date, the Indenture will have been duly executed and delivered by the Company, such Offered Securities will have been duly executed, issued and delivered by the Company and will conform in all material respects to the description of the Indenture and such Offered Securities contained in the General Disclosure Package and the Final Offering Circular and the Indenture and such Offered Securities will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles and the discretion of any court before which any proceeding therefore may be brought (the "**Bankruptcy Exceptions**") and entitled to the benefits and security provided by the Indenture.

(g) *Security Agreements*. Each Security Agreement has been duly authorized and, as of the Escrow Release Date, will have been duly executed and delivered by the Company, will conform in all material respects to the description thereof in the General Disclosure Package and will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to the Bankruptcy Exceptions and will create valid, perfected liens in the Collateral subject to no prior liens (other than the Spectrum Liens).

(h) *Escrow Agreement*. The Escrow Agreement has been duly authorized by the Company. Assuming the due authorization, execution and delivery of the Escrow Agreement by the Escrow Agent, the Escrow Agreement will have been duly executed and delivered and will constitute a valid and legally binding obligation of the Company, enforceable in accordance with its terms, subject to the Bankruptcy Exceptions and will create valid, perfected liens in the Escrowed Property subject to no prior liens.

(i) *Trust Indenture Act*. On the Closing Date, the Indenture will conform in all material respects to the requirements of the United States Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), and the rules and regulations of the Commission applicable to an indenture which is qualified thereunder.

(j) *No Finder's Fee*. Except as disclosed in the General Disclosure Package, there are no contracts, agreements or understandings between the Company and any person other than the Purchasers that would give rise to a valid claim against the Company or any Purchaser for a brokerage commission, finder's fee or other like payment in connection with the issuance and sale of the Offered Securities.

(k) *Registration Rights Agreement*. The Registration Rights Agreement has been duly authorized by the Company and, when the Offered Securities are delivered and paid for pursuant to this Agreement on the Closing Date, the Registration Rights Agreement will have been duly executed and delivered by the Company and will be a valid and legally binding obligation of the Company, enforceable in accordance with its terms, subject to the Bankruptcy Exceptions.

(l) *Exchange Securities*. On the Closing Date, the Exchange Securities will have been duly authorized by the Company; and when the Exchange Securities are issued, executed by the Company and authenticated by the Trustee in accordance with the terms of the Exchange Offer and the Indenture, the Exchange Securities will be entitled to the benefits of the Indenture and will be the valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject to the Bankruptcy Exceptions.

(m) *No Registration Rights*. Except as disclosed in the General Disclosure Package, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Offered Securities registered pursuant to any Registration Statement.

(n) *Absence of Further Requirements*. Except as set forth in the General Disclosure Package and assuming the accuracy of, and compliance with, the representations, warranties and agreements of the Purchasers under Section 4 of this Agreement, and the compliance by the holders of the Offered Securities with the offering and transfer restrictions set forth in the General Disclosure Package and the Final Offering Circular, no consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required for the consummation of the transactions contemplated by this Agreement, the Escrow Agreement, the Security Agreements, the Indenture and the Registration Rights Agreement in connection with the offering, issuance and sale of the Offered Securities by the Company except (i) such as have been or will be obtained or made on or prior to the Closing Date, (ii) the filing of UCC-1 financing statements, as set forth in Section 7 below, (iii) the order of the Commission declaring effective the Exchange Offer Registration Statement or, if required, the Shelf Registration Statement (each as defined in the Registration Rights Agreement), (iv) the filing of amendments to the Information Statement on Schedule 14C with respect to the Acquisition, (v) filings required under the Exchange Act (including Forms 8-K and filings pursuant to Section 16(a) and Regulation 13D-G of the Exchange Act), (vi) filings under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder or (vii) where the failure to obtain or make such consent, approval, authorization, order, filing or registration would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(o) *Title to Property.* The Company and its subsidiaries have good and marketable title in fee simple to all real property owned by them, good title to all personal property owned by them and valid leasehold interests in real and personal property being leased by them, in each case, as of the Closing Date, free from all liens, charges, encumbrances and defects except for Spectrum Liens or as set forth in the General Disclosure Package or such as would not, individually or in the aggregate, reasonably be expected to interfere in any material respect with the use made and proposed to be made of such property by the Company and its subsidiaries or otherwise have a Material Adverse Effect. Each of the properties of the Company and its subsidiaries complies with all applicable codes, laws and regulations (including, without limitation, building and zoning codes, laws and regulations and laws relating to access to such properties), except if and to the extent disclosed in the General Disclosure Package or except for such failures to comply that would not, individually or in the aggregate, reasonably be expected to interfere in any material respect with the use made and proposed to be made of such property by the Company and its subsidiaries or otherwise have a Material Adverse Effect. None of the Company or its subsidiaries has received from any governmental or regulatory authorities any notice of any condemnation of, or zoning change affecting, the properties of the Company and its subsidiaries, and the Company knows of no such condemnation or zoning change which is threatened, except for such that would not reasonably be expected to interfere in any material respect with the use made and proposed to be made of such property by the Company and its subsidiaries or otherwise have a Material Adverse Effect, individually or in the aggregate.

(p) *Absence of Defaults and Conflicts Resulting from Transaction*. Except as set forth in the General Disclosure Package and assuming the accuracy of, and compliance with, the representations, warranties and agreements of the Purchasers under Section 4 of this Agreement, and the compliance by the holders of the Offered Securities with the offering and transfer restrictions set forth in the General Disclosure Package and the Final Offering Circular, the execution, delivery and performance of the Indenture, this Agreement, the Registration Rights Agreement, the Escrow Agreement, the Security Agreements and other agreements to be executed in connection with the Transactions, and the issuance and sale of the Offered Securities and compliance with the terms and provisions thereof and the consummation of the Transactions will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to (i) the charter or by-laws of the Company or any of its subsidiaries, (ii) any statute, any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) any agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the properties of the Company or any of its subsidiaries is subject, except in the cases of clauses (ii) and (iii) above for such breaches, violations, defaults or Debt Repayment Triggering Events that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; a "**Debt Repayment Triggering Event**" means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(q) *Absence of Existing Defaults and Conflicts*. None of the Company or its Significant Subsidiaries is in violation of its respective organizational documents or in default (or with the giving of notice or lapse of time would be in default) under any existing obligation agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except such violations or defaults that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. The agreements listed in Schedule D are the only material agreements of the Company and its subsidiaries other than agreements between the Company and its subsidiaries and its employees related to employment arrangements.

(r) *Authorization of Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(s) *Possession of Licenses and Permits*. The Company and its subsidiaries (i) possess, and are in compliance with the terms of, all adequate certificates, authorizations, franchises, licenses and permits ("**Licenses**") necessary to the conduct of the business now conducted or proposed in the General Disclosure Package to be conducted by them, except as disclosed in the General Disclosure Package or where the failure to possess such Licenses would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (ii) have not received any notice of proceedings relating to the revocation or modification of any Licenses that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(t) *Absence of Labor Dispute*. Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, no labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent.

(u) *Possession of Intellectual Property*. The Company and its subsidiaries (i) own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know how, patents, copyrights, confidential information and other intellectual property (collectively, "**intellectual property rights**") necessary to conduct the business now operated by them, or presently employed by them, except where the failure to own, possess or acquire such intellectual property rights would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (ii) have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(v) *Environmental Laws*. Except as disclosed in the General Disclosure Package, none of the Company or its subsidiaries is in violation of any statute, any rule, regulation, decision or order of any governmental agency or body or any court, domestic or foreign, relating to the use, disposal or release of hazardous or toxic substances or relating to the protection or restoration of the environment or human exposure to hazardous or toxic substances (collectively, "**environmental laws**"), owns or operates any real property contaminated with any substance that is subject to any environmental laws, is liable for any off site disposal or contamination pursuant to any environmental laws, or is subject to any claim relating to any environmental laws, which violation, contamination, liability or claim would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; and the Company is not aware of any pending investigation which would reasonably be expected to lead to such a claim.

(w) *Other Laws*. Each of the Company and its subsidiaries or any of their respective officers, directors, supervisors, managers, agents, or employees, has not violated, its participation in the offering will not violate, and it has instituted and maintains policies and procedures designed to ensure continued compliance with each of the following laws: (a) anti-bribery laws, including, but not limited to, any applicable law, rule, or regulation of any locality, including, but not limited to, any law, rule, or regulation promulgated to implement the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed December 17, 1997, including the U.S. Foreign Corrupt Practices Act of 1977 or any other law, rule or regulation of similar purpose and scope, (b) anti-money laundering laws, including, but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, Title 18 U.S. Code section 1956 and 1957, the Patriot Act, the Bank Secrecy Act, and international anti-money laundering principals or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur, all as amended, and any executive order, directive, or regulation pursuant to the authority of any of the foregoing, or any orders or licenses issued thereunder or (c) laws and regulations imposing U.S. economic sanctions measures, including, but not limited to, the International Emergency Economic Powers Act, the Trading with the Enemy Act, the United Nations Participation Act, and the Syria Accountability and Lebanese Sovereignty Act, all as amended, and any executive order, directive, or regulation pursuant to the authority of any of the foregoing, including the regulations of the United States Treasury Department set forth under 31 CFR, Subtitle B, Chapter V, as amended, or any orders or licenses issued thereunder.

(x) *Accurate Disclosure*. The statements in the General Disclosure Package and the Final Offering Circular under the headings “Certain U.S. Federal Income Tax Considerations”, “Description of Notes” and “The Spectrum Brands Acquisition”, insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate and fair summaries of such legal matters, agreements, documents or proceedings and present the information required to be shown in all material respects.

(y) *Absence of Manipulation.* None of the Company and its affiliates has, either alone or with one or more other persons, bid for or purchased for any account in which it or any of its affiliates had a beneficial interest any Offered Securities or attempted to induce any person to purchase any Offered Securities.

(z) *Statistical and Market-Related Data*. Any third-party statistical and market-related data included in a Preliminary Offering Circular, a Final Offering Circular, or any Issuer Free Writing Communication are based on or derived from sources that the Company believes to be reliable and accurate.

(aa) *Internal Controls and Compliance with the Sarbanes-Oxley Act*. Except as set forth in the General Disclosure Package, each of the Company, the Company’s Board of Directors, Spectrum and Spectrum’s Board of Directors are in compliance with Sarbanes-Oxley and all applicable Exchange Rules in all material respects. Each of the Company and Spectrum maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function, and legal and regulatory compliance controls (collectively, “**Internal Controls**”), that comply with the Securities Laws in all material respects and are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management’s general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Internal Controls of each of the Company and Spectrum are, or, upon consummation of the offering of the Offered Securities will be, overseen by the Audit Committee of its respective Board of Directors in accordance with Exchange Rules. Except as set forth in the General Disclosure Package or the Exchange Act Reports, neither the Company nor Spectrum has publicly disclosed or reported to its respective Audit Committee or its Board of Directors a significant deficiency, material weakness, change in its Internal Controls or fraud involving its management or other employees who have a significant role in its Internal Controls, any material violation of, or failure to comply with, the Securities Laws, which would reasonably be expected to have a Material Adverse Effect.

(bb) *Litigation*. Except as disclosed in the General Disclosure Package, there are no pending actions, suits or proceedings (including, to the Company’s knowledge, any inquiries or investigations by any court or governmental agency or body, domestic or foreign) against or affecting the Company, any of its subsidiaries or any of their respective properties that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under the Indenture, this Agreement, the Registration Rights Agreement, the Escrow Agreement or the Security Agreements; and no such actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) are threatened or, to the Company’s knowledge, contemplated except for such actions, suits or proceedings that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(cc) *Financial Statements*. The financial statements included in the General Disclosure Package present fairly in all material respects the financial position of the Company, Spectrum and Russell Hobbs and their respective consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and, except as otherwise disclosed in the General Disclosure Package, such financial statements have been prepared in conformity with the generally accepted accounting principles in the United States applied on a consistent basis; and the assumptions used in preparing the pro forma financial statements included in the General Disclosure Package provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, the pro forma columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts, and such pro forma financial statements have been prepared in accordance with Article 11 of Regulation S-X.

(dd) *No Material Adverse Change in Business*. Except as disclosed in the General Disclosure Package, since the end of the period covered by the latest audited financial statements included in the General Disclosure Package (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries, taken as a whole, that is material and adverse or makes it impractical or inadvisable to proceed with completion of the offering or the sale of and payment for the Offered Securities; (ii) except as disclosed in the General Disclosure Package, there has been no dividend or distribution of any kind declared, paid or made by the Company or Spectrum on any class of their capital stock and (iii) except as disclosed in the General Disclosure Package, there has been no material adverse change in the capital stock, long-term indebtedness, or net assets of the Company and its subsidiaries.

(ee) *Investment Company Act*. The Company is not an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the United States Investment Company Act of 1940 (the "**Investment Company Act**"); and the Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the General Disclosure Package, will not be an "investment company" as defined in the Investment Company Act.

(ff) *Ratings*. No "nationally recognized statistical rating organization" as such term is defined for purposes of Rule 436(g)(2) under the Securities Act (i) has imposed (or has informed the Company or Spectrum that it is considering imposing) any condition (financial or otherwise) on the Company's or Spectrum's retaining any rating assigned to the Company or Spectrum on any securities of the Company or Spectrum or (ii) has indicated to the Company or Spectrum that it is considering any of the actions described in Section 7(d)(ii) hereof.

(gg) *Class of Securities Not Listed*. No securities of the same class (within the meaning of Rule 144A(d)(3) under the Securities Act) as the Offered Securities are listed on any national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.

(hh) *No Registration*. Assuming the accuracy of, and compliance with, the representations, warranties and agreements of the Purchasers in Section 4 of this Agreement and the compliance by the holders of the Offered Securities with the offering and transfer restrictions set forth in the General Disclosure Package and the Final Offering Circular, the offer and sale of the Offered Securities to and by the Purchasers in the manner contemplated by this Agreement will be exempt from the registration requirements of the Securities Act by reason of Section 4(2) thereof and by Rule 144A ("**Rule 144A**") or by Regulation S thereunder ("**Regulation S**"); and it is not necessary to qualify an indenture in respect of the Offered Securities under the Trust Indenture Act.

(ii) *No General Solicitation; No Directed Selling Efforts*. Neither the Company nor any of its affiliates, nor any person acting on its or their behalf (other than the Purchasers, as to whom the Company makes no representation or warranty) (i) has, within the six-month period prior to the date hereof, offered or sold in the United States or to any U.S. person (as such terms are defined in Regulation S) the Offered Securities or any security of the same class or series as the Offered Securities or (ii) has offered or will offer or sell the Offered Securities (A) in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act or (B) with respect to any such securities sold in reliance on Rule 903 of Regulation S, by means of any directed selling efforts within the meaning of Rule 902(c) of Regulation S. The Company, its respective affiliates and any person acting on its or their behalf (other than the Purchasers, as to whom the Company makes no representation or warranty) have complied and will comply with the offering restrictions requirement of Regulation S. The Company has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for this Agreement.

(jj) *Reporting Status*. Each of the Company and Spectrum is subject to Section 13 or 15(d) of the Exchange Act.

(kk) *Solvency*. Each of the Company and Spectrum is, and immediately after the Closing Date will be, Solvent. As used herein, the term "**Solvent**" means, with respect to any person on a particular date, that on such date (i) the fair market value of the assets of such person is greater than the total amount of liabilities (including contingent liabilities) of such person, (ii) the present fair salable value of the assets of such person is greater than the amount that will be required to pay the probable liabilities of such person on its debts as they become absolute and matured, (iii) such person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature and (iv) such person does not have unreasonably small capital.

(ll) *Tax Returns*. The Company and its subsidiaries have filed all federal, state, local and non-U.S. tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not have a Material Adverse Effect); and, except as set forth in the General Disclosure Package, the Company and its subsidiaries have paid all taxes (including any assessments, fines or penalties) required to be paid by them, except for any such taxes, assessments, fines or penalties currently being contested in good faith or as would not, individually or in the aggregate, have a Material Adverse Effect.

(mm) *Spectrum Acquisition.* Nothing has come to the Company's attention that would cause it to believe that the Acquisition will not be consummated substantially in accordance with the terms of the Exchange Agreement.

(nn) *Planned Acquisitions.* Other than the Acquisition, the Company has no outstanding proposal or offer with respect to any acquisition or merger, including, without limitation, an acquisition of Old Mutual U.S. Life Holdings, Inc. or Front Street Re, Ltd.

(oo) *Margin Regulations*. The proceeds to the Company from the offering of the Offered Securities will not be used to purchase or carry any security that constitutes "margin stock" as defined under Regulation U promulgated by the Board of Governors of the Federal Reserve System of the United States of America (the "**Board**") or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X.

3. *Purchase, Sale and Delivery of Offered Securities.* On the basis of the representations, warranties and agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to the several Purchasers, and each of the Purchasers agrees, severally and not jointly, to purchase from the Company, at a purchase price of [•]% of the principal amount thereof plus accrued interest from November 15, 2010 to the Closing Date (as hereinafter defined), the respective principal amounts of Securities set forth opposite the names of the several Purchasers in Schedule A hereto.

The Company will deliver against payment of the purchase price the Offered Securities to be offered and sold by the Purchasers in reliance on Regulation S (the "**Regulation S Securities**") in the form of one or more permanent global Securities in registered form without interest coupons (the "**Offered Regulation S Global securities**") which will be deposited with the Trustee as custodian for The Depository Trust Company ("**DTC**") for the respective accounts of the DTC participants for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and registered in the name of Cede & Co., as nominee for DTC. The Company will deliver against payment of the purchase price the Offered Securities to be purchased by each Purchaser hereunder and to be offered and sold by each Purchaser in reliance on Rule 144A (the "**144A Securities**") in the form of one permanent global security in definitive form without interest coupons (the "**Restricted Global Securities**") deposited with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee for DTC. The Regulation S Global Securities and the Restricted Global Securities shall be assigned separate CUSIP numbers. The Restricted Global Securities shall include the legend regarding restrictions on transfer set forth under "Transfer Restrictions" in the Final Offering Circular. Until the termination of the distribution compliance period (as defined in Regulation S) with respect to the offering of the Offered Securities, interests in the Regulation S Global Securities may only be held by the DTC participants for Euroclear and Clearstream, Luxembourg. Interests in any permanent global Securities will be held only in book-entry form through Euroclear, Clearstream, Luxembourg or DTC, as the case may be, except in the limited circumstances described in the Final Offering Circular.

Payment for the Regulation S Securities and the 144A Securities shall be made by the Purchasers in federal (same day) funds by wire transfer to the Escrow Account, pursuant to the terms of the Escrow Agreement, at a bank acceptable to the Representatives drawn to the order of the Company at the office of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, N.Y. 10017 at 10:00 A.M. (New York time) on November 15, 2010, or at such other time not later than seven full business days thereafter as the Representatives and the Company determine, such time being herein referred to as the "**Closing Date**", against delivery to the Trustee as custodian for DTC of (i) the Regulation S Global Securities representing all of the Regulation S Securities for the respective accounts of the DTC participants for Euroclear and Clearstream, Luxembourg and (ii) the Restricted Global Securities representing all of the Offered 144A Securities. The Regulation S Global Securities and the Restricted Global Securities will be made available for checking at the above office of Davis Polk & Wardwell LLP at least 24 hours prior to the Closing Date.

4. *Representations and Warranties of Purchasers; Resale by Purchasers.* (a) Each Purchaser severally represents and warrants to the Company that it is an "accredited investor" within the meaning of Regulation D under the Securities Act.

(b) Each Purchaser severally acknowledges that the Offered Securities have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Purchaser severally represents and agrees that it has offered and sold the Offered Securities, and will offer and sell the Offered Securities (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S or Rule 144A. Accordingly, neither such Purchaser nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts with respect to the Offered Securities, and such Purchaser, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S and Rule 144A. Each Purchaser severally agrees that, at or prior to confirmation of sale of the Offered Securities, other than a sale pursuant to Rule 144A, such Purchaser will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Offered Securities from it during the restricted period a confirmation or notice to substantially the following effect:

> "The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this subsection (b) have the meanings given to them by Regulation S.

(c) Each Purchaser severally agrees that it and each of its affiliates has not entered and will not enter into any contractual arrangement with respect to the distribution of the Offered Securities except for any such arrangements with the other Purchasers or affiliates of the other Purchasers or with the prior written consent of the Company.

(d) Each Purchaser severally agrees that it and each of its affiliates will not offer or sell the Offered Securities in the United States by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act, including, but not limited to (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, or (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising. Each Purchaser severally agrees, with respect to resales made in reliance on Rule 144A of any of the Offered Securities, to deliver either with the confirmation of such resale or otherwise prior to settlement of such resale a notice to the effect that the resale of such Offered Securities has been made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

(e) In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Purchasers severally represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Offered Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offered Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Offered Securities to the public in that Relevant Member State at any time:

(i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (A) an average of at least 250 employees during the last financial year; (B) a total balance sheet of more than €43,000,000 and (C) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the manager for any such offer; or

(iv) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Offered Securities to the public" in relation to any Offered Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offered Securities to be offered so as to enable an investor to decide to purchase or subscribe the Offered Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

(f) Each of the Purchasers severally represents and agrees that

(i) (A) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (B) it has not offered or sold and will not offer or sell the Offered Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Offered Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Company;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Offered Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Securities in, from or otherwise involving the United Kingdom.

5. *Certain Agreements of the Company.* The Company agrees with the several Purchasers that:

(a) *Amendments and Supplements to Offering Circulars*. The Company will promptly advise the Representatives of any proposal to amend or supplement the Preliminary or Final Offering Circular after their respective dates and will not effect such amendment or supplementation without the Representatives' consent, which consent shall not be unreasonably delayed or withheld. If, at any time prior to the completion of the resale of the Offered Securities by the Purchasers, there occurs an event or development as a result of which any document included in the Preliminary or Final Offering Circular, the General Disclosure Package or any Supplemental Marketing Material, if republished immediately following such event or development, included or would include an untrue statement of a material fact or omitted or would omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company promptly will notify the Representatives of such event and promptly will prepare and furnish, at its own expense, to the Purchasers and the dealers and to any other dealers at the request of the Representatives, an amendment or supplement which will correct such statement or omission. Neither the Representatives' consent to, nor the Purchasers' delivery to offerees or investors of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 7.

(b) *Furnishing of Offering Circulars*. The Company will furnish to the Representatives copies of the Preliminary Offering Circular, each other document comprising a part of the General Disclosure Package, the Final Offering Circular, all amendments and supplements to such documents and each item of Supplemental Marketing Material, in each case as soon as available and in such quantities as the Representatives reasonably request. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, the Company will promptly furnish or cause to be furnished to the Representatives (and, upon request, to each of the other Purchasers) and, upon request of holders and prospective purchasers of the Offered Securities, to such holders and purchasers, copies of the information required to be delivered to holders and prospective purchasers of the Offered Securities pursuant to Rule 144A(d)(4) (or any successor provision thereto) to the extent necessary to permit compliance with Rule 144A in connection with resales by such holders of the Offered Securities. The Company will pay the expenses of printing and distributing to the Purchasers all such documents.

(c) *Blue Sky Qualifications*. The Company will use its commercially reasonably efforts, in cooperation with the Purchasers, to arrange for the qualification of the Offered Securities for sale and the determination of their eligibility for investment under the laws of such jurisdictions in the United States and Canada as the Representatives designate and will continue such qualifications in effect so long as required for the resale of the Offered Securities by the Purchasers, provided that the Company will not be required to qualify as a foreign corporation or to file a general consent to service of process or subject itself to taxation in any such state.

(d) *Reporting Requirements*. For so long as the Offered Securities remain outstanding, the Company will furnish to the Representatives and, upon request, to each of the other Purchasers, as soon as practicable after the end of each fiscal year, a copy of its annual report to shareholders for such year; and the Company will furnish to the Representatives and, upon request, to each of the other Purchasers as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to shareholders. However, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and is timely filing reports with the Commission on its Electronic Data Gathering, Analysis and Retrieval system ("**EDGAR**"), it is not required to furnish such reports or statements to the Purchasers.

(e) *Transfer Restrictions*. For a period of one year after the Closing Date, the Company will, upon request, furnish to the Representatives, each of the other Purchasers and any holder of Offered Securities a copy of the restrictions on transfer applicable to the Offered Securities.

(f) *No Resales by Affiliates*. For a period of one year after the Closing Date, the Company will not, and will not permit any of its affiliates (as defined in Rule 144 under the Securities Act ("**Rule 144**")) to, resell any of the Offered Securities which constitute "restricted securities" pursuant to Rule 144 that have been reacquired by any of them, unless (i) such Offered Securities are sold pursuant to a registration statement which is effective under the Securities Act or (ii) such Offered Securities are sold accompanied by an opinion of counsel that the buyer of such Offered Securities is acquiring freely tradable securities.

(g) *Investment Company*. For a period of one year after the Closing Date, the Company will not be or become, an open-end investment company, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act.

(h) *Payment of Expenses*. The Company will pay all expenses incidental to the performance of its obligations under this Agreement, the Indenture, the Registration Rights Agreement, the Escrow Agreement and the Security Agreements, including but not limited to (i) the fees and expenses of the Trustee and Escrow Agent and their professional advisers; (ii) all expenses in connection with the execution, issue, authentication, packaging and initial delivery of the Offered Securities and, as applicable, the Exchange Securities (as defined in the Registration Rights Agreement), the preparation and printing of this Agreement, the Registration Rights Agreement, the Offered Securities, the Indenture, the Escrow Agreement, the Security Agreements, the Preliminary Offering Circular, any other documents comprising any part of the General Disclosure Package, the Final Offering Circular, all amendments and supplements thereto, each item of Supplemental Marketing Material and any other document relating to the issuance, offer, sale and delivery of the Offered Securities and as applicable, the Exchange Securities; (iii) the cost of any advertising approved by the Company in connection with the issue of the Offered Securities; (iv) any expenses (including reasonable fees and disbursements of counsel to the Purchasers) incurred in connection with qualification of the Offered Securities or the Exchange Securities for sale under the laws of such jurisdictions in the United States and Canada as the Representatives designate and the preparation and printing of memoranda relating thereto; (v) any fees charged by investment rating agencies for the rating of the Securities or the Exchange Securities; (vi) expenses incurred in distributing the Preliminary Offering Circular, any other documents comprising any part of the General Disclosure Package, the Final Offering Circular (including any amendments and supplements thereto) and any Supplemental Marketing Material to the Purchasers; and (vii) all costs relating to the creation or perfection of liens on the Collateral, including reasonable fees and expenses of counsel to the Purchasers. The Company will also pay or reimburse the Purchasers (to the extent incurred by them) for costs and expenses of the Purchasers and the Company's officers and employees and any other expenses of the Purchasers and the Company relating to investor presentations on any "road show" in connection with the offering and sale of the Offered Securities including, without limitation, any travel expenses of the Company's officers and employees and any other expenses of the Company; provided that the Company shall only pay 50% of the costs and expenses related to aircraft chartered by the Purchasers for the purposes of such road show. It is understood, however, that except as noted in this Section 5 and Sections 9 and 11, the Purchasers will pay all of the fees, costs, expenses and disbursements of their counsel in connection with the issuance and sale of the Offered Securities.

(i) *Use of Proceeds*. On the Closing Date, the Company will deposit with the Escrow Agent the net proceeds of the offering of the Offered Securities, together with an additional amount in cash, sufficient to redeem the Offered Securities at the Special Redemption Price, pursuant to the terms of the Escrow Agreement. The Company will use the proceeds of the Escrowed Property released to it on the Escrow Release Date in the manner described in the "Use of Proceeds" section of the General Disclosure Package.

(j) *Absence of Manipulation*. In connection with the offering, until the Representatives shall have notified the Company and the other Purchasers of the completion of the resale of the Offered Securities, neither the Company nor any of its affiliates will either alone or with one or more other persons, bid for or purchase for any account in which they or any of their affiliates has a beneficial interest any Offered Securities or attempt to induce any person to purchase any Offered Securities; and neither they nor any of their affiliates will make bids or purchases for the purpose of creating actual, or apparent, active trading in, or of raising the price of, the Offered Securities.

(k) *Restriction on Sale of Securities*. For a period of 90 days after the date hereof, the Company will not, directly or indirectly, take any of the following actions with respect to any United States dollar-denominated debt securities issued or guaranteed by the Company and having a maturity of more than one year from the date of issue or any securities convertible into or exchangeable or exercisable for any of its debt securities ("**Lock-Up Securities**"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) other than the Registration Rights Agreement, file with the Commission a registration statement under the Securities Act relating to Lock-Up Securities or publicly disclose the intention to take any such action, without the prior written consent of the Representatives. The Company will not at any time directly or indirectly, take any action referred to in clauses (i) through (v) above with respect to any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbor of Rule 144A or Regulation S thereunder to cease to be applicable to the offer and sale of the Offered Securities.

6. *Free Writing Communications*. (a) *Issuer Free Writing Communications*. The Company represents, warrants and agrees that, unless it obtains the prior consent of the Representatives, and each Purchaser represents, warrants and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Offered Securities that would constitute an Issuer Free Writing Communication.

(b) *Term Sheets*. The Company consents to the use by any Purchaser of a Free Writing Communication that (i) contains only (A) information describing the preliminary terms of the Offered Securities or their offering or (B) information that describes the final terms of the Offered Securities or their offering and that is included in or is subsequently included in the Final Offering Circular, including by means of a pricing term sheet in the form of Schedule B hereto, or (ii) does not contain any material information about the Company or any of its subsidiaries or their securities that was provided by or on behalf of the Company or any of its subsidiaries, it being understood and agreed that the Company and its subsidiaries shall not be responsible to any Purchaser for liability arising from any inaccuracy in such Free Writing Communications referred to in clause (i) or (ii) as compared with the information in the Preliminary Offering Circular, the Final Offering Circular or the General Disclosure Package.

7. *Conditions of the Obligations of the Purchasers*. The obligations of the several Purchasers to purchase and pay for the Offered Securities will be subject to the accuracy of the representations and warranties of the Company herein (as though made on the Closing Date unless otherwise specified therein), to the accuracy of the statements of officers of the Company made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) *Accountants' Comfort Letter for the Company*. The Purchasers shall have received letters in respect of the Company, dated, respectively, the date hereof on the General Disclosure Package and the Closing Date on the Final Offering Circular, of Deloitte & Touche LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws and substantially in the form of Schedule E hereto (except that, in any letter dated on the Closing Date, the specified date referred to in Schedule E hereto shall be a date no more than three days prior to such Closing Date).

(b) *Accountants' Comfort Letter for Russell Hobbs*. The Purchasers shall have received letters in respect of Russell Hobbs, Inc. ("**Russell Hobbs**"), dated, respectively, the date hereof on the General Disclosure Package and the Closing Date on the Final Offering Circular, of Grant Thornton LLP, substantially in the form of Schedule F hereto (except that, in any letter dated on the Closing Date, the specified date referred to in Schedule F hereto shall be a date no more than three days prior to such Closing Date).

(c) *Accountants' Comfort Letter for Spectrum.* The Purchasers shall have received letters in respect of Spectrum, dated, respectively, the date hereof on the General Disclosure Package and the Closing Date on the Final Offering Circular, of KPMG LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws and substantially in the form of Schedule G hereto (except that, in any letter dated on the Closing Date, the specified date referred to in Schedule G hereto shall be a date no more than three days prior to such Closing Date).

(d) *No Material Adverse Change*. Subsequent to the execution and delivery of this Agreement at the Applicable Time, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole which, in the reasonable judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to market the Offered Securities; (ii) any downgrading in the rating of any debt securities of the Company or Spectrum by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Securities Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities of the Company or Spectrum (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating) or any announcement that the Company or Spectrum has been placed on negative outlook; (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls the effect of which is such as to make it, in the judgment of the Representatives, impractical to market or to enforce contracts for the sale of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any suspension or material limitation of trading in securities generally on the New York Stock Exchange, or any setting of minimum or maximum prices for trading on such exchange; (v) or any suspension of trading of any securities of the Company or Spectrum on any exchange or in the over-the-counter market; (vi) any banking moratorium declared by any U.S. federal or New York authorities; (vii) any major disruption of settlements of securities, payment, or clearance services in the United States or any other country where such securities are listed; or (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency is such as to make it in the judgment of the Representatives impractical or inadvisable to market the Offered Securities or to enforce contracts for the sale of the Offered Securities.

(e) *Opinion of Counsel for Company*. The Purchasers shall have received opinions, dated the Closing Date, of Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel for the Company, in substantially the forms attached hereto as Exhibits A-1 and A-2.

(f) *Opinion of Counsel for Purchasers*. The Purchasers shall have received from Davis Polk & Wardwell LLP, counsel for the Purchasers, such opinion or opinions, dated the Closing Date, with respect to such matters as the Representatives may require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(g) *Officers' Certificate of the Company*. The Purchasers shall have received certificates, dated the Closing Date, of an executive officer of the Company and a principal financial or accounting officer of the Company, substantially in the form attached hereto as Exhibit B.

(h) *Escrow Agreement.* The Purchasers shall have received a fully executed copy of the Escrow Agreement and such evidence as they may reasonably require of the effectiveness of the security contemplated thereby and the perfection of the security interest created thereby.

The Company will furnish the Purchasers with such conformed copies of such opinions, certificates, letters and documents as the Purchasers reasonably request. The Representatives may in their sole discretion waive on behalf of the Purchasers compliance with any conditions to the obligations of the Purchasers hereunder.

8. *Obligations of the Company Upon Release of the Escrowed Property*. Concurrently with the release of the Escrowed Property on the Escrow Release Date, the Company shall satisfy the following:

(a) *Opinion of Counsel for the Company*. The Purchasers shall have received an opinion, dated the Escrow Release Date, of Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel for the Company, substantially in the form attached hereto as Exhibit C.

(b) *Security Agreements.* The Purchasers shall have received fully executed copies of each Security Agreement and such evidence as it may reasonably require of the effectiveness of the security contemplated thereby and the perfection of the security interest created thereby (including, without limitation, the filing of UCC-1s and delivery of certificated securities or other possessory collateral and the execution and delivery of control agreements).

(c) *Collateral Trust Agreement*. The Collateral Trustee shall have received a fully executed copy of a collateral trust agreement, in form and substance reasonably satisfactory to the Representatives.

The Company will furnish the Purchasers with such conformed copies of such opinions, certificates, letters and documents as the Purchasers reasonably request. The Representatives may in their sole discretion waive on behalf of the Purchasers compliance with any conditions to the obligations of the Purchasers hereunder.

9. *Indemnification and Contribution*. (a) *Indemnification of Purchasers*. The Company will indemnify and hold harmless each Purchaser, its officers, employees, agents, partners, members, directors and its affiliates and each person, if any, who controls such Purchaser within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, an "**Indemnified Party**"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Securities Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Preliminary Offering Circular or the Final Offering Circular, in each case as amended or supplemented, or any Issuer Free Writing Communication (including with limitation, any Supplemental Marketing Material) or the Exchange Act Reports, or arise out of or are based upon the omission or alleged omission of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and (subject to Section 9(c)) will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating, preparing or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto) whether threatened or commenced and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Purchaser through the Representatives specifically for use therein, it being understood and agreed that the only such information consists of the information described as such in subsection (b) below.

(b) *Indemnification of Company*. Each Purchaser will severally and not jointly indemnify and hold harmless each of the Company, its directors and its respective officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each, a "**Purchaser Indemnified Party**"), against any losses, claims, damages or liabilities to which such Purchaser Indemnified Party may become subject, under the Securities Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Preliminary Offering Circular or the Final Offering Circular, in each case as amended or supplemented, or any Issuer Free Writing Communication (including, without limitation, any Supplemental Marketing Material) or arise out of or are based upon the omission or the alleged omission of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Purchaser through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by such Purchaser Indemnified Party in connection with investigating, preparing or defending against any such loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Purchaser Indemnified Party is a party thereto) whether threatened or commenced based upon any such untrue statement or omission, or any such alleged untrue statement or omission as such expenses are incurred, it being understood and agreed that the only such information furnished by any Purchaser consists of the following information in the Preliminary and Final Offering Circular furnished on behalf of each Purchaser: under the caption "Plan of Distribution," paragraph 3 (concerning the terms of the offering by the Purchasers), sentence 2 of paragraph 14 (concerning market-making by the Purchasers) and paragraph 15 (concerning over-allotment transactions, stabilizing transactions, syndicate covering transactions and penalty bids by the Purchasers); provided, however, that the Purchasers shall not be liable for any losses, claims, damages or liabilities arising out of or based upon the Company's failure to perform its obligations under Section 5(a) of this Agreement.

(c) *Actions against Parties; Notification*. Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. In the event, however, such indemnified party reasonably determines in its judgment based on the advice of counsel that having common counsel would present such counsel with a conflict of interest or if the defendants in or targets of any such action or proceeding include both an indemnified party and the indemnifying party and such indemnified party reasonably concludes that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or if the indemnifying party fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to such indemnified party in a timely manner, then such indemnified party may employ separate counsel to represent or defend it in any such action or proceeding and the indemnifying party will pay the reasonable and customary fees and disbursements of such counsel. In no event shall the indemnifying parties be liable for the reasonable fees and expenses of more than one counsel (together with appropriate local counsel) at any time for all indemnified parties in connection with any one action or separate but substantially similar or related actions arising in the same jurisdiction out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes (i) an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified party. No indemnifying party shall be liable for any settlement or compromise of, or consent to the party of judgment with respect to, any such action or claim effected without its consent (which consent shall not be unreasonably withheld).

(d) *Contribution*. If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Purchasers on the other from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Purchasers on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total discounts and commissions received by the Purchasers from the Company under this Agreement. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities purchased by it were resold exceeds the amount of any damages which such Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The Purchasers' obligations in this subsection (d) to contribute are several in proportion to their respective purchase obligations and not joint. The Company and the Purchasers agree that it would not be just and equitable if contribution pursuant to this Section 9(d) were determined by pro rata allocation (even if the Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 9(d).

10. *Default of Purchasers*. If any Purchaser or Purchasers default in their obligations to purchase Offered Securities hereunder and the aggregate principal amount of Offered Securities that such defaulting Purchaser or Purchasers agreed but failed to purchase does not exceed 10% of the total principal amount of Offered Securities, the Representatives may make arrangements satisfactory to the Company for the purchase of such Offered Securities by other persons, including any of the Purchasers, but if no such arrangements are made by the Closing Date, the non-defaulting Purchasers shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Purchasers agreed but failed to purchase. If any Purchaser or Purchasers so default and the aggregate principal amount of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total principal amount of Offered Securities and arrangements satisfactory to the Representatives and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Purchaser or the Company, except as provided in Section 11. As used in this Agreement, the term "Purchaser" includes any person substituted for a Purchaser under this Section. Nothing herein will relieve a defaulting Purchaser from liability for its default.

11. *Survival of Certain Representations and Obligations.* The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Purchasers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Purchaser, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If this Agreement is terminated pursuant to Section 10 or if for any reason the purchase of the Offered Securities by the Purchasers is not consummated, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of the Company and the Purchasers pursuant to Section 9 shall remain in effect. If the purchase of the Offered Securities by the Purchasers is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 10 or the occurrence of any event specified in clause (iii), (iv), (vi), (vii) or (viii) of Section 7(d), the Company will reimburse the Purchasers for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities.

12. *Notices.* All communications hereunder will be in writing and, if sent to the Purchasers will be mailed, delivered or telegraphed and confirmed to Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: LCD-IBD and Goldman, Sachs & Co., 200 West Street, New York, N.Y. 10282, Attention: Registration Department; or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to Harbinger Group Inc., 450 Park Avenue, 27th Floor, New York, NY 10022, Attention: Francis T. McCarron, with a copy (which shall not constitute notice hereunder) to Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attention: Raphael M. Russo.

13. *Successors.* This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the controlling persons referred to in Section 9, and no other person will have any right or obligation hereunder, except that holders of Offered Securities shall be entitled to enforce the agreements for their benefit contained in the second and third sentences of Section 5(b) hereof against the Company as if such holders were parties thereto.

14. *Representation of Purchasers.* You will act for the several Purchasers in connection with this purchase, and any action under this Agreement taken by you jointly will be binding upon all the Purchasers.

15. *Counterparts.* This Agreement may be executed electronically and in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

16. *Absence of Fiduciary Relationship.* The Company acknowledges and agrees that:

(a) *No Other Relationship*. The Representatives have been retained solely to act as initial purchasers in connection with the initial purchase, offering and resale of the Offered Securities and that no fiduciary, advisory or agency relationship between the Company and the Representatives has been created in respect of any of the transactions contemplated by this Agreement or the Preliminary or Final Offering Circular, irrespective of whether the Representatives have advised or are advising the Company on other matters;

(b) *Arm's-Length Negotiations*. The purchase price of the Offered Securities set forth in this Agreement was established by the Company following discussions and arms-length negotiations with the Representatives and the Company is capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) *Absence of Obligation to Disclose*. The Company has been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Representatives have no obligation to disclose such interests and transactions to Company by virtue of any fiduciary, advisory or agency relationship; and

(d) *Waiver*. The Company waives, to the fullest extent permitted by law, any claims it may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agree that the Representatives shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including shareholders, employees or creditors of the Company.

17. *Patriot Act.* In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Purchasers are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Purchasers to properly identify their respective clients.

**18.** ***Applicable Law.*** **This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to principles of conflict of laws.**

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in Federal and state courts in the Borough of Manhattan in The City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum.

If the foregoing is in accordance with the Purchasers' understanding of our agreement, kindly sign and return to us one of the counterparts hereof, whereupon it will become a binding agreement between the Company and the several Purchasers in accordance with its terms.

Very truly yours,

HARBINGER GROUP INC.

By: /s/ Francis T. McCarron
Name: Francis T. McCarron
Title: Executive Vice President and Chief Financial Officer

The foregoing Purchase Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE SECURITIES (USA) LLC

By: /s/ Ali R. Mehdi
Name: Ali R. Mehdi
Title: Managing Director

GOLDMAN, SACHS & CO.

By: /s/ Goldman, Sachs & Co.
(Goldman, Sachs & Co.)

## SCHEDULE A

| Manager | Principal Amount of Offered Securities |
|---|---|
| Credit Suisse Securities (USA) LLC. | $ |
| Goldman, Sachs & Co. | $ |
| Total | $ 350,000,000 |

## SCHEDULE B

**Issuer Free Writing Communications (included in the General Disclosure Package)**

1. Final term sheet, dated November 5, 2010, a copy of which is attached hereto as Exhibit B-1.

## EXHIBIT B-1

CREDIT SUISSE

### High Yield Capital Markets

**Issuer:** **Harbinger Group Inc.**

**Security Description:** Senior Secured Notes

**Face:** $350,000,000

**Gross Proceeds:** $345,054,500

**Coupon:** 10.625%

**Maturity:** November 15, 2015

**Offering Price:** 98.587%

**Yield to Maturity:** 11.000%

**Spread to Treasury:** +997 basis points

**Benchmark:** 4.500% UST due November 15, 2015

**Ratings:** Caal (1)

**Interest Payment Dates:** May 15 and November 15

**Commencing:** May 15, 2011

**Optional Redemption:** Callable, on or after the following dates, and at the following prices:

| Date | Price |
|---|---|
| May 15, 2013 | 105.313% |
| November 15, 2013 | 102.656% |
| November 15, 2014 and thereafter | 100.000% |

**Make-Whole:** Callable prior to first call date at make-whole call of T+50

**Equity Clawback:** Redeem until November 15, 2013 at 110.625% for up to 35.0%

**Trade Date:** November 5, 2010

**Settlement Date:** November 15, 2010 (T+5) (2)

**Cusip Numbers:** 144 A Cusip: 41146A AA4
Reg S Cusip: U24520 AA3
144 A ISIN: US41146AAA43
Reg S ISIN: USU24520AA36

**Min. Allocation:** $2,000

**Increments:** $1,000

**Book-Runners:** Credit Suisse Securities (USA) LLC
Goldman, Sachs & Co.

**Escrow:** If the Escrow Conditions (as defined in the Preliminary Offering Circular) are not fulfilled by March 31, 2011, the notes will be redeemed at a price equal to the issue price of the notes, plus accrued yield and accrued and unpaid interest to, but excluding, the date of redemption. Upon consummation of this offering, the Escrow Account (as defined in the Preliminary Offering Circular) will be funded in an amount sufficient to fund the redemption of the notes and accrued but unpaid interest to, but excluding, April 7, 2011 (the fifth business day after the latest date the Escrow Conditions can be fulfilled).

(1) These securities ratings have been provided by Moody's Investors Service. Neither of these ratings is a recommendation to buy, sell or hold these securities. Each rating may be subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

(2) We expect that delivery of the notes will be made against payment thereof on or about the closing date specified in this communication, which will be the fifth business day following the date of pricing of the notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes on the date of pricing or the next succeeding business day should consult their own advisor.

Capitalized terms used but not defined in this communication shall have the meaning ascribed to them in the Preliminary Offering Circular (the "Offering Circular"), dated November 1, 2010, and the Preliminary Offering Circular Supplement, dated November 5, 2010, related to the offering of the notes.

This communication is for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy any security. No offer to buy securities described herein can be accepted, and no part of the purchase price thereof can be received, unless the person making such investment decision has received and reviewed the information contained in the relevant prospectus or offering circular in making their investment decisions. This communication is not intended to be a confirmation as required under Rule 10b-10 of the Securities Exchange Act of 1934. A formal confirmation will be delivered to you separately. This notice shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the notes in any state or jurisdiction in which such offer, solicitation or sale would be unlawful. The notes will be offered and sold to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Act"), and to persons in offshore transactions in reliance on Regulation S under the Act. The notes have not been registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to U.S. persons absent registration or an applicable exemption from the registration requirements.

**SCHEDULE C**

**Subsidiaries of Harbinger Group Inc. on the date hereof**

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Zap.Com Corporation | 98% | Harbinger Group Inc. |
| Charged Productions, Inc. | 100% | Harbinger Group Inc. |
| Zapata Corporation of America | 100% | Harbinger Group Inc. |
| NCZI, Inc. | 100% | Harbinger Group Inc. |
| NCZII, Inc. | 100% | Harbinger Group Inc. |
| Zapata Investments Corporation | 100% | Harbinger Group Inc. |
| Zapata North America Corporation | 100% | Harbinger Group Inc. |
| Zapata America Corporation | 100% | Harbinger Group Inc. |
| Zapata Transamerica Corporation | 100% | Harbinger Group Inc. |
| Zapata Worldwide Corporation | 100% | Harbinger Group Inc. |

**Subsidiaries of Harbinger Group Inc. after the Escrow Release Date**

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Zap.Com Corporation | 98% | Harbinger Group Inc. |
| Charged Productions, Inc. | 100% | Harbinger Group Inc. |
| Zapata Corporation of America | 100% | Harbinger Group Inc. |
| NCZI, Inc. | 100% | Harbinger Group Inc. |
| NCZII, Inc. | 100% | Harbinger Group Inc. |
| Zapata Investments Corporation | 100% | Harbinger Group Inc. |
| Zapata North America Corporation | 100% | Harbinger Group Inc. |
| Zapata America Corporation | 100% | Harbinger Group Inc. |
| Zapata Transamerica Corporation | 100% | Harbinger Group Inc. |
| Zapata Worldwide Corporation | 100% | Harbinger Group Inc. |
| Spectrum Brands Holdings, Inc. | 54.4% | Harbinger Group, Inc. |
| | 12.7% | Harbinger Capital Partners, LLC |
| | 32.9% | Non-affiliated shareholders |
| SB/RH Holdings, LLC | 100% | Spectrum Brands Holdings, Inc. |
| Spectrum Brands Inc. | 100% | SB/RH Holdings, LLC |
| Russell Hobbs, Inc. | 100% | Spectrum Brands, Inc. |
| APN Holding Company, Inc. | 100% | Russell Hobbs, Inc. |
| Toastmaster Inc. | 100% | Russell Hobbs, Inc. |
| Home Creations Direct Ltd. | 100% | Russell Hobbs, Inc. |
| Salton Holdings, Inc. | 100% | Russell Hobbs, Inc. |
| Salton Brazil Limitada | 100% | Russell Hobbs, Inc. |
| Applica Consumer Products, Inc. | 100% | APN Holding Company, Inc. |

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Toastmaster de Mexico S.A. | 100% | Toastmaster Inc. |
| Salton International CV | 100% | Home Creations Direct Ltd. & Salton Holdings, Inc. |
| Salton S.a.r.l. | 100% | Salton Holdings, Inc. |
| HP Delaware, Inc. | 100% | Applica Consumer Products, Inc. |
| PPC Industries Ltd. | 100% | Applica Consumer Products, Inc. |
| Salton UK Holdings Ltd. | 100% | Salton International CV |
| Salton Nominees Ltd. | 100% | Salton International CV |
| Salton Hong Kong Ltd. | 100% | Salton S.a.r.l. |
| Pifco Overseas Ltd. | 100% | Salton S.a.r.l. |
| Salton (Australia) Pty. Ltd. | 100% | Salton S.a.r.l. |
| Household Products Chile Comercial Limitada | 100% | HP Delaware, Inc. |
| Applica Colombia Limitada | 100% | HP Delaware, Inc. |
| Applica Venezuela C.A. | 100% | HP Delaware, Inc. |
| Applica Americas, Inc. | 100% | HP Delaware, Inc. |
| HPG LLC | 100% | HP Delaware, Inc. |
| Applica Canada Corporation | 100% | HP Delaware, Inc. |
| Applica Mexico Holdings, Inc. | 100% | HP Delaware, Inc. |
| Corporacion Applica de Centro America, Inc. | 100% | HP Delaware, Inc. |
| Remdale Investments Limited | 100% | PPC Industries Ltd. |
| Applica Asia Limited | 100% | PPC Industries Ltd. |
| Salton UK | 100% | Salton UK Holdings Ltd. & Salton Nominees Ltd. |
| Salton Electrical Appliances (Shenzhen) Ltd. | 100% | Salton Hong Kong Ltd. |
| Salton NZ, Ltd. | 100% | Salton Australia, Pty. Ltd. |
| Applica Servicios de Mexico, S. de R.L. de C.V. | 100% | HPG LLC |
| Maanring Holding B.V. | 100% | Remdale Investments Limited |
| Tofino Investment Limited | 100% | Remdale Investments Limited |
| Russell Hobbs Holdings Limited | 100% | Salton UK |
| Applica Manufacturing, S. de R.L. De C.V | 100% | Maanring Holding B.V. |
| Russell Hobbs Limited | 100% | Russell Hobbs Holdings Ltd. |
| Salton Productos España SA | 100% | Russell Hobbs Holdings Ltd. |
| Salton Italia SrL | 100% | Russell Hobbs Holdings Ltd. |
| Pifco Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| Mountain Breeze Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| Best Products Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| Pifco Canada Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| Russell Hobbs Tower Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| DH Haden Ltd. | 100% | Russell Hobbs Holdings Ltd. |
| Carmen Ltd. | 100% | Russell Hobbs Limited |
| Russell Hobbs France SAS | 100% | Russell Hobbs Limited |
| Russell Hobbs Deutschland GmbH | 100% | ROV German Limited GmbH |

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| 8 in 1 Pet Products GmbH | 100% | Tetra Holding GmbH |
| Anabasis Handelsgesellschaft GmbH | 100% | VARTA Consumer Batteries GmbH & Co. KGaA |
| Best Way Distribuadora de Bens da Consumo Ltda. | 99% | Rayovac Brasil Participações Ltda. |
| | 1% | ROV Holding, Inc. |
| DB Online, LLC | 100% | United Pet Group, Inc. |
| Distribuidora Rayovac Guatemala, S.A. | 99.06% | Rayovac Overseas Corp. |
| | .94% | Rayovac Guatemala, S.A. |
| Distribuidora Rayovac Honduras, S.A. | 80.40% | Rayovac Overseas Corp. |
| | 3.80% | Rayovac Honduras, S.A. |
| | 5.40% | Rayovac El Salvador, S.A. de C.V. |
| | 5.20% | Rayovac Costa Rica, S.A. |
| | 5.20% | Dist. Rayoavac Guatemala, S.A. |
| Distribuidora Ray-O-Vac/Varta, S.A. de C.V. | >99.99% | Rayovac Overseas Corp. |
| | <.01% | Rayovac Dominican Republic, S.A. |
| Ipojuca Empreendimentos & Participações S.A. | 100% | Microlite S.A.[1] |
| Microlite S.A. | 100% | Rayovac Brasil Participações Ltda.[2] |
| Minera Vidaluz S.A. de C.V. | 100% | Spectrum Brands, Inc. |
| Ningbo Baowang Battery Co. Ltd. | 100% | Rayovac PRC |
| Paula Grund. mbH & Co Vermietungs-KG | 100% of limited partner interest | VARTA Consumer Batteries GmbH & Co. KGaA |
| Pile d'Alsace S.A.S. | 100% | Rayovac Europe GmbH[3] |
| Rayovac (UK) Limited | 100% | Rayovac Europe GmbH |
| Rayovac Argentina, S.R.L. | 94.99% | Rayovac Overseas Corp. |
| | 5.01% | Spectrum Brands, Inc. |

1 In order to satisfy local law requirements that directors be shareholders, each of the following persons (who are either employees or legal counsel to the Company) holds one share: Donnalee Corredera, Eduard Roosli, Anthony Genito, Flavio Faria de Abreu e Silva and Carlos Alberto Moreira Lima, Jr.

2 In order to satisfy local law requirements that directors be shareholders, each of the following persons (who are either employees or legal counsel to the Company) holds one share: Donnalee Corredera, Eduard Roosli, Anthony Genito, Flavio Faria de Abreu e Silva and Carlos Alberto Moreira Lima Jr.

3 Sale/leaseback entity; GP is Paula Grundstuecksverwaltunggesllschaft mbhH, which is owned by Landesbankbaden Wurttemberg.

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Rayovac Brasil Participações Ltda. | >99.99% | ROV Holding, Inc. |
| | <.01% | Spectrum Brands, Inc. |
| Rayovac Chile Sociedad Comercial Limitada | 99.99% | Rayovac Overseas Corp. |
| | <.01% | Spectrum Brands, Inc. |
| Rayovac Costa Rica, S.A. | 96.24% | Rayovac Overseas Corp. |
| | 3.76% | Rayovac Honduras, S.A. |
| Ray-O-Vac de Mexico, S.A. de C.V. | <99.99% | Rayovac Overseas Corp. |
| | <.01% | James T. Lucke[4] |
| | <.01% | Rayovac Dominican Republic, S.A. |
| Rayovac Dominican Republic, S.A. | 99.99% | Rayovac Overseas Corp. |
| | .01% | Rayovac Guatemala, S.A. |
| Rayovac El Salvador, S.A. de C.V. | 94.69% | Rayovac Overseas Corp. |
| | 5.31% | Rayovac Costa Rica, S.A. |
| Rayovac Europe GmbH | 94.9% | Spectrum Brands Europe GmbH |
| | 5.1% | VARTA Consumer Batteries GmbH & Co. KGaA |
| Rayovac Europe Limited | 100% | Rayovac (UK) Limited |
| Rayovac Far East Limited | 99.90% | ROV Holding, Inc.[5] |
| Rayovac Foreign Sales Corporation | 99.90% | Spectrum Brands, Inc. |
| | .10% | ROV Holding, Inc. |
| Rayovac Guatemala, S.A. | 96.24% | Rayovac Overseas Corp. |
| | 3.76% | Distribuidora Rayovac Guatemala, S.A. |

4 Spectrum Brands, Inc.’s former General Counsel.

5 To satisfy then-existing local law requirements, CHYY Nominee Ltd. (service company) owns one share.

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Rayovac Honduras, S.A. | 80.31% | Rayovac Overseas Corp. |
| | 5.31% | Rayovac El Salvador, S.A. de C.V. |
| | 5.31% | Rayovac Costa Rica, S.A. |
| | 5.31% | Rayovac Guatemala, S.A. |
| | 3.76% | Distribuidora Rayovac Honduras, S.A. |
| Rayovac Overseas Corp. | 100% | ROV Holding, Inc. |
| Rayovac PRC | 100% | Spectrum Brands Mauritius Limited |
| Rayovac Venezuela, S.A. | 100% | Rayovac Overseas Corp. |
| Rayovac-Varta S.A. | 97.68% | Rayovac Overseas Corp. |
| | 1.61% | Rayovac Venezuela S.A |
| | .70% | Rayovac Dominican Republic |
| | <.01 | Jose Vicente Zapata Lugo[6] |
| | <.01 | Ray-O-Vac de Mexico S.A. de C.V. |
| | <.01 | Rayovac Guatemala S.A. |
| Remington Asia | 100% | Spectrum Brands Asia, as trustee for Spectrum China Business Trust |
| Remington Consumer Products (Ireland) Ltd. | 100% | Rayovac (UK) Limited |
| Remington Consumer Products | 100% | Rayovac Europe Limited |
| Remington Products Australia Pty. Ltd. | 100% | ROV Holding, Inc. |
| Remington Products New Zealand Ltd. | 100% | Remington Products Australia Pty. Ltd. |
| ROV German General Partner GmbH | 100% | Rayovac Europe GmbH |
| ROV German Limited GmbH | 100% | Rayovac Europe GmbH |
| ROV Holding, Inc. | 100% | Spectrum Brands, Inc. |
| ROV International Finance Company | 100% | ROV Holding, Inc. |
| ROVCAL, Inc. | 100% | Spectrum Brands, Inc. |
| Schultz Company | 100% | United Industries Corporation |
| Spectrum Brands (Hong Kong) Limited | 100% | Rayovac PRC |

6 Local counsel owns shares per Colombian law.

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| Spectrum Brands (Shenzhen) Ltd. | 100% | Rayovac PRC |
| Spectrum Brands Asia | 100% | ROV Holding, Inc. |
| Spectrum Brands Canada, Inc. | 100% | ROV Holding, Inc. |
| Spectrum Brands Europe GmbH | 100% | VARTA B.V. |
| Spectrum Brands HK1 Limited | 100% | Spectrum Brands Asia |
| Spectrum Brands HK2 Limited | 100% | Spectrum Brands Asia |
| Spectrum Brands Holding B.V. | 97% | ROV Holding, Inc. |
| | 3% | Spectrum Brands, Inc. |
| Spectrum Brands Lux Sarl | 100% | Spectrum Brands Holding B.V. |
| Spectrum Brands Mauritius Limited | 100% | Spectrum Brands Asia, as trustee for Spectrum China Business Trust |
| Spectrum Brands Schweiz GmbH | 100% | Spectrum Brands Lux Sarl |
| Spectrum China Business Trust | 81% beneficiary | Spectrum Brands HK1 Limited |
| | 19% beneficiary | Spectrum Brands HK2 Limited |
| Spectrum Jungle Labs Corporation | 100% | United Pet Group, Inc. |
| Spectrum Neptune U.S. Holdco Corporation | 100% | United Industries Corporation |
| Tetra (UK) Limited | 100% | Rayovac Europe Limited |
| Tetra Aquatic Asia Pacific Private Limited | 100% | ROV Holding, Inc. |
| Tetra France S.A.S. | 100% | Pile d'Alsace S.A.S. |
| Tetra GmbH | 100% | Tetra Holding GmbH |
| Tetra Holding (US), Inc. | 100% | United Pet Group, Inc. |
| Tetra Holding GmbH | 94.9% | Spectrum Brands Europe GmbH |
| | 5.1% | Tetra GmbH |
| Tetra Italia S.r.L. | 100% | VARTA Batterie S.r.L. |
| Tetra Japan K.K. | 100% | ROV Holding, Inc. |
| United Industries Corporation | 100% | Spectrum Brands, Inc. |
| United Pet Group, Inc. | 100% | Spectrum Brands, Inc. |
| United Pet Polska SP.z.o.o. | 99.99% | Tetra GmbH |
| | .10% | 8 in 1 Pet Products GmbH |
| VARTA B.V. | 100% | Spectrum Brands Lux Sarl |
| VARTA Baterie Spol. S.R.O. | 98% | Rayovac Europe GmbH |
| | 2% | ROV German Limited GmbH |
| VARTA BATERIE spol. s.r.o. | 99% | VARTA Batterie Ges.m.b.H |
| | 1% | Rayovac Europe GmbH |
| VARTA Batterie Ges. m.b.H. | 100% | VARTA B.V. |
| VARTA Batterie S.r.L. | 100% | Rayovac Europe GmbH |
| VARTA Batterie Sp. z.o.o | 100% | Rayovac Europe GmbH |
| Varta Consumer Batteries A/S | 100% | Rayovac Europe GmbH |

| Subsidiary | Percentage Ownership Held by Parent | Parent |
|---|---|---|
| VARTA Consumer Batteries GmbH & Co. KGaA | 100% of limited partner interests | ROV German Limited GmbH |
| | 100% of general partner interests | ROV German Partner GmbH |
| VARTA Ltd. | 100% | Rayovac Europe Limited |
| VARTA Pilleri Ticaret Ltd. Sirketi | 99.99% | Rayovac Europe GmbH |
| | .01% | ROV German Limited GmbH |
| VARTA Rayovac Remington S.r.L. | 51% | VARTA Batterie Ges.m.b.H |
| | 49% | VARTA S.A. |
| VARTA Remington Rayovac d.o.o. | 100% | VARTA Batterie Ges. m.b.H. |
| VRR Bulgaria Food | 100% | VARTA Batterie Ges. m.b.H. |
| VARTA Remington Rayovac Finland Oy | 100% | VARTA B.V. |
| VARTA Remington Rayovac Norway AS | 100% | VARTA B.V. |
| VARTA Remington Rayovac Portugal Unipessoal Lda | 100% | VARTA B.V. |
| VARTA Remington Rayovac Spain S.L. | 100% | VARTA B.V. |
| VARTA Remington Rayovac Sweden AB | 100% | VARTA B.V. |
| VARTA Remington Rayovac Trgovina d.o.o. | 100% | VARTA Batterie Ges. m.b.H. |
| VARTA S.A.S. | 100% | Pile d’Alsace S.A.S. |
| VARTA-Hungaria Kereskedeimi es Szolgaltato KFT | 100% | Rayovac Europe GmbH |
| ZAO “Spectrum Brands” Russia | 99% | VARTA B.V. |
| | 1% | ROV German Limited GmbH |
| Zoephos International N.V. | 100% | ROV Holding, Inc. |

## SCHEDULE D

### Material Agreements of Harbinger Group Inc.

1. Contribution and Exchange Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd.

2. Registration Rights Agreement, dated as of September 10, 2010, by and among Harbinger Group Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd.

3. Joinder to Registration Rights Agreement, dated as of September 10, 2010, by and among Spectrum Brands Holdings, Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P., and Avenue-CDP Global Opportunities Fund, L.P.

4. Joinder to Stockholder Agreement, dated as of September 10, 2010, by and among Spectrum Brands Holdings, Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd.

5. Form of lock-up letter to be delivered by Harbinger Group Inc., a Delaware corporation from Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P. and Global Opportunities Breakaway Ltd. to Harbinger Group Inc.

6. Agreement and Plan of Merger, dated as of November 4, 2009, by and between Zapata Corporation, a Nevada corporation, and Harbinger Group Inc., a Delaware corporation.

7. Management and Advisory Services Agreement, entered into as of March 1, 2010, by and between Harbinger Capital Partners LLC, a Delaware limited liability company, and Harbinger Group Inc.

### Material Agreements of Spectrum Brands Holdings, Inc.

1. Agreement and Plan of Merger dated as of February 9, 2010 among Russell Hobbs, Inc., Spectrum Brands, Inc., Spectrum Brands Holdings, Inc., Grill Merger Corp., and Battery Merger Corp.

2. Amendment to Agreement and Plan of Merger dated as of March 1, 2010 by and among Russell Hobbs, Inc., Spectrum Brands, Inc., Spectrum Brands Holdings, Inc., Grill Merger Corp. and Battery Merger Corp.

3. Second Amendment to Agreement and Plan of Merger, dated as of March 26, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp. and Grill Merger Corp.

4. Third Amendment to Agreement and Plan of Merger, dated as of April 30, 2010, by and among Spectrum Brands, Inc., Russell Hobbs, Inc., Spectrum Brands Holdings, Inc., Battery Merger Corp., and Grill Merger Corp.

5. Registration Rights Agreement dated as of February 9, 2010 by and among Spectrum Brands Holdings, Inc., Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., Avenue International Master, L.P., Avenue Investments, L.P., Avenue Special Situations Fund IV, L.P., Avenue Special Situations Fund V, L.P., and Avenue-CDP Global Opportunities Fund, L.P.

6. Indenture governing the 12% Senior Subordinated Toggle Notes Due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee.

7. Supplemental Indenture dated as of March 15, 2010 to the indenture governing the 12% Senior Subordinated Toggle Notes Due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee.

8. Second Supplemental Indenture dated as of June 15, 2010 to the indenture governing the 12% Senior Subordinated Toggle Notes Due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., Battery Merger Corp. and U.S. Bank National Association, as trustee.

9. Third Supplemental Indenture dated as of June 16, 2010 to the indenture governing the 12% Senior Subordinated Toggle Notes Due 2019, dated as of August 28, 2009, by and among Spectrum Brands, Inc., Russell Hobbs, Inc. and U.S. Bank National Association, as trustee.

10. Letter Agreement dated March 1, 2010 by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., and Spectrum Brands, Inc.

11. Limited Guarantee dated as of February 9, 2010 by Harbinger Capital Partners Master Fund I, Ltd. in favor of Spectrum Brands, Inc.

12. Stockholder Agreement dated as of February 9, 2010 by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Global Opportunities Breakaway Ltd., and Spectrum Brands Holdings, Inc.

13. Indenture governing the 9.500% Senior Secured Notes due 2018, dated as of June 16, 2010, by and among Spectrum Brands, Inc., the guarantors named therein and US Bank National Association, as trustee.

14. Credit Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Credit Suisse AG, as administrative agent.

15. Subsidiary Guaranty dated as of June 16, 2010, by and among the subsidiaries of Spectrum Brands, Inc. party thereto, certain additional subsidiary guarantors described therein and Credit Suisse AG, as administrative agent.

16. Guaranty dated as of June 16, 2010, by and among SB/RH Holdings, LLC and Credit Suisse AG, as administrative agent.

17. Security Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto and Wells Fargo Bank, National Association, as collateral trustee.

18. Loan and Security Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc. and certain of its domestic subsidiaries, as borrowers, the lenders party thereto and Bank of America, N.A., as administrative agent.

19. Guaranty dated as of June 16, 2010, by and among the guarantors described therein and Bank of America, N.A., as administrative agent.

20. Collateral Trust Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent, U.S. Bank National Association, as indenture trustee, and Wells Fargo Bank, National Association, as collateral trustee.

21. Intercreditor Agreement dated as of June 16, 2010, by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, the other grantors party thereto, Bank of America, N.A., as ABL agent, and Wells Fargo Bank, National Association, as term/notes agent.

22. Trademark Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee.

23. Copyright Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee.

24. Patent Security Agreement dated as of June 16, 2010, by and among the loan parties party thereto and Wells Fargo Bank, National Association, as collateral trustee.

**Exhibit 10.4**

# AMENDMENT TO CONTRIBUTION AND EXCHANGE AGREEMENT

This Amendment, dated as of November 5, 2010, amends the Contribution and Exchange Agreement, dated as of September 10, 2010, (the "Contribution Agreement"), by and among Harbinger Group Inc., a Delaware corporation (the "Company"), Harbinger Capital Partners Master Fund I, Ltd., a Cayman Islands exempted company ("Harbinger Master"), Harbinger Capital Partners Special Situations Fund, L.P., a Delaware limited partnership ("Harbinger Special Situations"), and Global Opportunities Breakaway Ltd., a Cayman Islands exempted company ("Global Opportunities" and, each of Harbinger Master, Harbinger Special Situations and Global Opportunities, a "Harbinger Party" and, together, the "Harbinger Parties").

In consideration of the mutual agreements set forth in the Contribution Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, each intending to be legally bound, do hereby agree as follows:

1. Section 1.1 of the Contribution Agreement is amended by deleting it in its entirety and substituting in lieu thereof the following:

"The Contribution. Subject to the terms and conditions set forth herein, at the Closing, each Harbinger Party shall contribute to the Company the Contributed Shares beneficially owned by such Harbinger Party in exchange for the issuance by the Company to such Harbinger Party of a number of fully paid and non-assessable shares of Company Common Stock obtained by multiplying (x) the total number of Contributed Shares to be contributed by such Harbinger Party pursuant to this Section 1.1 by (y) the Exchange Ratio. Each Harbinger Party shall have the right, but not the obligation, to adjust the number of SBH Shares to be contributed by it pursuant hereto as set forth in the Closing Contribution Certificate (as defined below) delivered by such Harbinger Party to the Company at the Closing pursuant to Section 1.3(a)(i) hereof; provided, however, that in no event shall the number of SBH Shares to be contributed by the Harbinger Parties be less than 27,756,905 SBH Shares in the aggregate. From and after delivery by each Harbinger Party of a Closing Contribution Certificate at the Closing, the number of SBH Shares set forth in such certificate shall be deemed to be the Contributed Shares of such Harbinger Party for all purposes of this Agreement;"

2. Section 1.3(a)(i) of the Contribution Agreement is amended by deleting it in its entirety and substituting in lieu thereof the following:

"(i) deliver to the Company a certificate (the "Closing Contribution Certificate") duly executed by an authorized officer of such Harbinger Party, setting forth the number of shares of SBH Common Stock to be contributed by such Harbinger Party in the Transaction and indicating whether such shares are certificated or uncertificated;"

3. The first sentence of Section 2.1(a) of the Contribution Agreement is amended by deleting it in its entirety and substituting in lieu thereof the following:

"As of the date of this Agreement, such Harbinger Party is the beneficial owner of the Contributed Shares set forth opposite such Harbinger Party's name under the heading titled "Contributed Shares" on Exhibit A, and, as of the Closing, such Harbinger Party shall be the beneficial owner of all of the Contributed Shares to be contributed by it pursuant to this Agreement.

4. Section 2.6 of the Contribution Agreement is modified such that the reference to "51,020,426" in the second sentence is deleted in its entirety and replaced with "51,036,629".

5. Section 8.2 of the Contribution Agreement is amended as follows:

(a) the following new definition is inserted therein in alphabetical order:

""Contributed Shares" means, with respect to each Harbinger Party, the number of SBH Shares to be contributed by such Harbinger Party to the Company hereunder as set forth opposite its name under the heading titled "Contributed Shares" on Exhibit A, as such number of shares may (subject to the last sentence of Section 1.1) be adjusted in the Closing Contribution Certificate delivered by such Harbinger Party at the Closing pursuant to Section 1.3(a).";

(b) the definition of "Basket" set forth therein is deleted in its entirety and replaced with the following:

""Basket" means, with respect to each Harbinger Party, an amount equal to the product of (i) .005 multiplied by (ii)(A) the number of shares of Company Common Stock issued to such Harbinger Party at the Closing multiplied by (B) $6.3268.";

(c) the definition of "Cap" set forth therein is deleted in its entirety and replaced with the following:

""Cap" means, with respect to each Harbinger Party, an amount equal to the product of (i) .10 multiplied by (ii)(A) the number of shares of Company Common Stock issued to such Harbinger Party at the Closing multiplied by (B) $6.3268."

(d) the definition of "HCP Cap" set forth therein is deleted in its entirety and replaced with the following:

""HCP Cap" means, with respect to each Harbinger Party, an amount equal to the product of (i) the number of shares of Company Common Stock issued to such Harbinger Party at the Closing multiplied by (ii) $6.3268."

6. Except as expressly set forth herein, the Contribution Agreement will be and is unchanged and will remain in full force and effect. On and after the date hereof, each reference in the Contribution Agreement to “this Agreement,” “herein,” “hereof,” “hereunder” or words of similar import shall mean and be a reference to the Contribution Agreement as amended hereby. To the extent that a provision of this Amendment conflicts with or differs from a provision of the Contribution Agreement, such provision of this Amendment shall prevail and govern for all purposes and in all respects.

7. This Amendment shall be governed by and construed in accordance with the Contribution Agreement.

8. This Amendment may be executed in two or more counterparts, each of which when executed shall be deemed to be an original, and all of which together will be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties. For purposes of this Amendment, facsimile signatures or signatures by other electronic form of transfer shall be deemed originals, and the Parties agree to exchange original signatures as promptly as possible.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, all as of the date first written above.

HARBINGER GROUP INC.

By: /s/ Peter A. Jenson
Name: Peter A. Jenson
Title: Chief Operating Officer

HARBINGER CAPITAL PARTNERS MASTER FUND I, LTD.

By: Harbinger Capital Partners LLC,
its investment manager

By: /s/ Peter A. Jenson
Name: Peter A. Jenson
Title: Vice President

HARBINGER CAPITAL PARTNERS SPECIAL SITUATIONS FUND, L.P.

By: Harbinger Capital Partners Special Situations GP, LLC,
its general partner

By: /s/ Peter A. Jenson
Name: Peter A. Jenson
Title: Vice President

GLOBAL OPPORTUNITIES BREAKAWAY LTD.

By: Harbinger Capital Partners II LP,
its investment manager

By: /s/ Peter A. Jenson
Name: Peter A. Jenson
Title: Vice President

**CERTIFICATION OF CEO 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, 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: November 9, 2010

/s/ PHILIP A. FALCONE

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

**Exhibit 31.2**

**CERTIFICATION OF CFO 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, 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: November 9, 2010

/s/ FRANCIS T. McCARRON

Francis T. McCarron
Executive Vice President and Chief Financial Officer

**Exhibit 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**

In connection with the Quarterly Report of Harbinger Group Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 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
November 9, 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.

Exhibit 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**

In connection with the Quarterly Report of Harbinger Group Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 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
November 9, 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.